



Planning, Development and Real Estate Committee

Board Action Item VIII-B

July 24, 2008

Lease with Prince George Center I, Inc.

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 100056	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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TITLE:

MACS/CSVC Relocation

PURPOSE:

To obtain Committee concurrence and Board approval to negotiate and execute a lease agreement with Prince George Center I, Inc. for approximately 40,000 square feet of office space at 6505 Belcrest Road, Hyattsville, Maryland in support of MetroAccess Services (MACS) and Customer Service (CSVC).

DESCRIPTION:

The Office of MetroAccess Services (MACS) and the Office of Customer Service (CSVC) currently occupy approximately 39,000 square feet of office space at 8405 Colesville Road in Silver Spring, Maryland. In preparation for the lease termination on September 30, 2009, and in recognition of space limitations and the growth of the MACS program, the Office of Station Area Planning and Asset Management (SAAM) issued a Request for Expressions of Interest to lease 40,000 square feet of office space. The option of relocating MACS/CSVC to the Carmen Turner Facility was also considered but rejected after consideration of the estimated relocation costs (\$11.8 million+) and the accessibility problem for MACS/CSVC customers.

The Metro I office building at 6505 Belcrest Road in Hyattsville, Maryland was identified as the most feasible facility that met WMATA's financial and operational criteria with rent that is significantly lower than the proposed renewal rent for the current lease. The building is located across from the Prince George's Plaza Metrorail station at University Town Center, a mixed-use development. The proposed lease comprises the entire seventh floor (approximately 30,000 square feet) and a portion of the sixth floor (approximately 10,000 square feet). WMATA will have the right of first refusal to lease the remainder of the sixth floor (approximately 20,000 square feet).

As compared to Silver Spring, the lease at 6505 Belcrest Road represents an approximate \$5.8 million savings to WMATA over the ten-year term.

The lease proposal presented by the building owner, Prince George Center I, Inc. includes the following:

1. Lease Term: Ten (10) year, three (3) month, initial lease term with a five-year renewal option at 95% of the then market rental rate. The target date for commencement of the lease is April 1, 2009.
2. Rent: \$22.00 per rentable square foot per year, net of electric, adjusted annually by three percent (3%) of the previous year's rent. Rent for the first three months of the lease term is abated.
3. Landlord will provide WMATA with a tenant improvement allowance of \$41.00 per square foot (approximately \$1.64 million).
4. 100 free parking spaces in an adjacent surface parking lot.
5. Landlord, at its sole cost, will provide WMATA with a shuttle service to and from the Prince George's Plaza Metrorail station during normal business hours.
6. MACS and Office of ADA Programs (ADAP) staff have walked the property and determined that there are no accessibility or ADA compliance issues.
7. Rent payment beyond the first year of the initial lease term is contingent on Board appropriation of funds. If funds are not appropriated, WMATA can cancel the lease with nine (9) months prior written notice to Landlord upon payment of the unamortized tenant improvement allowance, unamortized broker commissions, and unamortized rent abatement.
8. Former tenant's office furniture, and some equipment valued at several hundred thousand dollars, is available to WMATA for its own use and at no cost to WMATA.
9. There is sufficient emergency back-up power in the building to run all WMATA operations in the event of a power failure.

FUNDING IMPACT:

Budget: **Operating Budget, Fiscal 2010-Fiscal 2019**

Office: **MetroAccess Services, Customer Service**

Account:

This Action: **\$14,090,620 (50% MACS; 50% CSVC)**

Remarks: **Funding for FY2010-FY2019 is subject to Board appropriation of funds**

FY2010
Budget: **\$1,228,886**
This Action: **\$1,228,886**
Prior Approval: **None**
Remaining Budget: **\$12,861,734**

<u>Fiscal Year</u>	<u>Rent</u> ¹	<u>Operating Expense</u> ²	<u>Total</u>
FY2010	\$880,000	\$348,886	\$1,228,886
FY2011	\$906,400	\$359,676	\$1,266,076
FY2012	\$933,592	\$370,466	\$1,304,058
FY2013	\$961,600	\$381,600	\$1,343,200
FY2014	\$990,400	\$392,800	\$1,383,200
FY2015	\$1,020,000	\$404,800	\$1,424,800
FY2016	\$1,050,800	\$416,800	\$1,467,600
FY2017	\$1,082,400	\$429,200	\$21,511,600
FY2018	\$1,114,800	\$442,400	\$1,557,200
FY2019	\$1,148,400	\$455,600	\$1,604,000
TOTAL	\$10,088,392	\$4,002,228	\$14,090,620

¹ Rent escalates at 3% per annum

² Includes pro-rata share of operating expense (e.g., janitorial, utilities, insurance, managerial fees) and real estate tax pass-thrus escalated at 3% per annum, plus electric escalated at 3% per annum

RECOMMENDATION:

That the Committee concur and recommend the Board approve the negotiation

and execution of a lease agreement with Prince George Center I, Inc. for approximately 40,000 square feet of office space at 6505 Belcrest Road, Hyattsville, Maryland in support of Metro Access Services (MACS) and Customer Service (CSVC).



