

AGENDA ITEM 9E
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

RE: AUTHORIZATION TO RENEW THE MANASSAS WAREHOUSE LEASE

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to renew a contract with KAO Manassas Airpark, LLC for warehouse space in an amount not to exceed \$199,216 over a three-year term.

BACKGROUND:

As maintenance functions continue to be shifted to the VRE yards, additional space was needed to store parts for rail equipment. In May of 2004, the Board authorized a three-year lease with KAO Manassas Airpark, LLC for warehouse space near the Broad Run yard. The lease was in the amount of \$172,086 over a three year period and expires on October 1, 2007.

This space has proven essential for maintenance activities and is estimated to be adequate for the next three years, even if locomotive parts are also relocated to the VRE yards. A cost analysis of available locations was conducted in 2004 and relocating all of the operations and materials to another location would not prove cost effective at this time. As such, a three-year extension is being recommended.

The renewal includes the same terms and conditions, plus one additional clause that allows the landlord to relocate VRE at the landlord's expense to another space within the current facility. The first year of the contract will not exceed

\$64,452, and subsequent years will increase by three percent per year. This contract is for rental of the site only and does not include costs for insurance, utilities, improvements, and management.

FISCAL IMPACT:

Funding for this contract is available in the FY 2008 VRE Operating Budget and will be included in subsequent budgets on an annual basis.

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**RESOLUTION
9E-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, the current lease for the Manassas Warehouse expires on October 1, 2007; and,

WHEREAS, the current warehouse fully meets the needs of the VRE operation today and it is estimated to be adequate to continue to handle those needs for the next three years; and,

WHEREAS, relocating all of the operations and materials to another location would not prove cost effective.

NOW, THEREFORE, BE IT RESOLVED THAT, following legal review, the VRE Operations Board recommend that the Commissions authorize the Chief Executive Officer to renew a contract with KAO Manassas Airpark, LLC for warehouse space in an amount not to exceed \$199,216 over a three-year term.