



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of May 17, 2008**

DATE: April 30, 2008

SUBJECT: Approval of a Deed of Lease between Arlington School Board, as Landlord, and The County Board of Arlington County, Virginia, as Tenant, on School Board owned real property known as Reed School at 1644 McKinley Road, Arlington, VA, RPC No. 10022030.

C. M. RECOMMENDATION:

1. Approve the attached Deed of Lease between Arlington School Board, as Landlord (“School Board” or “Landlord”), and The County Board of Arlington County, Virginia, as Tenant (“County” or “Tenant”), on School Board owned real property known as Reed School at 1644 McKinley Road, Arlington, VA, RPC No. 10022030 (“Lease”).
2. Authorize the County Manager, or his designee, to execute on behalf of the County Board, the Deed of Lease subject to approval as to form by the County Attorney.

ISSUE: As a part of the lease approval process, the County Board is being requested to approve and authorize the execution of the attached Lease.

SUMMARY: Following County Board approval and proper execution of the Lease, and upon issuance of a temporary or permanent occupancy permit for the Reed School and Westover Library (jointly the “Building”), whichever occurs first, the County may occupy the Westover Library (“Library”), and have non-exclusive use of the Common Areas (hereinafter defined), the parking areas, and certain surrounding land and improvements. The initial term of the Lease would expire at 12:00 midnight Thirty (30) years after the Commencement Date, unless sooner terminated or extended in accordance with the provisions of the Lease.

DISCUSSION: The subject site known as 1644 McKinley Road (“Property”) is located at the corner of Washington Boulevard and McKinley Road near the Westover Shopping Center. (See Attachment 1, Vicinity Map.) On May 12, 2006, the County and the School Board entered into a Memorandum of Understanding, a copy of which is attached hereto as Exhibit A, and agreed to provide for the development and construction of a new, joint use school and library facility (the “2006 MOU”). On July 7, 2007, the County Board approved Use Permit U-3175-07-1 (the “Use Permit”) for construction of a combined school and public library. In order to satisfy Condition

County Manager: _____

County Attorney: _____

Staff: Betsy Herbst, DES, Real Estate Bureau

No. 32 of the Use Permit, the County Manager and the Arlington Public School Superintendent entered into a Memorandum of Understanding Relating to Reed School and Westover Library on April 24, 2008, a copy of which is attached hereto as Exhibit B, and agreed upon terms relating to the maintenance of the Building, site, and landscaping (the "2008 MOU"). The 2008 MOU also provides that, upon approval of a lease agreement between the County Board and the School Board, the terms of the Lease shall supersede the 2008 MOU. The County Board deferred consideration of the Lease until its May 17, 2008 meeting. The School Board approved the Lease at its regular meeting on April 24, 2008. Construction of the Building is expected to begin this summer.

The new Building contains approximately 62,000 square feet in area, of which approximately sixteen thousand (16,000) square feet of space is designated as Westover Branch Library ("Library") and forty five thousand (45,000) square feet of space is designated as Reed School ("School"), including five thousand nine hundred (5,900) square feet of space designated as "Common Area", portions of which are under Tenant control and portions of which are under Landlord control. The Library, School, Common Areas and parking areas ("Parking Areas"), collectively referred to herein as the "Project", are shown on the plans attached hereto and made a part hereof as Exhibits C-1, C-2 and C-3.

The Library is incorporated into the Building and will replace the present Westover Branch Library at the corner of North Lexington Street and 18th Street North, which will be demolished by the County following completion of the new Building. The school portion of the Building will provide new spaces for three programs, including The Children's School (a daycare program for 150 children), Integration Station (a preschool program for 20 children with special needs), and the Teen Parenting Program (for 60 high school teen mothers). As provided in the 2006 MOU, the new Building will be constructed using combined funds from both County and School Board sources on real property owned by the School Board.

