



Committee: GO
Committee Review: Completed
Staff: Gene Smith, Legislative Analyst
Purpose: To make initial decisions – straw vote expected
Keywords: FY22 budget

AGENDA ITEM #10
 May 12, 2021
Worksession

SUBJECT

FY22 Operating Budget – Leases Non-Departmental Account (NDA)

EXPECTED ATTENDEES

None

FY22 COUNTY EXECUTIVE RECOMMENDATION

Leases NDA	FY21 Approved	FY22 CE Recommended	Change from FY21 Approved
Total Expenditures (General Fund)	\$22,706,895	\$27,117,703	19.4%
Personnel Costs	\$0 0.00 FTEs	\$0 0.00 FTEs	0.0% 0.00 FTEs
Operating Costs	\$22,706,895	\$27,117,703	19.4%

COMMITTEE RECOMMENDATIONS

- The Government Operations and Fiscal Policy Committee recommends a FY22 appropriation of \$18,855,474. The committee recommended:
 - a. Reducing the Executive’s recommended appropriation by \$8,244,517 for the 255 Rockville Pike lease. This lease is no longer required in FY22; and
 - b. Reducing the Executive’s recommended appropriation by \$17,712 for the Bethesda Metro antenna lease. Executive staff updated the committee after the staff report was published that this lease is no longer required in FY22.

This report contains:

Staff Report	Pages 1-3
Executive’s recommended FY22 budget	© #1
FY22 leases	© #2

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MEMORANDUM

April 21, 2021

TO: Government Operations and Fiscal Policy (GO) Committee
FROM: Gene Smith, Legislative Analyst
SUBJECT: **FY22 Operating Budget – Leases Non-Departmental Account (NDA)**
PURPOSE: Make recommendations for Council consideration

Expected Participants:

- Gregg Ossont, Department of General Services
- Gary Nalven, Office of Management and Budget

Summary of FY22 Recommended Budget and Key Discussion Issues

Leases NDA	FY21 Approved	FY22 CE Recommended	Change from FY21 Approved
General Fund	\$22,706,895	\$27,117,703	19.4%
Personnel Costs	\$0 0.00 FTEs	\$0 0.00 FTEs	0.0% 0.00 FTEs
Operating Costs	\$22,706,895	\$27,117,703	19.4%
Total Expenditures (All Funds)	\$22,706,895 0.00 FTEs	\$27,117,703 0.00 FTEs	19.4% 0.0%

Council staff has identified the following key issues/recommendations for Council discussion:

- The County has relocated its departments and divisions from 255 Rockville Pike to new locations. These leases are no longer required in FY22.
- The final appropriation should exclude the recommended appropriation of \$8,244,517 for 255 Rockville Pike. The final appropriation is \$18,873,186.

I. Racial Equity and Social Justice Considerations

The Council adopted Bill 27-19 on December 2, 2019. This bill established and required several elements, including that the Executive submit a racial equity and social justice (RESJ) impact statement for each bill and each management initiative or program that would be funded in the operating and capital budgets.

For the FY22 operating budget development process, OMB, working with the Office of RESJ, developed and dedicated a section of the program proposal form to addressing racial equity. Departments and County partners were asked the following questions:

- Does your department use quantitative and qualitative data to track program access and/or service outcomes for different population groups?
- Which community residents will potentially benefit the most from your program proposal or be burdened by your program proposal?
- How does the program promote racial equity?

The County is still in the process of training staff on applying a racial equity and social justice lens to programming and budget decisions; therefore, OMB received a variety of responses to the above questions. Council staff are documenting these responses to establish an official baseline for each department and to identify promising practices and gaps in information.

Council staff will evaluate what information departments are utilizing, or could utilize, to apply a racial equity lens to budget decisions as Council staff works to develop its Racial Equity and Social Justice Action Plan this spring. Council staff will also coordinate with OMB and the Office of RESJ to help inform a more robust analysis for FY23 and future budget cycles.

