

Presentation To:

Wake County Board of Commissioners

Request for Approval and Funding of
Board of Education Acquisition (Lease)
of Educational and Student Support Space:
5651 Dillard Drive
(Second Reading)

Betty L. Parker, Senior Director of Real Estate Services
Wake County Public School System
January 18, 2016

West Central Wake County
(West Raleigh – Eastern Cary)

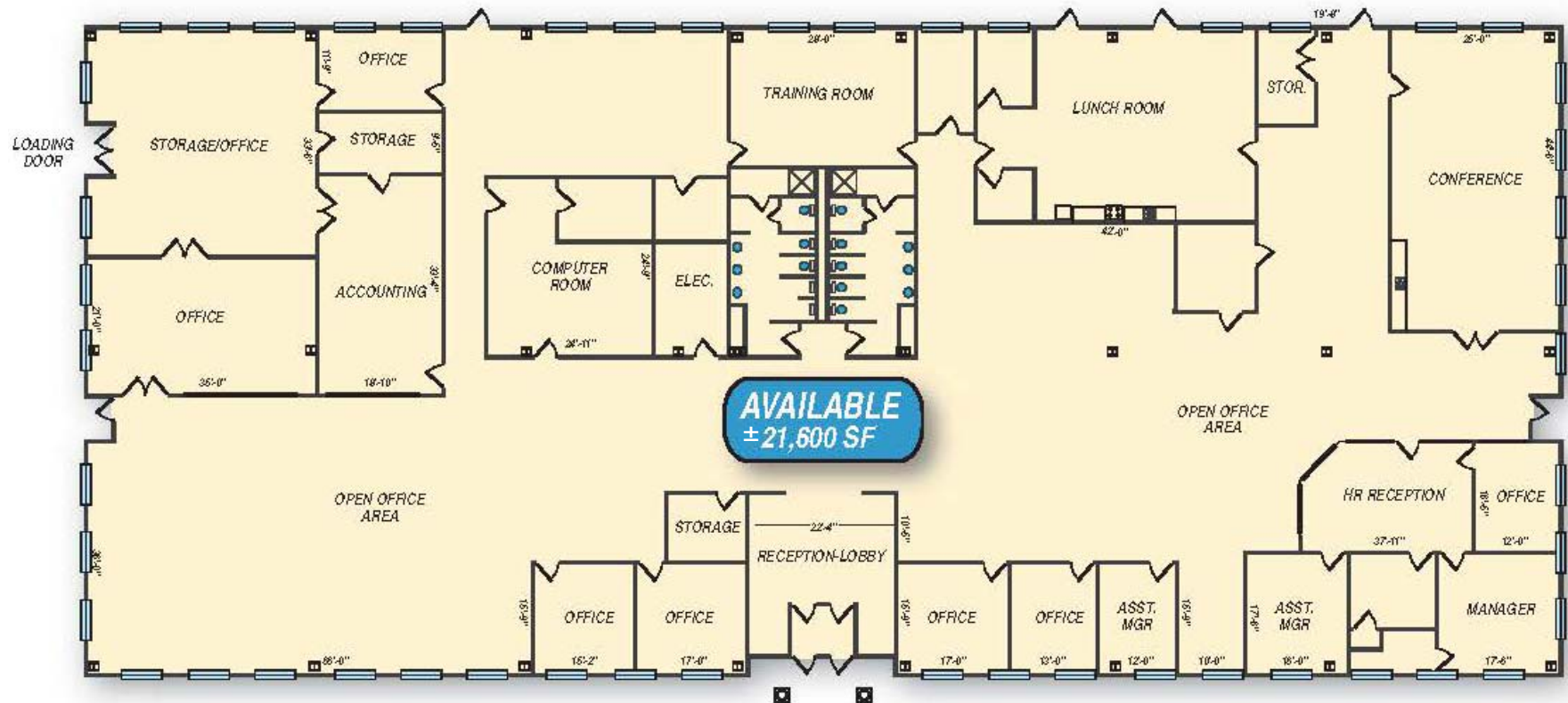
Commercial Building Acquisition (Lease)
5651 Dillard Drive

Aerial Parcel View



5651 Dillard Dr.

Current Floor Plan



Current Photos





Cash Flow Analysis

Wake County Board of Education - Lease of 5651 Dillard Drive, Cary, NC

12/7/2015

Lease Term (months)

123 4/1/16 - 6/30/16 7/1/16 - 6/30/17 7/1/17 - 6/30/18 7/1/18 - 6/30/19 7/1/19 - 6/30/20 7/1/20 - 6/30/21 7/1/21 - 6/30/22 7/1/22 - 6/30/23 7/1/23 - 6/30/24 7/1/24 - 6/30/25 7/1/25 - 6/30/26

