

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

Specific Action Requested:
That the Board of Commissioners:

- 1. Ratifies an application submitted to the Local Government Commission and adopts the attached resolution pursuant to NCGS 115C-530 approving a Wake County Public School System commercial building lease extension for educational and support purposes at 931 Durham Road, Wake Forest NC; and**
- 2. Approves future recurring appropriations to the Wake County Board of Education to support the increased cost of lease payments, estimated at a total of \$131,185 between FY 2022 - FY 2026.**

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 Board of Commissioners approved the lease on April 3, 2006. The initial term of this 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). WCPSS states there are sufficient funds in their local budget to absorb the operating costs of the lease through FY 2021, and by approval of the operating lease, the Board of Commissioners is not approving recurring additional funds to WCPSS to support the lease and additional operating costs of the facility until FY 2022. With Board approval, the Board commits to increasing the appropriation to WCPSS a total of \$132,000 between FY 2022 through FY 2026 to support the increased lease rate in the second five years of the lease.

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. BOE Resolution
3. Lease Space Funding Analysis
4. PowerPoint Presentation
5. BOC Resolution