The Deed of Lease, a copy executed on behalf of the School Board of which is attached hereto as Exhibit D, provides a viable agreement to protect the County's rights and needs as a local government so that the County may occupy the Library, the Common Areas, and certain surrounding land and improvements, together with the non-exclusive use on a first come, first served basis of the Parking Areas. Some of the pertinent provisions of the Lease are as follows:

- The initial term shall commence on the date of issuance of a temporary or permanent occupancy permit for the Building, whichever occurs first ("Commencement Date").
- In lieu of the payment of periodic rent, prior to the Commencement Date, the County will have made a capital contribution to the School Board for the design and construction of the Library, as described and agreed to in the 2006 MOU, attached hereto as Exhibit A.
- The County shall be responsible for the operating expenses of the Library and Common Areas under the control of the County, including the Library Meeting Room, the Rear Green Space, the Plaza Area and the Games Courts, as shown on Exhibits C-1, C-2 and C-3.

- The County shall be responsible for the comprehensive maintenance and repair requirements of the Library and adjacent Common Areas under the control of the County, and shall be responsible for risk management requirements, capital improvement needs, utility costs, repair and replacement of Library equipment, and supply all Library material and staffing.
- The County shall be responsible for all grounds maintenance for the area surrounding the Library, the Plaza Area, and all open spaces not specifically maintained by the School Board, and snow removal of the Plaza Area and entrances solely serving the Library.
- The County shall be responsible for recycling collection service for both the School and the Library.
- The School Board shall be responsible for the Operating Expenses of the School and Common Areas under the control of the School Board, including the School Multipurpose Room, the Shared Hallway/Entrances, the Playgrounds and the Parking Areas, as shown on Exhibits C-1, C-2 and C-3.
- The School Board shall be responsible for all grounds maintenance for the area immediately within the sidewalks surrounding the School and the Play Areas, and removal of snow from the bus unloading area, the Parking Areas and all walkways serving the Building and Project not specifically designated as being the County's obligation under the Lease.
- The School Board shall be responsible for trash collection and dumpster service for both the School and the Library.
- The County and School Board shall proportionally share the cost of routine and scheduled maintenance and repair of shared systems based upon the portions of the Premises controlled by each, including the building envelope (excluding roofs), domestic water booster pumps, incoming electrical switchgear and related equipment.
- The initial term expires at 12:00 midnight Thirty (30) years after the Commencement Date, unless sooner terminated or extended in accordance with the provisions of the Lease.
- Beginning at the expiration of the initial term, the Lease shall automatically be renewed for additional five (5) year periods at no additional cost to the County, unless the County gives prior written notice of its intention not to renew to the School Board as provided in the Lease. In any event, the Lease term, including all renewals, shall not exceed seventy-five (75) years.

FISCAL IMPACT: The Lease, if approved, has no fiscal impact in FY 2008 or FY 2009. Future operating costs, including additional personnel, utilities, repairs and maintenance for the expanded library will be considered in the FY2010 budget process. It is anticipated that the Department of Environmental Services and the Department of Libraries will incur greater costs in FY 2010. An estimate of future operating costs projected for the Department of Libraries is attached as Exhibit E. Capital maintenance costs will come from the capital budget and will not be part of the Library's Operating Expenses.

CONCLUSION: It is recommended that the County Board approve the attached Deed of Lease.

EXHIBIT A
MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING
BETWEEN ARLINGTON COUNTY AND ARLINGTON PUBLIC SCHOOLS
REGARDING THE REDEVELOPMENT OF
THE REED SCHOOL AND THE WESTOVER LIBRARY

May 12, 2006

This agreement is to create a partnership for the development of the Reed School and Westover Library sites to develop facilities as a single project for the Reed School and the Westover Library. The MOU outlines the management of the project and the sharing of projected costs between Arlington County (the County) and Arlington Public Schools (APS).

Reed School and Westover Library

APS will lead the joint project team, including but not limited to the County Department of Libraries and Department of Environmental Services staff. APS and County staff will partner throughout the design and construction processes. APS will expand its Building Level Planning Committee (BLPC) process to include additional County staff and County Library stakeholders to complete a timely community process for the combined project. The County staff will assist in Use Permit and Building Permit applications.