RSF Leased 21,756 21,756 21,756 21,756 21,756 21,756 21,756 21,756 21,756 21,756 21,756

| Lease Expenses Per SF | | | | | | | | | | | | Term Effective Avg. |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Base Rent | \$16.00 | \$16.00 | \$16.40 | \$16.81 | \$17.23 | \$17.66 | \$18.10 | \$18.56 | \$19.02 | \$19.49 | \$19.98 | \$17.88 |
| TICAM ** included in base rent | \$3.09 | \$3.09 | \$3.20 | \$3.31 | \$3.43 | \$3.55 | \$3.67 | \$3.80 | \$3.93 | \$4.07 | \$4.21 | \$3.61 |
| Insurance | \$0.12 | \$0.12 | \$0.12 | \$0.13 | \$0.13 | \$0.14 | \$0.14 | \$0.15 | \$0.15 | \$0.16 | \$0.16 | \$0.14 |
| Taxes | \$1.16 | \$1.16 | \$1.20 | \$1.24 | \$1.29 | \$1.33 | \$1.38 | \$1.43 | \$1.48 | \$1.53 | \$1.58 | \$1.36 |
| Window Cleaning | \$0.02 | \$0.02 | \$0.02 | \$0.02 | \$0.02 | \$0.02 | \$0.02 | \$0.02 | \$0.03 | \$0.03 | \$0.03 | \$0.02 |
| Landscaping | \$0.88 | \$0.88 | \$0.91 | \$0.94 | \$0.98 | \$1.01 | \$1.05 | \$1.08 | \$1.12 | \$1.16 | \$1.20 | \$1.03 |
| HVAC | \$0.10 | \$0.10 | \$0.10 | \$0.11 | \$0.11 | \$0.11 | \$0.12 | \$0.12 | \$0.13 | \$0.13 | \$0.14 | \$0.12 |
| Association Dues | \$0.10 | \$0.10 | \$0.10 | \$0.11 | \$0.11 | \$0.11 | \$0.12 | \$0.12 | \$0.13 | \$0.13 | \$0.14 | \$0.12 |
| Management Fees | \$0.71 | \$0.71 | \$0.73 | \$0.76 | \$0.79 | \$0.81 | \$0.84 | \$0.87 | \$0.90 | \$0.93 | \$0.97 | \$0.83 |
| Potential TICAM pass through (est.) | | | \$0.11 | \$0.22 | \$0.34 | \$0.46 | \$0.58 | \$0.71 | \$0.84 | \$0.87 | \$0.90 | \$0.49 |
| Utilities (est.) | \$1.31 | \$1.35 | \$1.40 | \$1.45 | \$1.50 | \$1.55 | \$1.60 | \$1.66 | \$1.72 | \$0.98 | \$1.12 | \$1.43 |
| Janitorial (est.) | \$1.33 | \$1.38 | \$1.42 | \$1.47 | \$1.53 | \$1.58 | \$1.63 | \$1.69 | \$1.75 | \$1.81 | \$1.88 | \$1.61 |
| Landlord Allowance | \$15.00 | | | | | | | | | | | |
| TOTAL est. Costs/SF | \$18.64 | \$18.73 | \$19.33 | \$19.95 | \$20.59 | \$21.25 | \$21.92 | \$22.62 | \$23.33 | \$23.16 | \$23.88 | \$21.41 |
| | | | | | | | | | | | | totals |

