

Office of the County Auditor
Auditor's Analysis

Council Bill No. 64-2022

Introduced: September 8, 2022

Auditor: Lori Buchman

Fiscal Impact:

The total fiscal impact of this lease agreement is an increased expense of approximately \$5 million over the term of the lease, which is composed of the following costs:

Funding Source	Pre-Occupancy	10-year, 6-month Initial Term	Two Optional 5-year Renewal Terms
General Fund*	\$ 53,000	\$ 2,074,124	\$ 2,678,642
Grants	194,875	-	-
Total	\$ 247,875	\$ 2,074,124	\$ 2,678,642

General Fund expenditures will be incurred using appropriations from the Police Department's operating budget, within the Major Crimes Bureau. Grant funds will be incurred using appropriations from the American Rescue Plan's Coronavirus State and Local Fiscal Recovery Funds grant award. *NOTE: Our Office has an open inquiry with the Administration to confirm if the incremental costs associated with this lease were included in the FY 2023 Approved Operating Budget, or if the incremental costs will be paid using appropriations from other budget areas.*

See **Attachment A** for details on the three cost components noted above.

Purpose:

Council Bill 64-2022 would authorize the County Executive to enter into a 10-year, 6-month lease agreement for 10,600 square feet of space at 7090 Samuel Morse Drive, Columbia, MD, to be used by the Howard County Police Department's Repeat Offender Division. The County may take possession of this space on or after March 1, 2023.

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

Other Comments:

Per the Administration:

- The Repeat Offender Division, with 31 full-time employees, is currently using space at 9104 Guilford Road (which expires in March 2023) and the Northern District Police Station.
- This proposed lease is anticipated to commence on March 1, 2023, and does not contain an early termination provision for the County.
- The landlord has provided the County a favorable base rent and operating expense terms by excluding 2,100 square feet of the leased space from those cost items. The County is receiving use of 10,600 of square feet but only paying for these cost items based on 8,500 square feet.
- The County received real estate consulting services from Chartwell Enterprises to review comparable spaces. This review included 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.
 - The landlord will pay Chartwell a commission of 4 percent of the total base rent for the term of the lease.

Attachment A
Council Bill No. 64-2022 – Crestpointe Lease

Pre-Occupancy Costs

Cost Type	Amount
Data Cabling/Equipment	\$ 91,800
Security installation	54,250
Moving expense	16,000
Furniture	85,825
Total	\$ 247,875

Initial Term - Base Rent and Operating Expense

The County would enter into a 126-month lease agreement that would result in estimated costs as noted below:

Fiscal Year	Base Rent	Operating Costs	Total
2023 (4 months)	\$ 9,917	\$ 21,871	\$ 31,788
2024	89,647	66,049	155,696
2025	122,202	67,370	189,572
2026	124,667	68,718	193,385
2027	127,132	70,092	197,224
2028	129,653	71,494	201,147
2029	132,288	72,924	205,212
2030	134,923	74,382	209,305
2031	137,587	75,870	213,457
2032	140,335	77,387	217,722
2033	143,168	78,935	222,103
2034 (2 months)	24,183	13,330	37,513
Grand Total	\$ 1,315,702	\$ 758,422	\$ 2,074,124

NOTE: Operating costs represent the Custodial, Electricity, Real Estate Taxes, and Repairs and Maintenance costs of the facility.

Optional Renewal Term - Base Rent and Operating Expense

The estimated Fiscal Impact of the lease’s 5-year extension periods through August 2043 is noted below:

Term	Term Expiration	Operating Costs	Operating Costs	Total
Extension 1	August 2038	\$ 805,341	\$ 428,792	\$ 1,234,133
Extension 2	August 2043	961,619	482,890	1,444,509
Grand Total		\$ 1,766,960	\$ 911,682	\$ 2,678,642

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.