

# Orange County Space Needs Study

Update – 2008

**ORANGE COUNTY  
BOARD OF COMMISSIONERS**

**ACTION AGENDA ITEM ABSTRACT**

**Meeting Date:** January 16, 2008

**Action Agenda  
Item No.** 2

**SUBJECT:** Space Study Update: Human Services Operational Space and Link Center

**DEPARTMENT:** Purchasing and Central Svcs.    **PUBLIC HEARING:** (Y/N)

No

**ATTACHMENT(S):**

DSS Space Needs Statement  
Comparative Financial Data for Options

**INFORMATION CONTACT:**

Pam Jones (919) 245-2652  
Donna Coffey (919) 245-2151  
Nancy Coston (919) 245-2800  
Rosemary Summers (919) 245-2410

**PURPOSE:** To provide updated space study implementation information; and to discuss opportunities to provide operational space for Social Services and Health Departments; and to discuss remodeling plans for the Link Center.

**BACKGROUND:** Many of the needs identified in the various iterations of the 2000 Space Study are being met by the completion of the County campus buildings on West Margaret Lane. Staff will update the Board on the progress of the three campus buildings.

The primary area for which future space has not been addressed is Human Services, specifically Social Services and the Health Department. Both the Social Services Board and the Health Board have spoken about the critical space needs with the Commissioners over the past several months. The Board has previously received information regarding a lease/purchase opportunity that would fulfill the needs for Social Services in the short-term and would provide growth space for the Hillsborough Health Department operations. The attached lease vs. build cost comparison information and information from the Social Services Director may help facilitate the Board's worksession discussion.

The other issue of pressing concern is determining the Board's desire as it respects the remodel of the Link Center. The Gateway Center is nearing completion and it is expected that the Register of Deeds, Tax Assessor (including Land Records/GIS, which has recently been merged with the Tax Assessor) and Revenue will be relocating to the new facility during mid-late March 2008. As the Board will recall, there are several administrative departments who are targeted to move to the Link Center to backfill the space vacated by the Gateway Center move. In addition, the Board should provide direction regarding the Commissioners meeting room that has also been discussed as a possibility for the Link Center. As quickly as the direction is determined, meetings can be set with Corley Redfoot Zack (CRZ), the original designers of the building, who were recently approved by the Board to provide the needed architectural services.

Staff would expect to bring back follow up agenda items at a subsequent meeting confirming any decisions the Board directs during this worksession.

**FINANCIAL IMPACT:** Financial impact will be determined at such time the projects are finalized.

**RECOMMENDATION(S):** The Manager recommends that the Board discuss and determine the desired alternatives for providing human services space; and discuss and determine the desired plans for the remodel of the Link Center.

## **Request to lease space for Social Services**

### **Background**

The Department of Social Services (DSS) provides a broad array of services to the citizens of Orange County. Although the nature of the services varies greatly—from providing Food Stamps or Medicaid for low-income families to protecting vulnerable children and adults to helping children be adopted—all of these services must be provided in a private, confidential setting. Every three years, the local department is inspected to assure that these requirements are met. A recent inspection has found that the required space standards are not being met at either Southern Human Services or Whitted (see attached letter). The County has ninety days either to comply with the requirements or to submit a corrective action plan to address these issues.

Upon completion of the County campus and reassignment of the space being vacated, many of the County's critical space needs will be addressed. However, as discussed during the January 2007 presentation of the Space Needs Study there is a glaring gap regarding how to provide human services space, particularly that which is associated with the departments occupying the Whitted Building in Hillsborough. The failure to pass State inspection for space further exacerbates the problem since failure to comply, or at least to initiate an action plan that can be implemented within the foreseeable future could jeopardize funding the County receives for the DSS operations.

While it is true that there are federal and state expectations regarding space, there is also funding available to meet these needs. There are several ways in which reimbursement is provided but generally the DSS can report leases, utilities and other costs directly on the monthly cost reports and receive monthly reimbursement. Major purchases of more durable goods used in the upfit, (modular furniture, for example), would be depreciated and reimbursed on an annual basis over the life of the depreciation (generally 10 years). This procedure is available for all costs the agency can justify for administering the programs.

The percentage of administrative costs that is reimbursed varies among the numerous DSS funding sources. For example, Medicaid and Food Stamps reimburse 50% for all costs while other programs provide somewhat higher or lower costs. For planning purposes, the Department of Social Services expects to receive 55% reimbursement for all administrative costs.

The space needs for DSS are critical at this point as outlined in documents provided previously to the Board of County Commissioners and County Manager. The main needs include more office space for employees who conduct client interviews, more interview rooms for any staff who are sharing office space, more meeting rooms for family and other group meetings, space for Work First training and employment activities and more storage space, particularly for confidential records.

