To: Chairman Milde and the VRE Operations Board  
From: Doug Allen  
Date: December 19, 2014  
Re: Authorization to Execute a Lease for Office Space

**Recommendation:**

The VRE Operations Board is asked to authorize the Chief Executive Officer to execute a lease for office space and parking at 127 South Peyton Street with Independent Insurance Agents and Brokers of America for 3,302 rentable square feet at an initial annual rate of $94,405 and a not-to-exceed amount of $291,796 for the initial thirty-six (36) month term including a three percent annual escalation. Two one-year options for renewal are included in the lease that, if recommended, will be brought to the Operations Board for action at a later date.

**Background:**

VRE needs additional space (offices, conference room, records storage space, etc.) for the following reasons:

- VRE Headquarters at 1500 King Street is fully occupied
- The planned expansion of the Communication Room to accommodate customer service and security will reduce existing office space
- There is no additional space available for sale or lease elsewhere in the 1500 King Street Condominium to allow for expansion of the current VRE Headquarters
- New staff positions provided for in FY 2016 budget will require additional office space
Proximity to the VRE General Offices was a vital consideration in order to maintain staff efficiency, cohesion and coordination. The Office of Development was chosen to move as they have less daily interaction with the operations and customer service functions that must remain close to Communications Room and General Offices.

Three locations were identified within a three-block walk of the current office for which terms and conditions were requested. 127 South Peyton Street was the closest location and offered the lowest cost per rentable square foot ($27.50), subject to annual escalations of three percent. The initial term of the lease is for three years with the right to renew for an additional two years. In addition to the base rate, there is $300 per month charge for three parking spaces and periodic access to two larger meeting rooms at no additional charge. Cleaning and routine maintenance for the office suite is included in the base rate.

The first year base rate ($90,805) plus parking ($3,600) amounts to $94,405. Applying the three percent annual escalation, the second and third year charges will be $97,237 and $100,154, respectively, totaling $291,796 for the initial three-year term.

VRE will incur additional expenses to establish and maintain a secondary office space. These include one-time costs for furnishings, communication and IT equipment (estimated to be $86,400) and recurring operating costs for IT licenses, communications lines, and printer/copier lease (estimated to be $48,000 per year). These costs are included in the proposed amended FY 2015 operating budget.

Fiscal Impact:

Funding for the lease is provided in the proposed amended FY 2015 operating budget and will be included in subsequent budgets on an annual basis.
Virginia Railway Express
Operations Board

Resolution
9D-12-2014

Authorization to Execute a Lease for Office Space

WHEREAS, VRE has expanded beyond the size of its current Headquarters at 1500 King Street; and,

WHEREAS, accommodating VRE growth is critical to continuing its business activities in an efficient and timely manner; and,

WHEREAS, sufficient space is available at 127 South Peyton Street adjacent to the current VRE Headquarters;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to enter into a lease for office space and parking at 127 South Peyton Street with Independent Insurance Agents and Brokers of America for 3,302 of rentable square feet for an amount not to exceed $291,796 for an initial period of thirty-six (36) months.

Approved this 19th Day of December 2014

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Paul Milde
Chairman

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Gary Skinner
Secretary