

Office of the County Auditor
Auditor’s Analysis - REVISED

Council Bill No. 71-2022

Introduced: October 3, 2022

Auditor: Lori Buchman

Fiscal Impact:

The proposed legislation will have a fiscal impact resulting in increased lease expenses of approximately \$2.0 million over the term of the lease, which is comprised of the following costs:

Funding Source	Pre-Occupancy	5-Year Initial Term	Two Optional 5-Year Renewal Terms
General Fund	\$ 0	\$ 412,153	\$ 1,018,108
Capital Project C0335	837,000	0	0
Total	\$ 837,000	\$ 412,153	\$ 1,018,108

See **Attachment A** for an itemized breakdown of these costs.

The leased space will be used to house the new Local Family Support Center that was approved in the Fiscal Year 2023 Operating Budget for the Department of Community Resources and Services (DCRS). The DCRS confirmed that a State grant was approved in the Fiscal Year 2023 budget and awarded in the amount of \$335,000. This grant will be used towards the funding of the new Family Support Center.

Per the Administration, General Fund expenditures were appropriated in the DCRS’ Office of Children and Families’ Fiscal Year 2023 approved budget. As noted in the chart, Capital Project C0335 – Community Resources and Services Facility/Program Enhancements will be used to fund the pre-occupancy costs.

The pre-occupancy costs provided to our Office by the Department of Public Works (DPW) include \$450,000 of general fit-out construction costs. P Portfolio Owner, LLC, the landlord, has agreed to provide the County with a Tenant Improvement Allowance of \$85,080 for the completion of tenant improvements.

Attachment A has been updated to include an itemization of all pre-occupancy costs. DPW has confirmed that the tenant improvement allowance of \$85,080 will be used for the completion of tenant improvements.

DPW has confirmed that the costs incurred in the capital project will be paid using PayGo funding.

Purpose:

The proposed legislation would authorize the County Executive to enter into a 5-year lease agreement for 2,836 square feet of space at 9790 Patuxent Woods Drive, Suite B, Columbia, MD, to be used by the |DCRS as a Local Family Support Center. The County plans to take possession of this space in August 2023.

This agreement contains options for two 5-year extensions negotiated with the County at the prevailing market rate.

Other Comments:

Per the DPW, this location has not previously been used by the DCRS, although the property is located within its Human Services campus.

The proposed lease is anticipated to commence on August 1, 2023, and does not contain an early termination provision for the County.

The County received real estate consulting services from Chartwell Enterprises to review comparable spaces. The landlord will pay Chartwell a commission of 4 percent of the total base rent for the term of the lease.

***NOTE:** When this fiscal impact was submitted on October 13, 2022, our Office had an open request with DPW to provide expenditure comparisons, operational comparisons based on the County's space needs, and a review of proposals for the preferred locations that were identified by the County. DPW has since stated that a comparison spreadsheet was not prepared for this lease agreement, as this space was the only space that met the County's budget, size, and location requirements.*

Attachment A
Council Bill No. 71-2022 – Patuxent Woods Lease

Pre-Occupancy Costs

Revised Project Budget

Cost Type	Amount
Building/Site Construction	\$ 400,000
Furniture	140,000
Outdoor Play Area	100,000
Design/Architecture	85,000
Construction Contingency	50,000
Data Cabling/Equipment	30,000
Signage Installation	20,000
Security Installation	8,000
Relocation	4,000
Total	\$ 837,000

NOTE: A portion of the furniture and equipment costs will be paid with grant funding.

Initial Term - Base Rent, Operating and Direct Cost Expense

The County would enter into a 60-month lease agreement that would result in estimated costs as noted below:

Fiscal Year	Base Rent	Operating Costs	Direct Costs	Total
2023 (11 months)	\$ 36,395	\$ 23,631	\$ 11,309	\$ 71,335
2024	40,796	26,429	12,648	79,873
2025	42,013	27,156	12,995	82,164
2026	43,284	27,903	13,353	84,540
2027	44,587	28,670	13,720	86,977
2028 (1 month)	3,725	2,395	1,146	7,265
Grand Total	\$ 210,800	\$ 136,183	\$ 65,170	\$ 412,153

NOTE: Operating costs represent the Real Estate Taxes, Insurance, and Common Area Maintenance costs of the facility. Direct costs represent the costs the County pays directly for Electricity, Custodial Services, and Repairs and Maintenance

Optional Renewal Term - Base Rent, Operating and Direct Cost Expense

The estimated Fiscal Impact of the lease’s 5-year extension periods through July 2038 is noted below:

Fiscal Year	Base Rent	Operating Costs	Direct Costs	Total
Extension 1	\$ 244,413	\$ 155,967	\$ 74,638	\$ 475,017
Extension 2	283,341	175,679	84,071	543,091
Grand Total	\$ 527,754	\$ 331,646	\$ 158,708	\$ 1,018,108

We have assumed the initial term’s base rent escalation of 2.0 percent will be maintained throughout the renewal term for base rent, operating, and miscellaneous costs.