Lease With Prince George Center I, Inc. for Relocation Of MetroAccess and Customer Service Offices

Presented to the Board of Directors:

Planning, Development and Real Estate Committee

July 24, 2008





Purpose

To obtain Committee concurrence and Board approval to negotiate and execute a lease agreement with Prince George Center I, Inc. for approximately 40,000 square feet of office space at 6505 Belcrest Road in Hyattsville, Maryland in support of MetroAccess Services (MACS) and Customer Service (CSVC)



6505 Belcrest Road
Hyattsville, Maryland

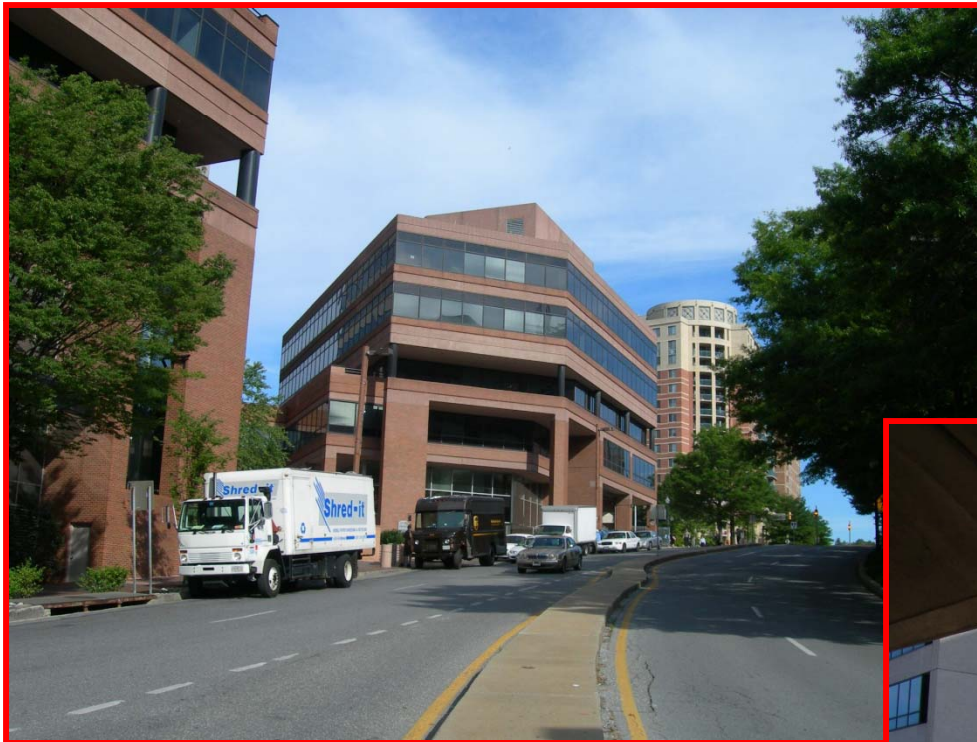


Floors 6 and 7





MACS and CSVC Existing Location



- MACS and CSVC currently occupy 39,000 square feet of office space at 8405 Colesville Road in Silver Spring, Maryland

- Ten year lease expires September 30, 2009





Request for Expressions of Interest

- To determine Metro's options in advance of the Silver Spring lease expiration, a Request for Expressions of Interest was issued in August 2007. Relocation to the Carmen Turner Facility was considered but rejected due to relocation costs (\$11.8 million+) and accessibility problems for MACS/CSVC customers.
- The Metro I office building at 6505 Belcrest Road was identified as the facility that best met Metro's financial and operational criteria, is fully accessible for MACS/CSVC customers and is located in close proximity to the Prince George's Plaza Metrorail station
- The proposed lease comprises the entire seventh floor and a portion of the sixth floor for a total of approximately 40,000 square feet of leased space



Current CSVC
Offices
Silver Spring, MD



Option Space

WMATA will have a right of first refusal to lease the remaining 20,000 square feet of space on the sixth floor



**Current
MACS Call Center
Silver Spring, MD**



6505 Belcrest Road Lease Terms

- 10-year, 3-month lease beginning April 1, 2009
- Three months free rent
- Tenant Improvement Allowance of \$1.64M
- 100 free parking spaces in adjacent surface lot
- Free shuttle service to and from Prince George's Plaza Metrorail station during normal business hours
- Former tenant's office furniture, and some equipment (valued at several hundred thousand dollars), available for WMATA use at no cost to WMATA

In front of building entrance:
Metrobus Routes C4, F6, F8, R3, R4
Prince George's County: THE BUS





Cost Benefit Analysis

\$5.8M savings over ten-year lease term as compared to Silver Spring

Expense Analysis for first 12 months (Note 1)

Location	Square Footage	Base Rent	Base Rent/SF	Real Estate Taxes	Operating Expenses	Comment
Silver Spring Renewal	39,000	\$1,209,000	\$31	Prorata Share (Note 2)	Prorata Share	3% annual Base Rent increase; \$2.50/SF additional increase at 6 th year
Belcrest Road	40,000	\$880,000 Apr – June '09 Free Rent	\$22	Prorata Share Over 2009 Base Year (Note 3)	Prorata Share Over 2009 Base Year	3% annual Base Rent increase

(Note 1): First 3 months of free rent at Belcrest Road not factored into calculation – rent payments begin 7/1/09

(Note 2): Prorata Share = Tenant's percentage of total building square footage applied to full cost of expense annually

(Note 3): Prorata Share Over 2009 Base Year = Tenant's percentage of total building square footage applied to full cost of any increase in expense over 2009 Base Year expense



Recommendation

That the Committee concur and forward to the Board for approval the negotiation and execution of a lease agreement with Prince George Center I, Inc. for approximately 40,000 square feet of space at 6505 Belcrest Road in Hyattsville, Maryland in support of MetroAccess Services and Customer Services



Prince George's Plaza Metrorail Station - view from 6th floor of 6505 Belcrest Road