Cost Sharing

The County agrees to reimburse APS for the County's share of all costs incurred on this project related to the planning, design and construction of site improvements and Reed School and Westover Library facilities. These costs include architectural/engineering (A/E), construction, construction management, and demolition of the existing buildings and such permits and other fees as are required for completion of the work, but are exclusive of staff charges for either party, which shall not be charged. Each party will be separately responsible for moving costs, movable furnishings and program equipment placed in the facilities, which are outside the scope of the construction activity. Routine remediation costs, such as asbestos and lead abatement, will be borne jointly. Unique costs associated with significant environmental contamination, such as petroleum products, which require remediation, will be borne solely by the owner of the property which was the source of the contamination.

The costs for the project will be assigned to each party on a pro-rated basis based on each party's share of gross building area. This ratio is currently estimated as follows:

APS share: Reed School has 45,000 gross square feet = 74%
County share: Westover Library has 16,000 gross square feet = 26%

This ratio will be applied to all costs (i.e. design, construction, construction management, soft costs, etc.) for the project, except as noted herein. The County will be solely responsible for costs of demolition of the existing Westover Library, including design of demolition plan, demolition, and the restoration of that area.

Cost Agreement

At the time of execution of the amendment to the existing agreement with the APS designer, the County will issue a purchase order to APS to cover the County's portion of the total design phase costs. If unanticipated costs occur, the purchase order will be increased incrementally for the County share of any additional services as needed.

This MOU will be modified via amendment if the final spatial allocations vary significantly (by more than 2%) from the ratio delineated herein to reflect the actual ratio of space assigned to each entity.

For construction phase costs, once the total project budget is established and agreed upon by both parties, the County will issue a purchase order to APS to cover the County's percentage of the total project costs. Any increases in contract prices shall be authorized by way of execution of a change order document signed by authorized representatives from both the County and APS. Change orders will require that the County and the APS project managers agree in advance of issuance. The Contractor(s) will not be authorized to proceed with any change order work without the express permission of each party (County and APS) involved in this project. Copies of executed change orders will be sent to the Schools' Finance Office and the County's Accounting Office. Review and authorization of a change order shall occur no later than 15 days from receipt of the change order request. There may be instances when immediate review and authorization from both parties is required to avoid impacting the project schedule.

The County and APS contingency funds will be applied to their respective shares of each change order. If and when the County or APS contingency funds are depleted and additional project changes are expected, the County and APS will promptly take action to replenish the respective contingency funds to cover approved change orders and an appropriate amount for the remainder of construction.

The underlying understanding for the cost sharing agreement is that the per square foot costs are substantially the same for both portions of the facility and both parties will strive to control costs. However, APS and the County acknowledge that there may be extraordinary elements or amenities included in the design or requested during construction that only one party desires for the project. If such elements significantly increase the cost individually or in aggregate, and one party wishes to decline participation in such elements or amenities, such concerns will be communicated, negotiated, documented and resolved by the staffs. In the unlikely case that disagreements are not resolved by staff, conflict resolution procedures outlined below will apply.

Both parties are committed to sustainable design and to a fully accessible facility under the Americans with Disability Act. The project will be evaluated for participation in the USGBC LEED program with the goal of reaching LEED silver certification. A final decision regarding LEED registration, the seeking of certification, and level of certification to be sought will be made by both School Board and County Board at the first design approval for each Board.

The APS Finance Office will prepare a bill to the County on a quarterly basis for costs incurred on the project and will attach the summary and detail reports documenting the expenditures. All supporting APS payment vouchers and invoices will be maintained in the APS Finance Office for review by County employees or management who wish to review the detail. The County project managers will review the bills issued by APS, will process a County payment voucher against the County purchase order for the Schools and a check will be sent to the APS Finance Office. Checks from the County to APS will be issued no later than 30 days after receipt of the bills from APS.

As partners, both parties share responsibility to review and comment on all documents, drawings and specifications for these projects and will jointly participate in review and inspection of construction in a timely manner that maintains the project schedule. As project lead, APS staff has the responsibility of responding to such comments in a timely manner that maintains the project schedule.

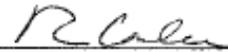
Conflict Resolution

Any material disagreement that cannot be resolved between the County and APS staff shall be subject to negotiation and agreement between the County Manager and the Superintendent of Schools.

