

Item Title: Request From Wake County Board of Education for Approval to extend a Multi-Year Operating Lease – Durham Road (First Reading)

Specific Action Requested:

That the Board of Commissioners receives this information from the Board of Education, so that upon answering any outstanding questions this item will be placed on a future Agenda pursuant to N.C.G.S 115C-530 for consideration to:

- 1. Adopt the attached resolution approving a Wake County Public School System commercial building lease extension for educational and support purposes and directs staff to submit an application to the local government commission for approval of the lease.**
- 2. Approve approximately \$5.2 million of cash from the WCPSS operating budget to address the lease costs over the term of the lease.**

Item Summary:

On February 13, 2006, the Board of Education approved a multi-year lease agreement with the FRO LLC VII for lease of a former grocery store building containing 52,474 square feet and approximately 377 surface parking spaces at 931 Durham Road in Wake Forest. This property was up-fitted by the Board of Education and modular classroom units added to accommodate additional educational uses. It is currently the site of the Wakefield High School Ninth Grade Center. The initial term of this proposed lease extends through June 30, 2016, with an option to extend for up to 5 additional years.

Due to continued growth in school populations in this area of the County, it has been determined that the continued use of this school campus is both needed and cost effective. (The intended use of the site beginning in the with the 2016-2017 school year will be for an innovative high school program) Therefore the Board of Education has negotiated and on December 1, 2015, accepted the terms and conditions of an amended lease amendment with FRO LLC, VII, subject to approval of funding by the Board of Commissioners and the Local Government Commission. The term of the Lease Amendment will commence on July 1, 2016 and expire on June 30, 2026, with options to renew for up to two five year periods (July 1, 2026 – June 30, 2031).

The base annual rental rate is \$478,503 (\$9.50/square foot) for the first five years of the term beginning on July 1, 2016. The rental rate shall increase to \$524,740 (\$10.00/square foot) for the second five years of the term beginning on July 1, 2021.

Purchase of the site is untenable at this time due to the seller's unwillingness to sell and the value of the site attributable to its income production attributes.

State law prohibits the Board of Education from entering into operational leases for school buildings and/or other facilities for more than three years without prior approval from the Board of Commissioners (NCGS §115C-530). Board approval, in the form of a resolution, is a commitment to appropriate funds in subsequent fiscal years sufficient to meet the obligations of the contract. Should the Board of Commissioners approve the resolution, the Board of Education is required to appropriate the current year's portion from existing funds, and in future years, from resources appropriated to them by the Board of Commissioners.

Wake County Staff Comments:

County staff has been involved in certain aspects of the space needs analysis and prioritization process and the site selection process, and has reviewed the findings. Utilizing the site criteria and considering the program needs identified for location in the space, the Durham Road site meets those criteria at the lowest price available compared to other sites considered. Based on the information presented, County staff supports the lease of this parcel for educational and related purposes.

Attachments:

1. Lease Agreement Precis and Lease Agreement
2. Resolution
3. Lease Space Funding Analysis
4. Power Point Presentation