

Worksession

MEMORANDUM

April 27, 2009

TO: Management and Fiscal Policy Committee
Health and Human Services Committee

FROM: Linda A. McMillan, Senior Legislative Analyst *LAM*
Charles H. Sherer, Legislative Analyst *CHS*

SUBJECT: **Worksession: FY10 Operating Budget for the lease for the DHHS programs, including Outpatient Addiction Services (OAS)**

The MFP Committee discussed this lease on April 14. At the April 14th MFP Committee meeting it was suggested that a joint meeting with the HHS Committee might be scheduled so that the two committees could make a recommendation to the Council, which is scheduled for May 5, along with all other leases.

Outpatient Addiction Services (OAS) – 24,166sf - This lease will provide for the relocation of the following Department of Health and Human Services programs from the Broome School to a building on Rollins Avenue in Rockville.

- Outpatient Addiction Services and Intensive Outpatient Services
- Community Re-entry Services
- Medication Assisted Treatment
- Adult Drug Court
- Under One Roof Clinic

For FY10, the County Executive is recommending an appropriation of \$2,281,250 for the following components:

County Portion of Build-out	\$1,689,545
Fiber/Data (one-time)	223,255
Telephone (one-time)	110,800
Taxes and operating (ongoing)	211,000
Network Circuit (ongoing)	26,646
Moving	20,000
FY10 TOTAL	\$2,281,246

For FY10, the landlord has agreed to abate the rent, but the unpaid rent will be spread over the remaining nine years of the lease. **The lease has not been signed.**

Starting in FY11 and for the remaining nine years of the lease, the annual cost will be:

Rent	\$695,000
Property tax	66,000
Operating costs, such as maintenance and utilities	145,000
IT costs	27,000
TOTAL annual cost	\$933,000

Note: most of the property taxes come back to the County, and at least some of the operating and IT costs would presumably be incurred whether the program moves or not. Therefore, the incremental cost is roughly the rent plus some but not all of the other costs.

The leased space will not be housing any new services or expansion of services; it is a relocation of existing services. The following services will remain in the Broome School after these programs are relocated: (1) Core Service Agency, (2) Threshold Services, (3) recreation warehouse, (4) Roundhouse Theater prop shop, (5) Interfaith Clothing Closet and Distribution Center, and (6) gym and fields used by the City of Rockville.

Executive staff explained that the proposed new site has all the characteristics of an ideal site compared to the current site, and finding another site comparable to Rollins would be difficult if not impossible:

1. The Rollins site is in a commercial area, not in a residential area, and is not near a school. The Rollins site is surrounded by Rollins Avenue, a car wash, railroad tracks, and a State building that provides parole and probation services. The nearest housing is a condominium building more than a block away, separated by the car wash. The Flagship and Pike shopping centers are a block away.

In contrast, Broome is in a residential area and is next to the Meadow Hall elementary school. Although Executive staff are not aware of any major incidents attributable to the clinic patients, the Executive has received some complaints from the surrounding neighbors and the Broome location is not ideal for such a clinic.

2. The building is the right size for the clinic, 24,000 square feet, slightly larger than the space at Broome, roughly 22,000 square feet. Because the program will occupy the entire space, there will be no conflicts with or complaints from other tenants, who might not want to be in the same building as a methadone clinic. Obviously, the owner is willing to lease the building to the County for this use.

3. The Rollins site is close to the Twinbrook Metrorail station, which is also served by various Metro and County bus routes. The Broome site is not close to any Metrorail site but is served by Ride-on bus service. Both sites have ample parking, and both sites are reasonably “centrally” located in the County.
4. Executive staff noted that the Broome School needs renovation and it could be renovated to provide space for Health and Human Services programs that are currently in leased space that is unlikely to be available in two years and that a Department of Health and Human Services strategic facilities plan has been completed that concludes that DHHS programs need an additional 160,000 square feet of space. The County could transfer services currently in leased space to owned space and save the lease expense. If the County is going to renovate Broome, then the current tenants must be moved out. As described above, Rollins is an appropriate site and it is available now, but might not be in a few years if the County does not take advantage of the opportunity now.

Council staff provided the following arguments **against** approving the proposed new lease as a part of the packet to the MFP Committee:

1. The clinic has been housed at Broome School for many years. While there are concerns from the some in the community there is no evidence that those using the clinic or the other programs in the Broome School are the cause of any serious problems. If the location of the current bus stop is a concern, the County should look for an alternative location for the bus stop for those going to the clinic.
2. It is “expensive”, \$2.3 million in FY10 and more than \$900,000 in the next 9 years. An alternative to this expense is to maintain other services that will otherwise be cut, including programs in the Department of Health and Human Services.
3. The owner of the proposed new site is unwilling to sell the building, so the County will have to pay additional lease costs at a time when the County is trying to reduce its use of leased space.
4. Executive staff believe that the owner is not likely to extend the lease beyond the 10 year period, so the County will have to find suitable space again in 10 years. The County should instead wait until we have suitable owned space, either in a building we can buy or in an owned building that we renovate.
5. There is currently no project in the CIP to renovate the Broome School so it is not clear that this relocation will necessarily lead to the renovation of the school in the next few years. There was previously a project related to renovations for the Board of Elections which is instead moving to leased space.

Potential Alternative to Moving into Leased Space

The County Executive is recommending the Council approve the purchase of the GE Tech Park building. The main purposes for the purchase are to relocate Police Headquarters to an appropriate sized space, relocate the Montgomery County Police Department's 1st District Station to an appropriate sized space, consolidate certain public safety uses, and reduce reliance on leased space by relocating other non-public safety programs from leased space to the GE Tech Park or to county owned space that is free-up when public safety function are moved to the GE Tech Park. The value of the lease savings from moving programs to the GE Tech Park is estimated to be about \$2.6 million.

If the Council approves the purchase of the GE Tech Park building, then the current Police Headquarters will be empty and could potentially be reused to house Outpatient Addiction Services and the other uses that are proposed to move from the Broome School into leased space. The current Police Headquarters building is just over 40,000 square feet. The proposed Broome School relocations require about 24,000 square feet.

Council staff acknowledges the concerns from the neighborhood surrounding the Broome School. **Council staff has suggested the Research Boulevard alternative primarily because it seems inconsistent to buy one building based in part on the argument that the County will achieve long term savings through lease terminations, while at the same time spending a substantial amount on a new lease that is likely to be in place for no more than 10 years.**

The general advantages and disadvantages of the Executive's recommendation were provided earlier in this memo. The following are some points specific to this alternative.

1. The Council has not yet decided whether it will purchase the GE Tech Park building. If it does not, then this option does not exist.
2. The Research Boulevard building will have to be renovated and this will not start until after February 2011. If it took an additional year, the programs at Broome School would not be relocated until spring of 2012 rather than later 2009 or early 2010. That said, the uses at the Broome School have been in their current location since the 1980s and 1990s and there would be a plan in place to see that they are moved.
3. Like the Rollins site, the Research Boulevard building is not located near residential and schools.
4. The cost for renovation to the Research Boulevard building can be funded through the CIP rather than having to allocate lease dollars through the operating budget.
5. The Research Boulevard building when renovated could also provide an additional 16,000 square feet that could be used for additional lease termination.
6. The Research Boulevard building would be accessible by Ride-on bus.

7. The Research Boulevard building is located near other DHHS programs at Piccard Drive.
8. The Research Boulevard building provides a permanent relocation rather than an interim solution.

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