Joint Facility Operating Agreement

A joint facility operating agreement subject to approval of both the County and APS shall be drafted prior to the substantial completion of the facilities. This operating agreement is to include, but will not be limited to land use, operating and capital maintenance, repair and utility responsibilities, risk management and operating cost sharing.

Acceptance: By Arlington County:



Ron Carlee, County Manager

By Arlington Public Schools:



Robert G. Smith, Superintendent

EXHIBIT B
MEMORANDUM OF UNDERSTANDING
RELATING TO REED SCHOOL AND WESTOVER LIBRARY

MEMORANDUM OF UNDERSTANDING
RELATING TO REED SCHOOL AND WESTOVER LIBRARY

THIS MEMORANDUM OF UNDERSTANDING, entered into as of the 24 day
of April, 2008.

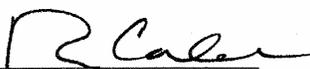
WITNESETH:

WHEREAS, in order to satisfy the requirements of condition 32 of Use Permit U-3175-07-1, the County Manager and the Superintendent have agreed upon the terms of this Memorandum of Understanding pertaining to the maintenance of the newly constructed building housing the school and the library, maintenance of the site, and maintenance of the landscaping.

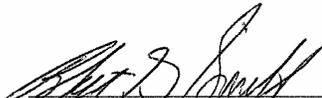
NOW, THEREFORE, in consideration of the foregoing, the County Manager and the Superintendent agree as follows:

1. Maintenance of the newly constructed building housing the school and the library, maintenance of the site, and maintenance of the landscaping shall be governed by the terms of the draft lease presented for approval by the County Board and the School Board on April 22, 2008, and April 24, 2008, respectively.
2. Upon approval of a lease agreement between the School Board and the County Board, the terms of the lease shall supersede this Memorandum of Understanding.

WHEREFORE, the County Manager and the Superintendent have executed this Memorandum of Understanding as of the date aforesaid.