II. Budget Overview

See the Executive’s recommended Leases NDA budget on ©1. The Department of General Services, Office of Real Estate is responsible for the County’s leasing program. See the County’s leases for the FY22 budget on ©2-3. **The Executive’s FY22 recommendation for the Leases NDA is \$27,117,703 an increase of \$4,410,808 or 19.4% from the FY21 approved appropriation.** The primary reason for the increase is due to the elimination of chargebacks for the Enterprise Funds relocating. Table 1 details the recommended changes to this budget.

Table 1: Summary of Changes for Leases NDA

Leases	Expenditures	FTEs
<i>FY21 Approved</i>	\$22,706,895	0.0
Shift: End chargebacks for enterprise funds	\$4,661,903	0.0
Increase Cost: FY22 new leases	\$55,878	0.0
Decrease Cost: Net maintenance decrease for leased facilities	(\$36,182)	0.0
Decrease Cost: Estimated net decrease for leases	(\$270,791)	0.0
<i>FY22 Recommended</i>	\$27,117,703	0.0

The County had several departments and divisions located at the office building at 255 Rockville Pike. **This lease is no longer required in FY22 due to the completion of the Wheaton office building and the renovation of the Grey Courthouse in Rockville.** The Wheaton Redevelopment project was completed in FY21. Certain County departments and the Maryland-National Capital Park and Planning Commission (M-NCPPC) have relocated through FY21. In addition, certain County departments and divisions have relocated to the Gray Courthouse in Rockville. The County owns this facility but has debt service payments included in the Debt Service Budget.

The recommended budget includes \$8,244,517 for the two leases at 255 Rockville Pike. This appropriation is no longer required now that the County offices have relocated from that site. **The appropriation for this NDA should be reduced by that amount for a total FY22 appropriation of \$18,873,186.** The Council’s budget resolution must also note that the Leases NDA appropriation will not include funding for the 255 Rockville Pike.

The following are some additional noteworthy items about the County’s leases in FY22, excluding the leases at 255 Rockville Pike:

- The FY22 budget includes about 751,000 square feet of leased space. Including maintenance costs, the County’s average rent is \$30.10 per square feet.
- Ten leases account for approximately \$15.1 million in expenditures.

Council staff recommends an appropriation of \$18,873,186 for the Leases NDA.

This packet contains:

Executive FY22 recommendation
FY22 Leases

Circle #

1
2

Leases

This NDA provides the funds necessary to lease privately owned real estate to accommodate County programs. Real property leased by the County includes office, warehouse, and retail space; child care space in schools; parking spaces; and space for communication antennas. Leasing property allows the County the flexibility to locate programs in the communities they serve and provides space for programs to operate when there is no County-owned space available. Further, it is an economical way to procure highly specialized, location-sensitive, and/or temporary space. For FY22, approximately 73 leased facilities are budgeted. The inventory of leases is constantly shifting as new leases are added and existing leases are terminated.

FY22 Recommended Changes	Expenditures	FTEs
FY21 Approved	22,706,895	0.00
Shift: End Chargebacks to Enterprise Funds for 255 Rockville Pike Lease	4,661,903	0.00
Increase Cost: FY22 New Leases	55,878	0.00
Decrease Cost: Net Maintenance Decrease for Leased Facilities	(36,182)	0.00
Decrease Cost: Estimated Net Decrease of Facility Leases	(270,791)	0.00
FY22 Recommended	27,117,703	0.00

