

Office of the County Auditor
Auditor’s Analysis

Council Bill No. 53-2024

Introduced: October 7, 2024

Auditor: Rebecca Gold

Fiscal Impact:

The fiscal impact of this legislation is an estimated \$25 million in expenditures over the potential duration of the lease agreement with AAK Einstein, LLC (which includes a 10.5-year initial term plus two 5-year extensions). The leased space will be used to house the Board of Elections (Elections). This total amount includes the following:

Funding Source	Pre-Occupancy	Initial 10.5-Year Term	Two 5-Year Extensions
Operating General Fund	\$ 35,000	\$ 10,566,733	\$ 12,975,651
Capital Project C0365	1,393,065	0	0

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

According to the Real Estate Services Division of the Department of Public Works (RES), lease payments from the County are expected to begin in FY 2026, as the lease commencement date is expected to be between September 1 and October 1, 2025.

The RESD anticipates that \$1.4 million in General Capital Bonds Funds will be used to support the relocation of the Board of Elections in FY 2025, although nothing has been spent year to date. These costs will be allocated to Capital Project C0365 – Systemic Facility Improvements.

Purpose:

Council Bill 53-2024 proposes that the County enter into a multi-year lease agreement with AAK Einstein, LLC, for office and warehouse space located at 7031 Albert Einstein Drive in Columbia. The agreement includes an initial 10.5-year term, with the option of two term extensions of five years each.

Other Comments:

Elections operations are currently split between two facilities (an office space and a warehouse space), several miles apart. This new lease will allow consolidation of Elections operations and will be able to accommodate future growth of the board. As the County’s population continues to grow, Elections will need more space to hire additional staff, train election judges, do canvasses of Mail-In Ballots, and house voting machines.

The County’s broker, Chartwell Enterprises, brought County representatives to tour several properties. According to RESD, the Albert Einstein Drive property was selected for its central

location and because it allows for future growth within the building (including a potential early voting center). The property will be presented to the County in turnkey condition, and the Landlord will be responsible for maintaining, repairing, and replacing the HVAC system and equipment.

The proposed lease includes 40,000 square feet. For comparison, the two current Elections spaces combined include 21,688 square feet. The 2024 expenses for those properties are:

Space	Monthly Rent	Monthly Operating Expense	Annualized Rental & Operating Costs
Office	\$ 18,291.62	\$ 2,806.88	\$253,182.00
Warehouse	12,352.50	3,049.00	184,818.00
Total	\$ 30,644.12	\$ 5,855.88	\$438,000.00

Attachment A

Pre-Occupancy Costs

Cost Type	Amount
Furniture	\$ 418,900
Contingency	309,570
Security Installation	290,000
Data Cabling/Equipment/Telecom	215,000
Audio/Visual	100,000
5% Escalation Rate	51,595
Relocation*	35,000
Signage Installation	8,000
Total	\$ 1,428,065

*Note: Pre-occupancy costs (excluding relocation costs) will be allocated to the General Capital Bonds Fund under Capital Project C0365 – Systemic Facility Improvements. Relocation costs will be allocated to the General Fund in the Elections Expense business area.

Initial Term – Base Rent, Direct Costs, and Operating Expenses

The County would enter into a ten-year, six-month lease agreement with a beginning rate of \$16 per square foot, escalating at a rate of 2 percent per year, to be allocated to the General Fund.

Fiscal Year	Base Rent	Operating Exp ¹	Direct Costs ²	Total
2026 (10 months)	\$ 426,667	\$ 152,667	\$ 91,667	\$ 671,000
2027	541,867	187,780	111,833	841,480
2028	552,800	193,413	114,070	860,283
2029	677,000	199,216	116,351	992,567
2030	690,533	205,192	118,678	1,014,404
2031	704,467	211,348	121,052	1,036,867
2032	718,467	217,688	123,473	1,059,628
2033	732,800	224,219	125,942	1,082,962
2034	747,533	230,946	128,461	1,106,940
2035	762,333	237,874	131,031	1,131,238
2036 (8 months)	517,467	162,942	88,955	769,363
Total	\$ 7,071,933	\$ 2,223,285	\$ 1,271,514	\$ 10,566,733

Optional Renewal Term – Base Rent, Direct Costs, and Operating Expenses

Below is the estimated Fiscal Impact of the lease's two 5-year extension periods through February 2046, to be allocated to the General Fund. We assume the initial term's base rent escalation of 2.0 percent will be maintained throughout the renewal term for base rent and direct costs.

Fiscal Year	Base Rent	Operating Exp ¹	Direct Costs ²	Total
Extension 1	\$ 4,100,565	\$ 1,326,745	\$ 704,785	\$ 6,132,095
Extension 2	4,527,355	1,538,062	778,139	6,843,556
Total	\$ 8,627,920	\$ 2,864,807	\$ 1,482,924	\$ 12,975,651

¹ Operating Expenses assume an annual escalation rate of 3 percent, based on current MD inflation rates: https://www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex_-_baltimore.htm

² Direct costs represent the costs the County pays directly for electricity and custodial services.