

Item Title: Approve a Lease Agreement at Somerset Park, Raleigh, NC for the Relocation and Consolidation of Human Services and Related Administrative and Operational Offices

Specific Action Requested:

That the Board of Commissioners authorizes the Chairman to execute a 15-year lease with MF Somerset Park LLC, for a 52,741 SF office building located at 4401 Bland Road in 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: The 2018 Human Services Master plan identified the need to co-locate similar types of work in one facility or campus in order to gain efficiencies. Administrative, operations, and other mostly non-public facing functions can benefit from shared security, consolidated technology support infrastructure, and improved workplace standards. A leased facility provides quick access to available space that alleviates crowding in existing Wake County Human Services Buildings while also providing expansion space for future years in order to keep pace with much anticipated growth. This action approves a 15 year facility lease to consolidate Human Services administrative functions.

Board Goal: This action supports standard County operations and complements Board goals of Community Health and Social and Economic Vitality.

Fiscal Impact: The total project cost estimate for associated furniture, fixtures and equipment is \$1,000,000. The FY 2020 expenditures related to this effort are \$300,000 and funding will be reallocated from the Swinburne Facility Condition Assessment Upgrades project within the County Building Improvements Element of the County CIP. An additional \$700,000 will be included in the recommended FY 2021-27 County Building Improvements Element of the County CIP. The expenses associated with any rents, maintenance, taxes or other related costs, are operational costs that will be included as part of the annual budget process.

Additional Information:

The 2018 Human Services Long Range Master Plan identified opportunities to improve the delivery of services and increase operational efficiencies as a top priority while projecting that future service needs exceed the current space available within the Wake County Human Services system.

This new lease will provide the co-location of Human Services support functions, including administrative offices, operations, finance, call center and centralized processing center. These functions and limited client services will be relocated from space currently leased at Horizon Center. Administrative space for senior management and for the Office of Veterans Affairs will also be relocated from existing County owned space currently located on the Swinburne campus, freeing up space for future renovations at Swinburne, in accordance with the Master Plan. In addition, separate administrative staff from Capital Area Workforce Development will be relocated from a leased space at Parkview Center, and co-located at this facility.

While leasing this building is in alignment with the early objectives established in the 2018 Human Service Master Plan, there are many derived benefits. The lease rate of \$21/SF commencing in year one is a very competitive, submarket rate that is accompanied by a Tenant Improvement Allowance that will enable Wake County to occupy newly improved space with optimal efficiencies and improved workplace standards. The County will be able to leverage lease space early in the master plan timeline due to its availability and will also reap benefits from the consolidation of similar functions in a dedicated building.



Security and communications infrastructure will be shared across each of the component users. These functions were formerly disbursed among existing, aging Wake County owned and leased facilities. The consolidation into one large leased facility will optimize efficiencies and provide better workplace conditions one would expect from a new build-to-suite delivery. Lease negotiations include the right of refusal when adjacent buildings have available space, ensuring that Wake County has the option to grow within the Somerset Park office center. The building located at 4401 Bland Road also has dedicated parking for staff and visitors, easy access to public transportation along the Falls of Neuse/Wake Forest Road corridor, and access to amenities nearby.

This is a "Full-Service Lease," which means that janitorial, utilities, housekeeping, common area expenses, taxes and insurance are already factored into the lease rate. The Base Year for assessing additional rents is 2020 and the controllable year to year expenses are capped at 5%. County staff worked with a commercial realtor to evaluate opportunities for administrative offices and the consolidation of similar programs.

The terms of the proposed lease are as follows:

1. Commencement Date October 1, 2020
2. Total Term of the Lease: 180-month term, through September 30, 2035
3. Total Rental rate for Year 1: \$21 per Square Foot, Full Service
4. This is a Full-Service Lease that includes Utilities, Janitorial, Taxes & Insurance. Year 2020 is the Base Year and Controllable Expenses are Capped at 5% Year to Year.
5. Escalation: 2.75% annually, Years 2-10; and 2.5% Years 11-15
6. Landlord Concessions: 4 Month Free Rent. \$32.50/SF Tenant Improvement (TI) allowance to upfit the space before the projected move in date of October 1, 2020. Free Rent Valued at \$369,187 and TI Allowance is Valued at \$1,714,082.50.