Ron Carlee, County Manager



Rob Smith, Superintendent

EXHIBIT C-1

FIRST FLOOR - FLOOR PLAN AND COMMON AREAS

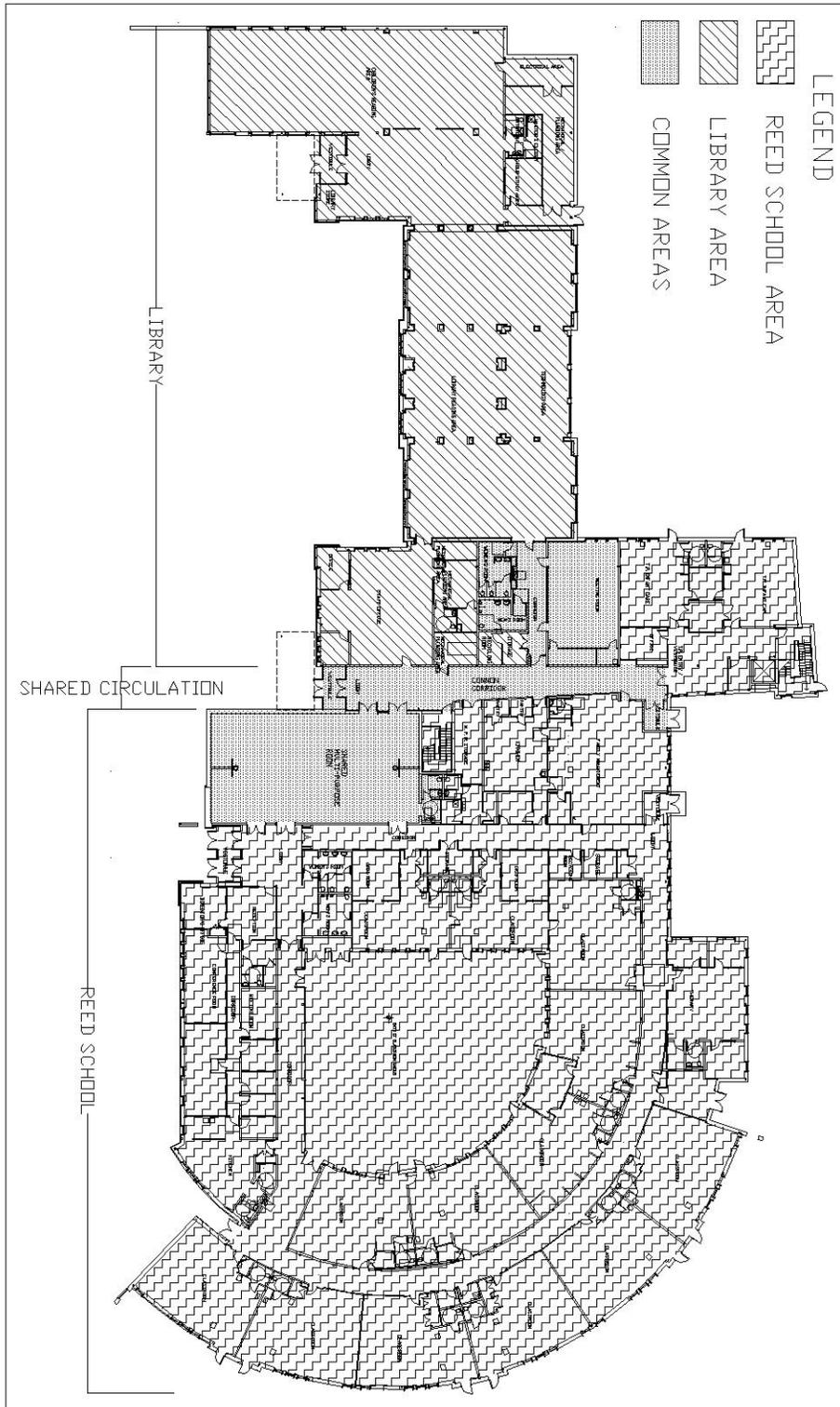


