

Item Title: Approve a Lease Agreement for Space at 5809 Departure Drive, Raleigh, NC for the Relocation of Human Services

Specific Action Requested:

That the Board of Commissioners authorizes the County Manager to execute a 144-month lease and lease amendment for 5809 Departure Drive, Raleigh, NC, along with any other necessary documentation, on behalf of Wake County, subject to the terms and conditions acceptable to the County Attorney.

Item Summary:

Purpose: The Board of Commissioners must approve all County multi-year leases.

Background: Since 2008, Human Services has operated the Millbrook service site, offering several public health and economic self-sufficiency services. The current location, near the intersection of Millbrook Road and Capital Boulevard, does not meet the projected space needs to adequately serve this part of the County. Also, the lease is set to expire in June 2020. Staff propose entering a lease for a new, larger site that meets the needs identified in the 2018 Human Services Facilities Master Plan.

Board Goal: This action supports standard County operations and relates to the 2019 Board Goals of Community Health and Social and Economic Vitality.

Fiscal Impact: The FY 2020 expenditures for Furniture Fixtures & Equipment (FF&E) costs are estimated to be \$598,804 in Phase I. These expenditures can be accommodated through the current year Human Services department budget. Phase II FF&E costs and ongoing expenditures for rent and facilities maintenance will be included as part of the annual budget process.

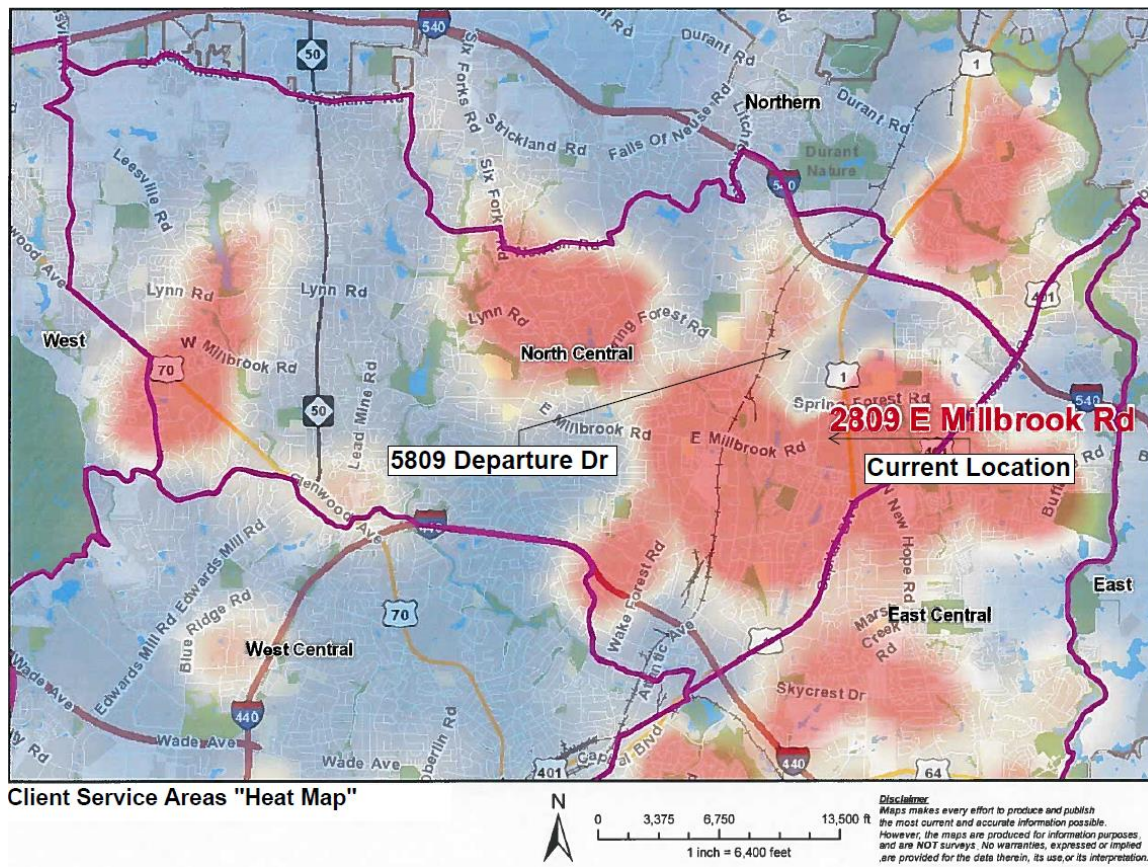
Additional Information:

In 2008, Wake County entered into the original lease agreement to establish the Millbrook Human Services Center located at 2809 East Millbrook Road near its intersection with Capital Boulevard in Raleigh, NC. The lease was amended several times since 2008 to accommodate an expansion of services with an increase in leased area. The current lease covers the entire building space (17,746 square feet) and has a termination date of June 30, 2020. The present location has allowed Wake County to bring programs and services closer to residents in the Brentwood/Mini City area of North Raleigh. The current services include:

