



Legislation Text

File #: 23-0849, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 24, 2023

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES F. PARAJON, CITY MANAGER /s/

FROM: JEREMY MCPIKE, DIRECTOR, GENERAL SERVICES

DOCKET TITLE:

Consideration of a Temporary Lease Agreement Between the City and Commonwealth of Virginia, Department of General Services (for the Virginia Department of Health), for 44,461 Square Feet of Rentable Space in 4850 Mark Center Drive.

ISSUE: Consideration of a Temporary Lease Agreement Between the City and Commonwealth of Virginia, Department of General Services (for the Virginia Department of Health), for 44,461 Square Feet of Rentable Space in 4850 Mark Center Drive.

RECOMMENDATION: That City Council authorize the City Manager to execute a temporary lease agreement consistent with the general terms of the attached Temporary Lease Agreement with the Commonwealth of Virginia.

BACKGROUND: On February 14, 2023, City Council authorized the City Manager to execute a lease agreement with the Commonwealth of Virginia for 44,461 square feet of rentable space at 4850 Mark Center Drive for a period of ten (10) years with one five-year renewal option exercisable by Virginia Department of Health (VDH) unless terminated by either party. However, upon final review of the lease prior to execution, the Commonwealth determined that because the total rent for the entire lease term exceeds \$5.0 million the Commonwealth could not execute the lease. Under the ten (10) year lease, the initial annual rent will be \$1.8 million, or over \$20.0 million over the entire ten 10-year term.

The state has submitted language in FY 2024 State Budget that will allow for the expenditure of the rent funds over \$5.0 million but until the General Assembly and the Governor approve the budget, the lease cannot be executed. The state estimates that it could be another month or more before the Governor approves the budget.

DISCUSSION: The City still must execute the relocation of the Health Department from 4480 King Street to 4850 Mark Center. Move preparation is well underway, services at 4480 King Street are scheduled to be discontinued and the space at 4850 Mark Center Drive has been built-out. Given these facts, the Commonwealth determined it can agree to a temporary lease for a term of six months that will serve as a bridge between now and when the 10-year lease can be executed by the Commonwealth. This temporary, short-term lease will allow the Health Department to relocate to 4850 Mark Center Drive in March 2023 as planned.

Lease terms under the temporary lease will remain consistent with the terms of the 10-year lease including rent which will be \$151,000 per month plus a portion of other operating costs including telecommunications, computer services, medical equipment supplies, and utilities based on a tenant pro-rata share. The terms of the temporary lease will also allow for its automatic termination at the end of the six-month term or earlier by mutual consent of both parties.

Since this lease is to another public body, there is no legal requirement for a public hearing prior to Council making its decision to either authorize the City Manager to execute a lease agreement with the Commonwealth of Virginia or not.

FISCAL IMPACT: The Temporary Lease Agreement between the City and VDH has term of six (6) months which will provide a bridge from now until the 10-year lease with the Commonwealth can be executed. Rent from VDH to the City during the six-month term will be identical to the initial term of the 10-year lease, or \$151,000 per month. Per the Agreement, the City will be responsible for 45% of the rent and the State will be responsible for 55% of the rent. The City will provide its 45% share of the rent as part of its annual contribution to the State. This will result in monthly net revenue to the City of 55% of the rent, or approximately \$83,000 from the State.

ATTACHMENT: Temporary Lease Agreement Between the City and the Commonwealth of Virginia

STAFF:

Yon Lambert, Deputy City Manager
Alfred Coleman, Deputy Director, General Services
Dominique de' la Bay, Real Estate Specialist, General Services
Shawn B. Lassiter, Assistant City Attorney