



Legislation Text

File #: 14-4515, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 21, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of a Proposed Lease of Office Space at Tavern Square for Multiple City Agencies.

ISSUE: Consideration of a lease for office space at Tavern Square, 400 Block of King Street, for multiple City agencies.

RECOMMENDATION: That the City Council authorize the City Manager to enter into a new lease for office space at Tavern Square, 400 Block of King Street, which would extend occupation of this space by City departments for a period of 10.5 years (through 2026).

BACKGROUND: The City currently leases a total of 62,340 square feet of office space at Tavern Square providing office space for the Office of Housing, Information Technology Services (ITS), Office of the Voter Registration, Public Defender, Department of General Services (DGS), Department of Community and Human Services (DCHS), Transportation and Environmental Services (T&ES), and Office of Human Rights with all applicable leases set to expire November 30, 2015. As part of an overall review of what a workspace should look like in order to attract and retain quality employees. In FY 2015 the City DGS staff proposed a new City office space standard with the input a work group of City employees across departments. This new standard allows for the consolidation of the number of office types as well as reduced the overall square feet required, this is accomplished by evaluating space needs based on functional needs of employees who will be located in this space. Of the 62,340 square feet currently leased at Tavern Square approximately 52,847 square feet is projected based on new office standards and repurposing small areas of office space in existing City facilities. The new office space standard provides for lower cubicle walls to allow more natural light into the work space and designated enclosed offices based on function not title. Additionally, the new standards provide for more mobility and collaboration among staff.

In early 2015, the Department of General Services assessed City departments space needs and associated office space currently located in Tavern Square that were most able to relocate to alternative space. Some of this,

such as Office of Voter Registration and the Public Defender staff need to remain where they are, due to the current ease of access to client and work locations and ease of access for citizens. The remaining 40,000 square feet of office space being leased at Tavern Square was used as a basis to identify possible alternative locations and costs. (Summary of Current City Office Space Leased at Tavern Square by Department - Attachment 1 - Table A).

With assistance from Alexandria Economic Development Partnership (AEDP), several alternative sites for office space were identified and reviewed. The location with the lowest cost per square foot was used to compare and analyze the new lease terms proposed by the landlord at Tavern Square and to identify a range of cost savings. This data was also utilized to assess the positive and negative impacts that office relocations may have on the affected City employees and operations.

Alternative locations reviewed were less than five miles northwest of Old Town bordering Arlington County in order to maintain a reasonable proximity to City Hall operations.. The landlord at this location proposed a base lease cost of \$24 per square foot, with a projected operating expense of \$7.83 per square foot for a total cost of \$31.83 per square foot. The base lease cost proposed by the landlord at Tavern Square is \$27 per square foot with a projected operating expense of \$4.79 per square foot for a total cost of \$31.79 per square foot. (Lease Cost Comparison - Attachment 1 - Table B).

The alternative location offers several amenities including free parking, just a few restaurants within walking distance, is positioned along bus routes and more natural lighting within the office spaces. The alternative location, however is almost 3 miles from the nearest Metro Station, is more than three miles from the nearest VRE station and does not offer the quantity or variety of restaurants and amenities offered in Old Town that attract employees to work for the City. The alternative location would require acquiring additional pool car vehicles to provide transportation to the affected City staff.

In addition, the drive time to City Hall from the alternative location is approximately 20 minutes one way in good traffic, which would result in significant additional costs of staff time for those staff often required to attend meetings in Old Town.

Supporting factors for pursuing continued lease at Tavern Square:

- Proximity to City Hall,
- Flexibility for future swing space for the City Hall restoration,.
- Minimizes staff travel time to City Hall for meetings, public hearings and City Council Legislative meetings and work sessions that require physical presence,
- Availability of Emergency generator capacity at Tavern Square from the City Hall generator. Emergency generator capacity does not currently exist at the alternative site,
- Access to multiple and more convenient modes of transit, including DASH, Metro, VRE, the free Old Town Trolley and Bike Share, and.
- More local amenities in Old Town including restaurants, retail and convenient stores that attract potential employees and increase retention of existing employees.

Supporting factors for pursuing lease at alternative site:

- Proximity to DCHS and Health Department

- Easy access to I-395
- Positioned along bus routes.
- Architecturally offers more natural light.

Staff evaluated this and other alternative locations to relocate existing City offices from Tavern Square to realize lease savings and meet the operational demands of the City agencies currently located in Tavern Square and has determined that the renewal of the current office space lease at Tavern Square is in the best interest of the City and recommends City Council approval of the proposed 10.5 year lease agreement for space at Tavern Square.

FISCAL IMPACT: The Approved FY 2016 budget includes \$2.3 million for lease expenditures across all City agencies currently occupying space in Tavern Square. The new proposed base lease rate at Tavern Square of \$27.00 per square foot provides lease cost avoidance of \$431,000 in Year 1 of the lease, including taxes and operating expenses, because the effective date of the new lease would be six months into the current fiscal year (FY 2016). Future cost avoidance would range from \$700,000 to \$900,000 per year over 10.5 years compared to the projected lease costs based on the current lease rate of \$32.17 per square foot and an escalation of three percent per year and costs of added pool vehicles. Over the 10.5 years of the new Tavern Square Lease the City will save \$8 million in lease costs compared to its current Tavern Square lease. (Sources and Uses - Attachment 1 - Table C)

An analysis and comparison of all projected lease and capital costs related to City lease spaces in Tavern Square is attached. The initial capital of \$1.3 million required to fund this proposal has a pay back of less than three years as years two and three have a cost avoidance of nearly \$800,000 each year. The proposed source of funding is prior year capital project savings that would be replaced as savings of \$0.8 million.

ATTACHMENT: Summary of Current City Office Leased Space in Tavern Square and Leased Space Comparison

STAFF:

Laura Triggs, Deputy City Manager

Debra Collins, Deputy City Manager

Emily Baker, Deputy City Manager

Jeremy McPike, Director, Department of General Services

Morgan Routt, Acting Director, Office of Management and Budget

Christopher Bever, Assistant Director, Office of Management and Budget

Alfred Coleman, Deputy Director, Department of General Services