| Lease Expenses Total \$ | | | | | | | | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Base Rent | \$87,024.00 | \$348,096.00 | \$356,798.40 | \$365,718.36 | \$374,861.32 | \$384,232.85 | \$393,838.67 | \$403,684.64 | \$413,776.76 | \$424,121.18 | \$434,724.20 | \$388,963.55 |
| TICAM ** included in base rent | \$16,806.51 | \$67,226.04 | \$69,578.95 | \$72,014.21 | \$74,534.71 | \$77,143.43 | \$79,843.45 | \$82,637.97 | \$85,530.30 | \$88,523.86 | \$91,622.19 | \$78,581.62 |
| Insurance | \$652.68 | \$2,610.72 | \$2,702.10 | \$2,796.67 | \$2,894.55 | \$2,995.86 | \$3,100.72 | \$3,209.24 | \$3,321.56 | \$3,437.82 | \$3,558.14 | \$3,051.71 |
| Taxes | \$6,309.24 | \$25,236.96 | \$26,120.25 | \$27,034.46 | \$27,980.67 | \$28,959.99 | \$29,973.59 | \$31,022.67 | \$32,108.46 | \$33,232.26 | \$34,395.39 | \$29,499.90 |
| Window Cleaning | \$108.78 | \$435.12 | \$450.35 | \$466.11 | \$482.43 | \$499.31 | \$516.79 | \$534.87 | \$553.59 | \$572.97 | \$593.02 | \$508.62 |
| Landscaping | \$4,786.32 | \$19,145.28 | \$19,815.36 | \$20,508.90 | \$21,226.71 | \$21,969.65 | \$22,738.59 | \$23,534.44 | \$24,358.14 | \$25,210.68 | \$26,093.05 | \$22,379.23 |
| HVAC | \$543.90 | \$2,175.60 | \$2,251.75 | \$2,330.56 | \$2,412.13 | \$2,496.55 | \$2,583.93 | \$2,674.37 | \$2,767.97 | \$2,864.85 | \$2,965.12 | \$2,543.09 |
| Association Dues | \$543.90 | \$2,175.60 | \$2,251.75 | \$2,330.56 | \$2,412.13 | \$2,496.55 | \$2,583.93 | \$2,674.37 | \$2,767.97 | \$2,864.85 | \$2,965.12 | \$2,543.09 |
| Management Fees | \$3,861.69 | \$15,446.76 | \$15,987.40 | \$16,546.96 | \$17,126.10 | \$17,725.51 | \$18,345.91 | \$18,988.01 | \$19,652.59 | \$20,340.43 | \$21,052.35 | \$18,055.97 |
| Potential TICAM pass through (est.) | | | \$2,352.91 | \$4,788.17 | \$7,308.67 | \$9,917.39 | \$12,617.41 | \$15,411.93 | \$18,304.26 | \$18,944.91 | \$19,607.98 | \$10,658.89 |
| Utilities (est.) | \$7,097.90 | \$29,385.29 | \$30,413.77 | \$31,478.25 | \$32,579.99 | \$33,720.29 | \$34,900.50 | \$36,122.02 | \$37,386.29 | \$21,297.82 | \$24,396.15 | \$31,100.32 |
| Janitorial (est.) | \$7,233.87 | \$29,948.22 | \$30,996.41 | \$32,081.28 | \$33,204.13 | \$34,366.27 | \$35,569.09 | \$36,814.01 | \$38,102.50 | \$39,436.09 | \$40,816.35 | \$34,982.27 |
| Landlord Allowance | \$326,340 | | | | | | | | | | | |
| TOTAL est. Costs | \$101,355.77 | \$407,429.51 | \$420,561.49 | \$434,066.07 | \$447,954.11 | \$462,236.80 | \$476,925.67 | \$492,032.60 | \$507,569.80 | \$503,799.99 | \$519,544.69 | \$465,705.02 |

| | | NPV @ 8% |
|---|-----------------------|-----------------------|
| Total Base Rent over term | \$3,986,876.38 | \$2,466,108.82 |
| Total Estimated TICAM over term ** included in Base Rent | \$805,461.62 | \$495,024.12 |
| Total Estimated TICAM Pass Through over term | \$109,253.62 | \$68,399.04 |
| Total Estimated Utilities over term | \$318,778.26 | \$201,379.32 |
| Total Estimated Janitorial over term | \$358,568.23 | \$220,291.60 |
| Total Base Rent, Estimated TICAM, Utilities & Janitorial over Term | \$4,773,476.50 | \$2,946,420.90 |

* Base Rent escalates at a fixed 2.5% per annum

* Landlord to provide \$324,000 for Tenant Upfit

Lease Approval Schedule Per Lease Terms

| | WCBOE Agenda Submittal Date | Wake County Board of Education Meetings | WCBOC Agenda Submittal Date | Wake County Board of Commissioners Meetings | NCLGC Application Submittal Date | NC Local Government Commission Meetings |
|------------|--------------------------------|--|--------------------------------|--|-------------------------------------|--|
| Nov. 2015 | 10/16/2015 | 11/3/2015 | 10/16/2015 | 11/2/2015 | 10/6/2015 | 11/3/2015 |
| | 10/30/2015 | 11/17/2015 | 10/30/2015 | 11/16/2015 | | |
| Dec. 2015 | 11/13/2015 | 12/1/2015 | 11/20/2015 | 12/7/2015 | 11/3/2015 | 12/1/2015 |
| | 11/27/2015 | 12/15/2015 | | | | |
| Jan. 2016 | 12/18/2015 | 1/5/2016 | 12/18/2015 | 1/4/2016 | 12/8/2015 | 1/5/2016 |
| | 1/8/2016 | 1/25/2016 | 1/1/2016 | 1/18/2016 | | |
| Feb. 2016 | | | 1/15/2016 | 2/1/2016 | 1/5/2016 | 2/2/2016 |
| | | | 1/29/2015 | 2/15/2016 | | |
| March 2016 | | | | | 2/2/2016 | 3/1/2016 |

Intended Space Uses

Enterprise Learning Model High School - Students take ownership of their progression through a full course load with flexible access to teacher, content, peers, and learning utilizing the best of both online and face-to-face education.

Alternative Learning Center Hub - Support to middle & high school long-term suspended students enrolled in Second Chance On-line Resource for Education (SCORE) program with access to face-to-face extra support and wrap-around services for the student and family. Supports Homebound/ Home Hospital program students.

Flexible Learning Support - Teachers prepare and oversee delivery of core course content utilizing technology. Also evaluate and coordinate elective course delivery via NCVPS and other online vendors.

End of second reading presentation.
Board approval is requested.