## Lease Proposal

Social Services can provide significant revenue to support its space needs. It is therefore proposed that the County staff be authorized to commence discussions with a local landlord to lease space in which to house all of the employees involved in the current operation at Whitted, some of the staff currently located at Southern Human Services, Veteran's Services, and all of the Work First employment and training activities including the pilot projects. An estimated 40,000 square feet for use by DSS will be needed to address current and future space needs in a material way. There would be initial costs to upfit the space to meet the requirements of Social Services. Some of the advantages to leasing at this time include:

- All of DSS staff from Whitted and the overflow of staff from Southern Human Services, approximately 125 staff would be located together. This allows for efficiencies in travel, administrative support and communication among DSS staff regarding clients.
- The Work First training site would be moved from its temporary location at Northern Human Services to a centrally located site with staff on site to support the operation.
- Sufficient space would be available for team meeting rooms, client training, family/child visitation observation rooms and agency staff meetings.
- The strain on meetings rooms C and D at Southern would decrease as DSS workers begin using other space.
- Record storage which now occurs at various sites throughout the county would be consolidated.
- Space for storage of items needed for foster children and other clients, adult services clients, special needs shelters, etc., could occur on the site rather than at public works, rented storage units, etc.
- Sufficient space would be available for current and future space needs for DSS.
- The space is accessible and has sufficient parking available
- The move from the Whitted Building would eliminate the current issue of elevator and client flow when there are mechanical or electrical issues and during power outages.
- Space at Whitted would become available for other programs such as Health.
- The immediate need for space at Southern would be met. This is essential since it does not appear that more county space would be available there for the next 5-7 years.
- Growth and consolidation options could be available at a larger site.
- Parking and congestion complaints from the current Whitted neighborhood should decrease.

By securing this space, the needs of Social Services for now and the future could be met. It would allow for better coordination with programs within the agency and potentially with other partners who might be co-located at the site and who potentially could be a source of revenue to further off-set operational costs. The space at Whitted would then

be available for other human service needs as identified in the space study and/or other uses as the Board deems appropriate.

If the Board so directs, staff will negotiate an agreement for Board consideration in fall 2007.

**Financing**

All costs for leases, utilities, and most furnishings, etc. are not depreciated and are reimbursed when reported. For example, the County could bill the monthly rental costs and receive reimbursement for the State each month. The reimbursement rate is estimated to be approximately 55% overall, which would allow the County's net payout on a, for example, \$300,000 annual lease amount to be around \$165,000.

Larger purchases such as modular furniture would be depreciated at the same 55% rate over a 10-year period as prescribed by the State and would be reimbursed annually.

A funding proposal will be presented to the Board contemporaneously with a lease document in the fall 2007. The funding proposal will include anticipated offset through DSS reimbursements as well as opportunities to generate additional rental revenue through partnering with rent-paying agencies whose programming may be compatible with that of DSS.

Closed Session December 3, 2007  
Hillsborough Commons Material Terms of Lease

**Subject Property:** Hillsborough Commons (Old Wal-Mart) Mayo Street, Hillsborough  
**Owner:** Tri-Cor, Inc. (The Shopping Center Group-leasing agent)  
**Size:** 56,328 (lease portion)  
 approximately 108,000 square footage in entire center  
**Property size:** 10 acres  
 (Total land size 11 acres. Owner wants to maintain one acre outparcel in addition to the one currently occupied by the Auto Parts store.)

**Offered terms:**  
**Term:** 10 years with four five year renewals (total 30 years)  
**Upfit:** \$600,000 included in rent. County pays any upfit costs above that amount.  
 Owner will allow County to upfit according to sustainable design standards, including windows and parking lot improvement if desired.  
**Common Area Maintenance and Taxes/Insurance** included in lease amount up to \$221,751 per year, after which charged pro rata share  
**Maintenance:** County interior and systems (HVAC) Owner: exterior, including parking lot  
**Utilities:** County pays  
**Option to purchase:** County may purchase the entire center for \$15,489,000 less \$15,000 per month for which rent is paid up to \$720,000.  
 Option is firm until February 2012.

Period	Total Rent During Lease Term (No Reimbursement)			Total Rent During Lease Term (W/ Reimbursement)		
	Monthly	Annual	SF Cost	County Share	SF Cost after Reimbursement	Total
Month 1-3	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,602,801.00
Month 4-63	\$59,363.00	\$712,356.00	\$12.65	\$356,178.00	\$6.32	\$1,716,876.00
Month 64-123	\$63,588.00	\$763,056.00	\$13.55	\$381,528.00	\$6.77	\$3,319,677.00
Rent Paid at 10 yrs	\$60,788.00	\$729,456.00	\$12.95	\$364,728.00	\$6.48	\$1,641,276.00
Month 124-183	\$65,904.00	\$790,848.00	\$14.04	\$395,424.00	\$7.02	\$1,779,408.00
Month 184-243	\$71,537.00	\$858,444.00	\$15.24	\$429,222.00	\$7.62	\$6,740,361.00
Month 244-303	\$77,733.00	\$932,796.00	\$16.56	\$466,398.00	\$8.28	\$1,931,499.00
Month 304-363						\$2,098,791.00
Rent Paid at 30 yrs						\$10,770,651.00