Location/Occupant	Use	FY22 Proj. Rent	FY22 Proj. Maint.	FY22 Proj. Total
8513 Piney Branch Rd	TESS Center	108,500	22,611	131,111
Metropolitan CAM Charges	BCC Center Office/Day care	103,701	0	103,701
255 Rockville Pike - Big Lease	General Offices	7,316,308	0	7,316,308
255 Rockville Pike - Treasury Lease	Treasury Division	928,209	0	928,209
51 Monroe Street, 802	Inspector General	79,221	0	79,221
18410 Muncaster Road	Ag History Farm/Coop Extension	169,416	0	169,416
Core Pkg - 255 Rock Pk & E.Middle Ln.	85 spaces	145,321	0	145,321
8516 Anniversary Circle	Warehouse	138,847	30,384	169,231
8536 Anniversary Circle	Records Center	251,165	36,224	287,389
1901 Research Blvd	DFRS Stress Management	34,012	0	34,012
Page Elementary	Integrated Childcare	23,607	0	23,607
11711 Joseph Mill Road	Viers Mill Childcare	43,486	0	43,486
12260 McDonald Chapel Dr.	Thurgood Marshall Childcare	53,687	0	53,687
Glen Haven Elementary	Integrated Childcare	43,449	0	43,449
Sargent Shriver (Conn. Pk) ES	Integrated Childcare	26,562	0	26,562
1820 Franwall Ave. - Arcola ES	Integrated Childcare	27,645	0	27,645
12612 Galway Dr. - Galway ES	Integrated Childcare	23,537	0	23,537
7511 Holly Ave - Takoma Park ES	Integrated Childcare	22,158	0	22,158
Weller Road ES	Integrated Childcare	23,214	0	23,214
13801 Rippling Brook -Bel Pre ES	Integrated Childcare	23,917	0	23,917
Brown Station ES	Integrated Childcare	21,964	0	21,964
Wheaton Woods Child Care	Integrated Childcare	19,229	0	19,229
8630 Fenton St	Health Center	630,562	0	630,562
7300 Calhoun Drive	Juvenile Assmt. Ctr.	1,776,747	0	1,776,747
Bethesda Metro Center	DTS Antenna	17,712	0	17,712
Enclave - Lockwood Dr	DTS Antenna	42,648	0	42,648
NRC Bldg - White Flint	DTS Antenna	67,158	0	67,158
17101 Darnestown-Germantown Rd/Sangamore Rd	DTS Antenna	9,000	0	9,000
21200 Martinsburg Rd - Mirant	DTS Antenna	89,478	0	89,478
Riverbend Antenna - Fairfax	DTS Antenna	3,404	0	3,404
5202 River Rd, Bethesda - Crown Castle	DTS Antenna	52,451	0	52,451
15700 River Rd, Bethesda - Bretton Woods, IMF	DTS Antenna	28,454	0	28,454
14000 Castle Blvd., SS - Waterford Tower	DTS Antenna	39,278	0	39,278
18500 Elmer School Rd, Dickerson	DTS Antenna	28,722	0	28,722
111 University Blvd, E., SS - SSVFD FS16	DTS Antenna	41,200	0	41,200
9404 Falls Rd, Potomac - FS30 - Cabin John VFD	DTS Antenna	29,425	0	29,425
10101 Grosvenor Ln, Bethesda	DTS Antenna	48,859	0	48,859
17410 Black Rock Rd	DTS Antenna	25,462	0	25,462
19627 Fisher Ave.	Poolesville Library	175,600	35,448	211,048
455 E. Gude Drive	DSWS Storage	8,644	0	8,644
47 State Circle, Annapolis	Legislative Affairs	74,263	0	74,263
701-C Dover Road	MCFRS Warehouse	716,041	88,233	804,273
22610 Gateway Center	Clarksburg Interim FS	169,000	62,180	231,180
2-1 & 2-4 Metropolitan Court	Libraries Materials Mngmnt	220,457	81,876	302,333
7-1 Metropolitan Ct	Mercy Clinic	228,443	39,499	267,942
8434 Helgerman	Public Safety	50,313	12,483	62,796
14935 Southlawn	Public Safety	2,316,196	197,496	2,513,692
17 B Firstfield	MCFRS Stress Management	34,649	0	34,649
4901-43 Nicholson Ct	Transit Small Buses	1,432,958	0	1,432,958
23201 Stringtown Road	Clarksburg Cottage	12,897	15,667	28,564
600 E. Jefferson St	Family Justice Center +Pkg	1,094,536	0	1,094,536
600 E. Jefferson St	Family Justice Center Expansion	196,383	0	196,383
18753 N. Frederick Ave.	Board of Elections	1,128,381	134,410	1,262,791
18753 N. Frederick Ave.	Board of Elections Expansion	221,936	0	221,936
45 W. Watkins Mill Road	Interim 6th District Police Station	612,161	79,859	692,020
981 Rollins Ave	OAS	918,506	81,584	1,000,090
451 Hungerford, Suite 700	Risk Management	131,217	0	131,217
7676 New Hampshire Ave	HHS - Youth Opportunity Center	75,400	0	75,400
Rockville Town Center Garage	Library parking	111,391	0	111,391
199 E. Montgomery	Sheriff	285,552	0	285,552
2301 Research Blvd	Stress Management Unit	59,460	0	59,460
5320 Marinelli	HHS Shelter	258,028	42,345	300,373
Rockville Town Center Garage	HHS Parking	0	0	0
1401 Rockville Pike	CRC/MC311/HHS/DHCA/AAHP	3,056,144	0	3,056,144
11002 Veirs Mill Rd 7th FL Wheaton Westview	Proyecto Salud & Adult Behav Health	415,393	0	415,393
11002 Veirs Mill Rd. 5th Fl Wheaton Westview	Gilchrist Center	181,269	0	181,269
9615 Dewitt Ave	Carroll House	26,499	27,219	53,718
Germantown- Century	DGS Admin	485,602	0	485,602
2 Taft Court	HHS Shelter	246,756	0	246,756
7730 Woodmont Ave, Bethesda	Bethesda Cares	0	2,000	2,000
11425 Grandview Ave.	Wheaton Day Laborers	117,528	14,753	132,281
8900 Georgia Ave - SSUMC	HHS Prkng for 8818 Georgia	44,496	0	44,496
Subtotal		27,663,816	1,004,270	28,668,086
New Leases Added FY21:				
17811 Georgia Ave, Olney	MCPD Substation 517sf	10,166		10,166
1401 Rockville Pike	AAHP3325 rsf	0	0	0
4301 Brookville Road	DTS Antenna	27,192	0	27,192
51 Monroe Street, 6th Floor	Inspector General	77,250	0	77,250
Wheaton Lease Payment to MNCPPC		1,447,456	0	1,447,456
WMATA Fleet Parking Payment in Wheaton		366,585	0	366,585
Subtotal New Leases in FY21		1,928,650		1,928,650
Other Leasing Cost:				0