EXHIBIT C-2
SECOND FLOOR – FLOOR PLAN

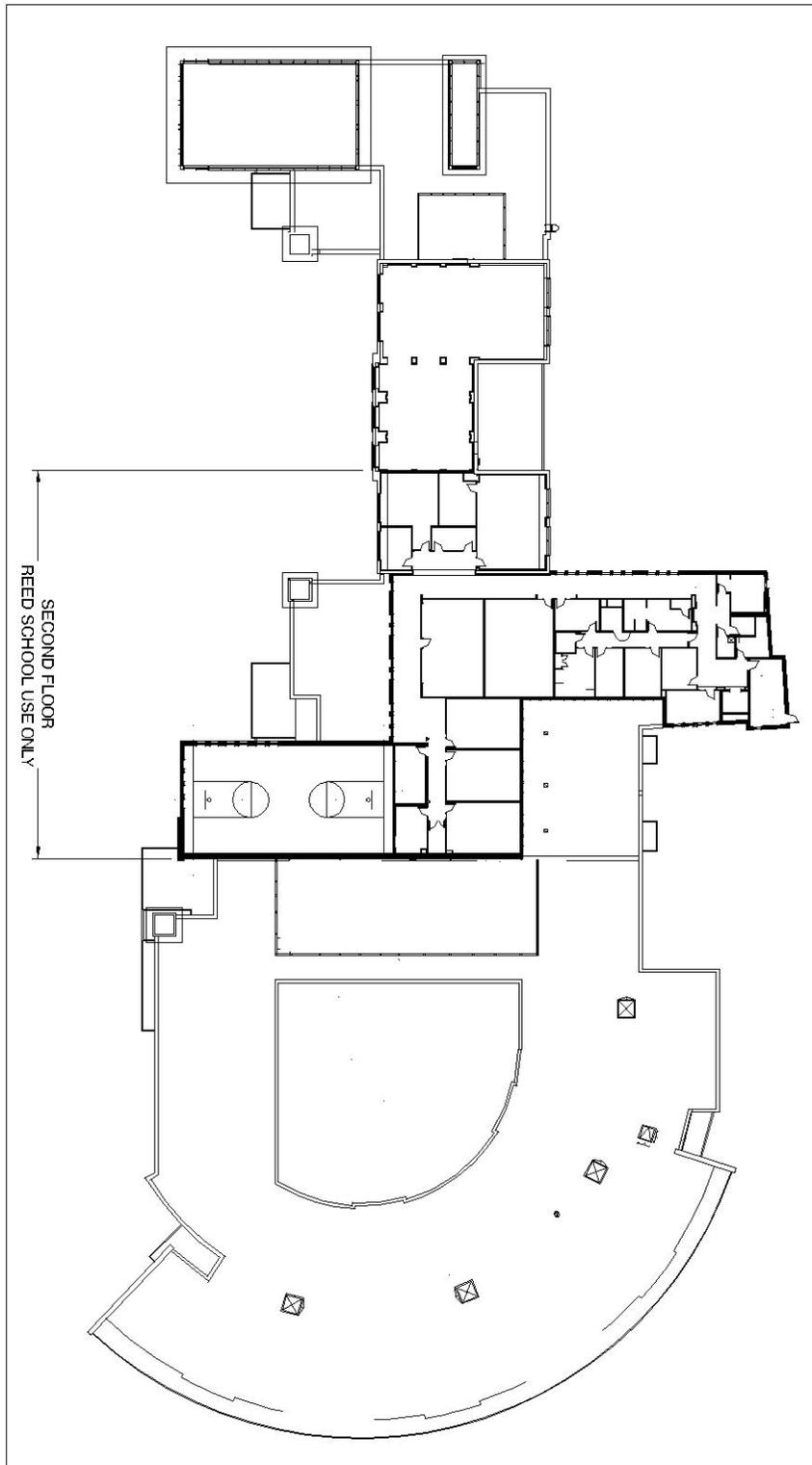
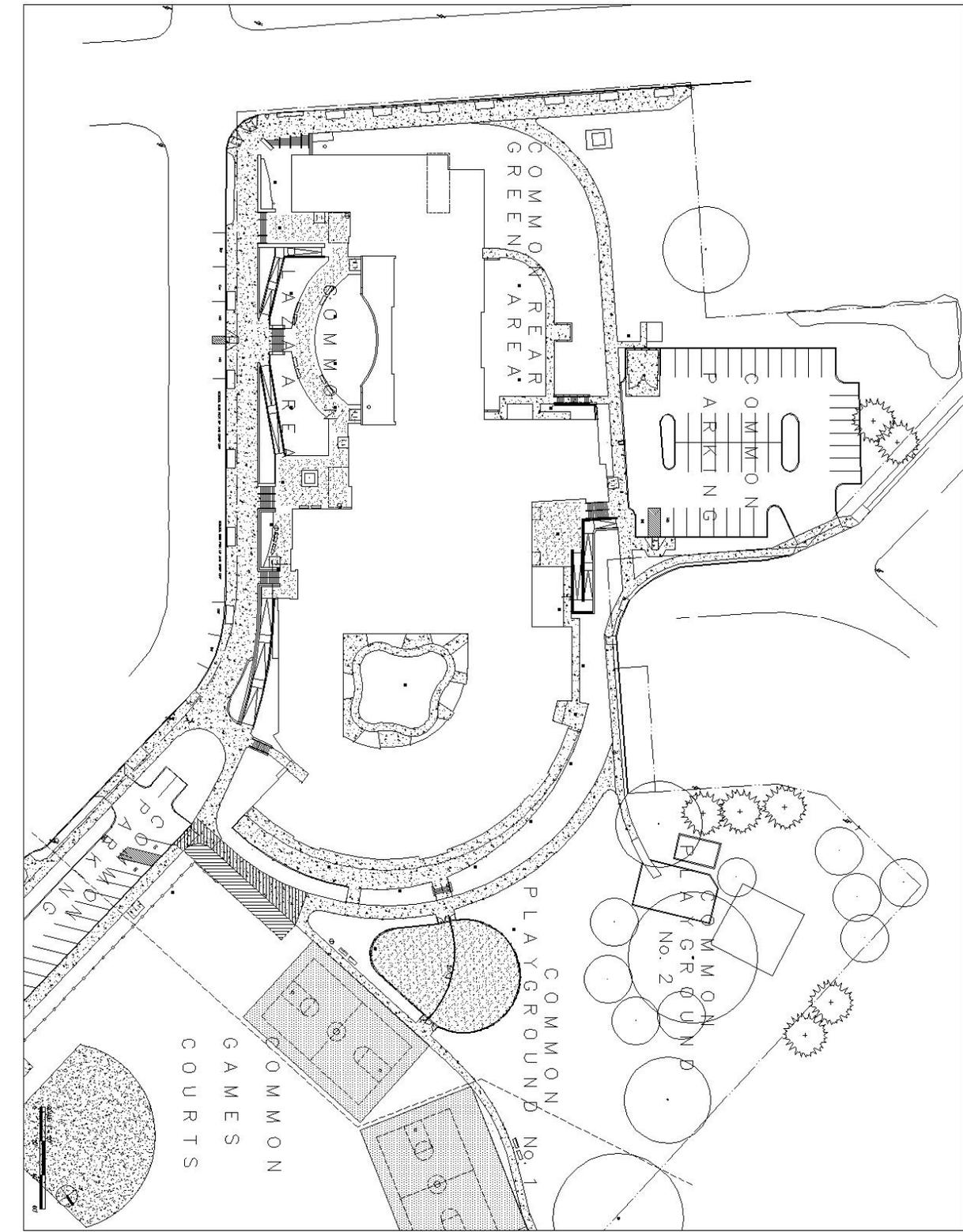


