

Response to Questions on the FY 2010 County's Line of Business & Schools Program Review Processes Fall 2008

Request By: Supervisor Herrity

Question: Please provide detailed information on the Department of Transportation (DOT) and Office of Community Revitalization and Reinvestment (OCRR) leases.

Response: Response provided by the Facilities Management Department.

Lease Agreement for the Fairfax County Department of Transportation (FCDOT)

In October 2008, the County executed a lease agreement for space at 4000 Legato Road, Fairfax, Virginia 22030, also referred to as Centerpointe One. The lease premises are approximately 51,382 rentable square feet, consisting of the entire fifth and fourth floors, and approximately half of the third floor. The County has an ongoing right of first refusal on the remaining contiguous space on the third floor should additional space be required. The County negotiated an annual base rental rate of \$28.00 per rentable square foot (full service), which is equal to a total sum of \$1.4 million, and a tenant improvement allowance of \$33.00 per rentable square foot. The Landlord originally proposed an annual base rent of \$29.75 per rentable square foot (full service) and a tenant improvement allowance of \$20.00 per rentable square foot. Up to \$6.00 per rentable square foot of unused tenant allowance may be applied towards Tenant's rent, in which case the County would achieve additional cost savings. Also, the County will receive \$250,817 in restoration costs for water damage to the third and fourth floors. At least \$145,175 of the \$250,817 is a direct cash benefit to Fairfax County because restoration is not required based on the tenant's construction requirements.

Period	Base Rent / SF	Monthly Rent	Annual Rent
Year 1	\$28.00	\$119,891.33	\$1,438,696.00
Year 2	\$28.84	\$123,488.07	\$1,481,856.88
Year 3	\$29.71	\$127,192.72	\$1,526,312.59
Year 4	\$30.60	\$131,008.50	\$1,572,101.96
Year 5	\$31.51	\$134,938.75	\$1,619,265.02

* Rent will commence when a proper occupancy permit is received and the tenant improvements are complete.

** The rental rates do not include operating costs and real estate taxes.

The term of the lease is for a period of five years and two months with a five year option period; the two months will be leased to the County at no cost. On each anniversary of the Lease Commencement Date, which is projected to be February 15, 2009, the annual base rent then in effect shall be increased by three percent (3%). Funding for this lease is included in Fund 124, County and Regional Transportation Projects which is supported by Commercial and Industrial (C&I) taxes.

The Fairfax County Lease for Centerpointe has terms specific to the site and not normally included in other lease agreements. In accordance with Section 49, the County will receive \$250,817 for restoration costs associated with water damage to floors three and four. The allowance is projected to cover carpet, paint, and drywall in the leased premises, which will be a direct cash benefit to the County. In accordance with Section 50, the County will have roof rights for radio equipment required by the Department of Transportation (FCDOT). The roof rights are an economic benefit to the County as the Department of Information Technology (DIT) currently pays an annual rent of at least \$50,000 per site for roof top space. DIT will not be required to pay for roof top space at Centerpointe.

Overall, the lease provides a tight structure, using sound business guidelines, to oversee the tenant improvement process and limit excess costs. The Landlord is committed to constructing all tenant improvements using only the allowance; however, should the costs approved by the County exceed the allowance, the Landlord will pay for fifty percent (50%) of the excess costs, but neither party shall pay more than \$3.00 a square foot or a maximum of \$154,146. Any excess costs over \$6.00 per square foot shall be paid by the County, and will be subject to the County's review and approval. Presently, the construction costs are within the tenant allowance and are not projected to exceed the allowance during the life of the project.

BACKGROUND

The Facilities Management Department (FMD) has exhausted all short term solutions to provide adequate and professional space to the FCDOT while maintaining all code requirements. As a result, no space is available for the 19 new merit positions approved by the Board of Supervisors for FCDOT at the Government Center Complex. Staff identified a lease facility within a five mile radius of the Government Center that is on a public transportation route at the request of FCDOT.

In total, FCDOT requires space for 137 employees and growth. Also, the co-location of 18 Department of Public Works and Environmental Services (DPWES) positions in FY 2009 and 9 additional DPWES positions in the future, with the FCDOT is required. The usable square footage per person will be 258. Staff is drafting plans for the backfill of space vacated by FCDOT and DPWES that will ensure an optimum usage of space.

The negotiated terms of the lease were reviewed by the Economic Development Authority and discussed with one of the Real Estate Advisory Services brokers to ensure the County was receiving a favorable rental rate. Both parties believed the rate to be favorable based on the current economy. In addition, the Board Auditor reviewed documents related to the transaction.

Lease Agreement for the Office of Community Revitalization and Reinvestment

In June 2007, the County executed a lease agreement for space at 10565 Fairfax Boulevard, Suite 200, Fairfax, Virginia 22030. The lease premises are approximately 3,815 rentable square feet and located approximately 2.8 miles from the Government Center. The County negotiated an annual base rent of \$22.00 per square foot (full service), which is equal to a sum of \$83,928 per year. A favorable lease rate was negotiated because the County has been leasing space within the 26,910 square foot facility since 1995 for FACETS. In addition, the landlord – at his expense - reconfigured the space according to the tenant’s specifications, replaced the carpet and painted the walls throughout. The Landlord installed, at no cost to Tenant, the Tenant’s interior signage on the building’s directory and inside the Tenant’s suite. One month free rent was granted to the Tenant while the Landlord built out the Tenant’s space.

Period	Base Rent / SF	Monthly Rent	Annual Rent
9/7/07 – 8/6/08	\$22.00	\$6,994.00	\$76,936.00
8/7/08 – 8/6/09	\$22.66	\$7,203.99	\$86,447.90

* The rental amounts do not include operating costs and real estate taxes.

The term of the lease is for a period of two years with a one year option. The Lease Commencement Date is August 7, 2007, and the Termination Date is August 6, 2009. The rental rate shall increase annually on the anniversary date by three percent (3%).

BACKGROUND

In December 2006, the Board of Supervisors announced the establishment of the Office of Community Revitalization and Reinvestment (OCR) to be effective July 1, 2007. The County Executive directed the Facilities Management Department to locate space for the new office by first assessing available space in County facilities and second by reviewing available lease space within three miles of the Fairfax County Government Center.

After a complete space needs assessment of OCR and a thorough review of space at the Fairfax County Government Center, staff concluded that there was no available space at the Government Center for OCR. Staff identified several buildings within three miles of the Government Center with available lease space, and toured those that closely matched the requirements of the office with the director. The space at 10565 Fairfax Boulevard was deemed the most suitable and economical.