Contractor for Property Database		51,500		51,500
Closed School Revenue Sharing		96,156		96,156
Moving & buildout expenses		103,000		103,000
Purchase of 4 Oracle Property Manager Licenses		0		0
Subtotal Other Leasing costs		250,656	0	250,656
Total Gross Leases Budget		29,843,122	1,004,270	30,847,392
LESS CHARGEBACKS:				
Location/Occupant	Use	FY22 Proj. Rent	FY22 Proj. Maint.	FY22 Proj. Total
Wheaton Office Building	DPS - 65,814 sf	541,408	0	541,408
Wheaton Office Building	DEP - WQPF - 29,139	239,707	0	239,707
Wheaton Office Building	CUPF - 10,108	83,152	0	83,152
Wheaton Office Building	Recreation - 22,463	184,788	0	184,788
Wheaton Office Building	Solid Waste - 16,390	134,830	0	134,830
WMATA Wheaton Metro Garage	Permitting Services	179,183	0	179,183
WMATA Wheaton Metro Garage	DEP - WQPF	118,359	0	118,359
WMATA Wheaton Metro Garage	CUPF	1,644	0	1,644
WMATA Wheaton Metro Garage	Recreation	16,439	0	16,439
455 E. Gude Drive	DSWS Storage	8,644	0	8,644
2301 Research	Stress Management	59,460	0	59,460
8536 Anniversary Circle	DGS Ops Records Center	251,165	36,224	287,389
4901-43 Nicholson Ct	Transit Small Buses	1,432,958	0	1,432,958
7676 New Hampshire Ave	HHS - Youth Opportunity Center	75,400	0	75,400
Rockville Town Center Garage	Library parking	111,391	0	111,391
451 Hungerford, Suite 700	Risk Management	131,217	0	131,217
8900 Georgia Ave - SSUMC	HHS Prkng for 8818 Georgia	44,496	0	44,496
Subtotal Chargebacks		3,614,243	36,224	3,650,467
TOTAL NET LEASES BUDGET		26,228,879	968,046	27,196,926