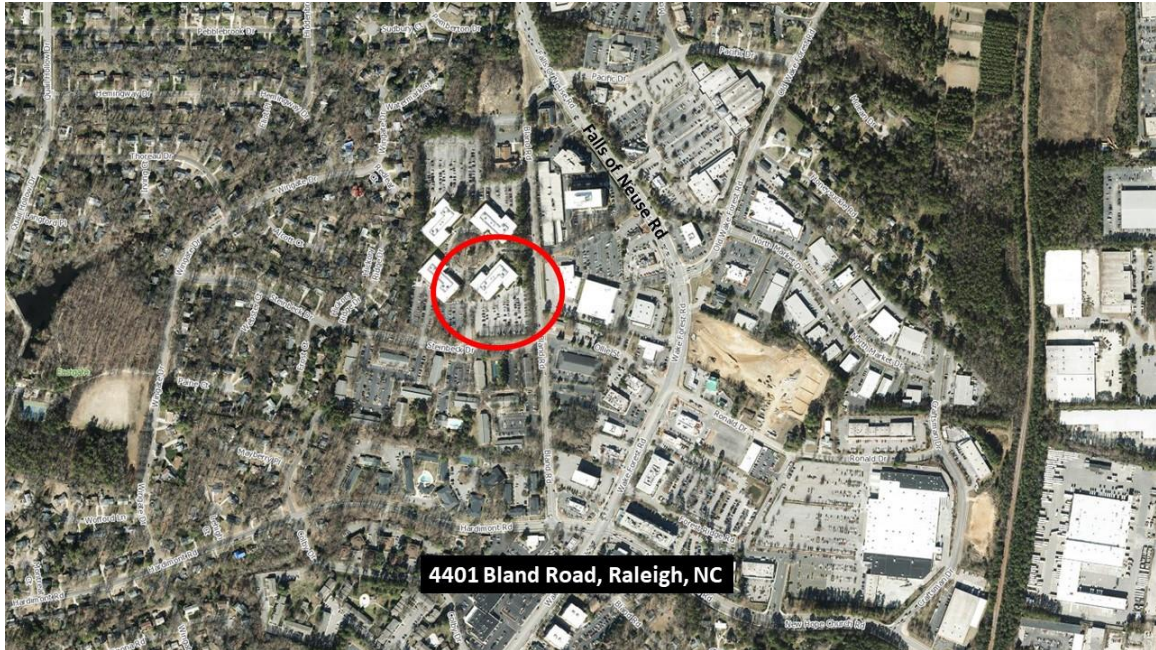
The lease rent table is provided below:

Time Period	Minimum Annual Rent Per Square Foot Per Annum	Monthly Rental Installments	Minimum Annual Rent for Time Period
Months 1 – 4	\$0.00	\$0.00	\$0.00
Months 5– 12	\$21.00	\$92,296.75	\$738,374.00
Months 13 – 24	\$21.58	\$94,845.90	\$1,138,150.80
Months 25 – 36	\$22.17	\$97,439.00	\$1,169,268.00
Months 37 – 48	\$22.78	\$100,120.00	\$1,201,440.00
Months 49 – 60	\$23.41	\$102,888.90	\$1,234,666.80
Months 61 – 72	\$24.05	\$105,701.75	\$1,268,421.00
Months 73 – 84	\$24.71	\$108,602.51	\$1,303,230.12
Months 85 – 96	\$25.39	\$111,591.17	\$1,339,094.04
Months 97 – 108	\$26.09	\$114,667.72	\$1,376,012.64
Months 109 – 120	\$26.81	\$117,832.18	\$1,413,986.16
Months 121 – 132	\$27.48	\$120,776.89	\$1,449,322.68
Months 133 – 144	\$28.17	\$123,809.50	\$1,485,714.00
Months 145 – 156	\$28.87	\$126,886.06	\$1,522,632.72
Months 157 – 168	\$29.59	\$130,050.52	\$1,560,606.24
Months 169 – 180	\$30.33	\$133,302.88	\$1,599,634.56

The total project cost estimate for associated furniture, fixtures and equipment is \$1,000,000. The FY 2020 expenditures related to this effort are \$300,000 and funding will be reallocated from the Swinburne FCA Upgrades Project within the County Building Improvements Element of the Wake County CIP, as shown in the table below:

CIP Reallocation			
Fund 4100: County Capital CIP			
Project	Current Appropriation	Reallocation	Revised Appropriation
FROM			
Swinburne FCA Upgrades	1,070,000	(300,000)	770,000
TO			
Somerset Upfit	-	300,000	300,000

The proposed lease space at Somerset Park in the 4401 Bland Road building is located near the Falls of Neuse and Wake Forest Road corridor, as shown on the site plan below:



This Human Services relocation along with the previously approved relocation of Millbrook Services Center to Departure Drive meets the first planned milestones of the Human Services Master Plan. Staff relocation and occupancy is expected to begin in Fall of 2020.

Attachments:

1. Vicinity Map
2. Draft of Proposed Lease
3. Lease Analysis
4. Upfit Floor Plans