- Women, Infants and Children (WIC) nutrition program

- Prenatal Care and Women's Clinic Services
- Child Care Subsidy
- Child Services Coordination
- Health Promotion and Community Outreach
- HIV/STD prevention and outreach
- Food and Nutrition Program (FNS)
- Family and Children Medicaid
- Child Welfare (including)
 - Child Protective Services Teams
 - Foster Care Team
 - Family Prevention Services
- Maternal Health
- Pregnancy Care Management
- Career Center (assistance to job seekers via NCWORKS Next Gen intern)

The Human Services Master Plan projects future service needs exceeding the space available in this facility. In response, County staff worked with a commercial realtor to evaluate opportunities in this service area. Staff evaluated six (6) properties in the general proximity of the current location which would also meet the Master Plan's requirements. The location of the proposed lease space at 5809 Departure Drive is shown on the Client Services Area Heat Map below, along with the existing leased facility:



Due to current market conditions, a longer-term rental commitment (which is supported by the Master Plan) will provide significant rent savings over the current lease. For the new lease space, the landlord has agreed to a lower than market rental rate and other rent concessions, as set out more particularly below. Other spaces investigated in the area would require significantly higher costs for tenant improvement construction and moving expenses, while the improvements for the proposed space are more modest. The Market Rate for comparable office space in this area generally runs \$18.00 to \$20.00 per SF. The negotiated lease rate for the new space is \$15.41 per SF. In addition, the new location will have slightly more parking, with the potential to add additional spaces. A bus stop is also available nearby.

The proposed new site at 5809 Departure Drive is currently known as the Contech Two Building. It will ultimately deliver a total of 23,867 square feet of space. Of this total, 18,000 SF will be available July 1, 2020, which will cover all of the services currently offered at the Millbrook Human Services Center. A second adjacent space, (defined as "Suite 102" in the Lease) takes up 5,867 square feet and is occupied by the North Carolina Board of Barber Examiners. This tenant has a lease termination date of October 31, 2020. Once vacated, this space will also require renovations, so it will not be available to Wake County until February 1, 2021. The renovations in this space will be a second phase to be completed in time to allow other additional Human Services programs to join the current Millbrook team. A draft of a lease amendment which addresses Phase 2 is also included.

The terms of the proposed lease and amendment are as follows:

1. Commencement Date for Phase 1 (18,000 SF) space: July 1, 2020
2. Commencement Date for Phase 2 (5,867 SF): February 1, 2021
3. Total Term of the Lease/Amendment: 144-month term, through June 30, 2032
4. Total Rental rate for Year 1: \$15.41 per combined SF
5. Landlord will be reimbursed by Tenant for taxes, insurance, common area maintenance and utilities (currently \$65,634/year or \$2.75/square foot)
6. Escalation: 2.5% annually, starting in Year 2
7. Landlord Concessions: \$40.00/SF Tenant Improvement (TI) allowance to refurbish the space before the projected move in date of June 2020. The total value of TI equals \$954,680.00, which breaks down as \$28/SF (\$668,276), plus an additional \$12/SF(\$286,404) which will be amortized over the lease term at 6%.



The lease fiscal impact summary is shown below. This represents the total combined lease expense for each fiscal year for Phases 1 and 2, including amortized Tenant Improvements and TICAM (Taxes, Insurance and Common Area Maintenance). Note that the phased occupancy as described above is reflected in the larger relative difference in rent payments between FY 2021 and FY 2022:

Fiscal Year(s) & Month Numbers		Base Rent Amount	Taxes - Insurance CAM	Total Rent Costs
FY 2021	Months 0-12	\$319,762.66	\$56,222.60	\$375,985.26
FY 2022	Months 13-24	\$376,029.94	\$67,275.11	\$443,305.05
FY 2023	Months 25-36	\$384,592.23	\$68,956.98	\$453,549.21
FY 2024	Months 37-48	\$393,368.57	\$70,680.91	\$464,049.48
FY 2025	Months 49-60	\$402,364.32	\$72,447.93	\$474,812.25
FY 2026	Months 61-72	\$411,584.97	\$74,259.13	\$485,844.10
FY 2027	Months 73-84	\$421,036.13	\$76,115.61	\$497,151.74
FY 2028	Months 85-96	\$430,723.57	\$78,018.50	\$508,742.07
FY 2029	Months 97-108	\$440,653.20	\$79,968.96	\$520,622.16
FY 2030	Months 109-120	\$450,831.07	\$81,968.18	\$532,799.25
FY 2031	Months 121-132	\$461,263.38	\$84,017.39	\$545,280.77
FY 2032	Months 133-144	\$471,956.50	\$86,117.82	\$558,074.33

Phase 1 is scheduled to open in early July 2020, with Phase 2 scheduled for February 2021. This service center relocation meets the first planned milestone of the Human Services Master Plan.

Attachments:

1. Vicinity Map – Service Area
2. Draft of Proposed Lease
3. Draft of Proposed Lease Amendment
4. Rent Analysis
5. FF&E Cost Estimate by Phase
6. Upfit Floor Plans