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New Construction Option

**New Construction Assumptions**  
 Assumes DSS has adopted service model for primary service delivery location to be Chapel Hill, with satellite offices for critical services in Hillsborough.  
 DSS building maximum of 50,000 square feet to be built. Location to be Southern Human Services Center, Chapel Hill Health Department would occupy space vacated at current SHSC (approx 10K s.f.).

Estimated new construction cost at \$350/s.f. - projection includes permits, a&e fees, and construction. No land costs included.

Reimbursement based on depreciation schedule over twenty years. \$7.5 million reflects total at end of 20 years.

	Estimated Total Minimum Cost	Estimated Total Cost After Anticipated Reimbursements
Estimated construction costs for 50,000 s.f. DSS building	\$17,500,000	\$8,750,000
Estimated furniture/fixtures for new building(s)	\$1,000,000	\$500,000
Estimated upfit costs of vacated space for health department at SHSC	\$3,000,000	\$3,000,000
Addition to SHSC to accommodate future Health /Housing growth	\$0	\$0
Equipment to upfit new clinic space	\$500,000	\$500,000
Upfit of Whitted space for health department, assuming DSS uses an estimated 5000 s.f. for satellite center	\$11,800,000	\$11,800,000
<b>Total</b>	<b>\$33,800,000</b>	<b>\$24,550,000</b>

Some Med Max \$ may be available to offset cost

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Assumes health takes approximately 12,000--15,000 s.f. of space occupied currently by DSS. (DSS would retain about 5,000 sf). Upfit estimated at \$200/s.f. which includes all design costs, permits and construction, but does not include equipment necessary to outfit clinics or dental clinic. This work would need to be completed no later than 2011 when dental clinic lease expires. Cost of parking lot improvements or site work has not been calculated and is not included in this estimate.

**What we have at the end of this project:**  
 At the SHSC we would have approximately 50,000 square feet of space for Social Services; and an additional approximately 12,000--15,000 square feet for Health Department, which would allow the relocation of the Dental Clinic from Carr Mill Mall and some expansion of the personal health clinics.  
 The Whitted Building contains approximately 59,000 square feet in two buildings, much of which could be allocated to the Health Department for program space. DSS has expressed the need to maintain a satellite office of approximately 5,000 s.f. to deliver critical services that must be provided at both locations.

Lease/Purchase of Hillsborough Commons for Use by Social Services and the Health Department

**Lease/Purchase Assumptions:**  
 County leases property effective April 1, 2008.  
 County takes advantage of purchase option in February 2012.  
 County pays lease quoted lease amount through January 2012.  
 County receives \$15,000 per month credit each month rent is paid up to a total of \$720,00.  
 County pays for upfit above \$600,000  
 Health Department operations currently located at Whitted Building would be relocated to this facility at such time purchase was completed.

Reflects reimbursement for approximately 1/2 of the 108,000 square feet included in the entire facility. Health might also bring some reimbursement, although a variable rate.

	Estimated Total Minimum Cost	Estimated Total Cost After Anticipated Reimbursements
Lease amount through February 2012	\$2,611,972	\$1,305,986
County responsibility upfit costs	\$1,400,000	\$700,000
Furniture/Equipment for new space	\$1,000,000	\$500,000
Purchase price, if exercised by deadline	\$14,829,000	\$11,121,750
Estimated upfit costs for Health Department in the new space (this would not occur until the property was purchased in 2012.)	\$8,750,000	\$8,750,000
Estimated furniture/fixtures costs for Health Dept.	\$750,000	\$750,000
<b>Total estimated cost to upfit property for human services delivery</b>	<b>\$29,340,972</b>	<b>\$23,127,736</b>

Some Med Max \$ may be available to offset costs; \$ amount is undetermined and not reflected in these estimates

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Assumes \$175/sf upfit costs, which include all work, permits, architect fees, etc. Also assumes health department would take entire balance of WHSC space, which may not be necessary. Potential to leave some existing leases in place (like for restaurants) and get revenue to help offset expenses.

**What we have at the end of this project:**  
 10 acres of land  
 108,000 square feet of usable building for DSS and Health operations (or other departments as might be appropriate)  
 Adequate parking for operations  
 Health Dept expands into space at SHSC previously occupied by DSS (minus 5000 sf for critical services), which provides sufficient space for dental and personal health clinics for the foreseeable future.  
 Will deliver the quickest response to providing space for DSS without interim moves.  
 Whitted Building available for alternative uses