EXHIBIT C-3
EXTERIOR COMMON AREAS



**EXHIBIT D
DEED OF LEASE**

EXHIBIT E

COMPARISON OF EXISTING AND FUTURE EXPENSES FOR WESTOVER LIBRARY

Westover Library Projection for Department of Libraries FY 2010 Operating Costs and One-time Startup Cost

Preliminary projections based on information known April 4, 2008
 Current projections call for facility to be completed October 1, 2009 (FY 2010) with an opening date targeted for Jan. 2010. These dates are based on current projections. New Westover library will have 16,000 square feet, in contrast to the present library which has 5,800 square feet.

Operating Days and Hours	Current Hours: 71.5 hrs/week; Hours will remain the same
Monday	10 am - 9 pm
Tuesday & Wed	1 pm - 9 pm
Thursday	10 am - 6 pm
Friday & Saturday	10 am - 5 pm
Sunday	1 pm to 5 pm

Personnel - FY 2009 Budget	# FTEs	Salary+Benefits	GRADE	COMMENTS
Librarian Supervisor II	1.0		12	
Librarian II	1.0		9	
Librarian I	0.5		8	
Library Assistant II	3.5		5	
FY 2009 Personnel	6.0	\$ 439,707		
Personnel - New (adjusted for 3/4 of FY)				
Librarian Supervisor II	1.0	\$ 83,595	12	Budget reflects a start date of 10/1/2009
Library Assistant II	1.0	\$ 41,897	7	Budget reflects a start date of 10/1/2009
New Personnel	2.0	\$ 125,492		
Total FY 2010 Personnel Projection	8.0	\$ 565,199		

Non-Personnel Expenses - FY 2009 Budget		FY 2009 Non-Personnel
Electricity	\$ 8,040	
Water	\$ 499	
Snow Removal	\$ 2,400	
Landscaping	\$ 1,600	
FY 2009 Non-Personnel	\$ 12,539	

Non-Personnel Expenses - New		New Non-Personnel	
Utilities (electricity, gas, water)	prorated for 3/4 of FY \$ 22,950		Incremental 10,200 square feet.
Recycling	prorated for 3/4 of FY \$ 3,300		
Snow Removal	full year \$ 5,000		
Landscaping	prorated for 3/4 of FY \$ 4,500		
New Non-Personnel	\$ 35,750		
Total FY 2010 Non-Personnel Projection	\$ 48,289		

TOTAL FY OPERATING COSTS	FY 2009	\$ 452,246	
TOTAL ANNUAL FY 2010 PROJECTED OPERATING COSTS	FY 2010	\$ 613,488	\$ 161,242 projected NTS increase

Startup - One Time Cost		Total One Time	
Phones MAC	\$ 1,200		Estimated
Recycling Containers	\$ 2,000		Cost provided by DES
Total One Time	\$ 3,200		

April 15, 2008

ATTACHMENT 1

