

Business Operations  
Larry W. Stanearth, Chief Business Officer

**SUBJECT: AUTHORIZATION TO EXECUTE A LEASE AMENDMENT WITH THE SOUTH FLORIDA EDUCATIONAL FEDERAL CREDIT UNION FOR THE USE OF BOARD-OWNED LAND LOCATED AT 5780 N.W. 158 STREET, FOR THE OPERATION OF ITS MIAMI LAKES BRANCH**

**COMMITTEE: FACILITIES PLANNING AND CONSTRUCTION**

Background Information

Since September 1982, the District has leased .92 acres of Board-owned land located at 5780 N.W. 158 Street to the South Florida Educational Federal Credit Union (Credit Union), for the operation of the Credit Union's Miami Lakes Branch, which was constructed by the Credit Union at its sole cost and expense. The terms of the lease agreement provide for a 20-year base term, at an annual rental rate of \$1, and one 20-year renewal option, at an annual rental rate equal to five percent (5%) of the current appraised value of the property. This rental amount will remain fixed for the entire 20-year renewal period.

The initial lease term ended on August 31, 2002 and, after verifying the Credit Union's intent to continue leasing the property for the 20-year option term (September 1, 2002 through August 31, 2022), the District secured an appraisal of the property. The subject property, including the land and the improvements constructed thereon, was appraised at \$950,000. Based on the foregoing and as required under the terms of the lease agreement, a fixed annual rental rate for the 20-year renewal term was established at \$47,500, to be paid in equal monthly installments of \$3,958.34. Instead of continuing to lease the premises, the Credit Union expressed its interest in purchasing the subject property from the District. However, the sale of Board-owned real property must comply with the procedures outlined in Board Rule 6Gx13-3B- 1.092, which requires the District, among other things, to initiate an advertisement for bids before it can dispose of real property. As such, the Credit Union discontinued its pursuit of purchasing the premises.

Lease Amendment

In an attempt to explore other means of generating funds that could be immediately utilized by the District, staff from the Department of Site Acquisition and Leasing approached the Credit Union to see if there was an interest in paying the rent due for the 20-year renewal term in advance, at a discounted rate. After much discussion and consideration, the Credit Union has advised of its interest to pay rent in advance, at the discounted rate of \$900,000, representing a \$50,000 discount, which equates to

approximately 5.3% for the twenty-year period. Such lump sum payment of \$900,000 would prove more financially attractive to the District than receiving fixed monthly payments of \$3,958.34 over 20 years, by allowing the District immediate use of the upfront lump sum payment; particularly at a time when the District is facing many financial challenges.

Based upon the foregoing, District staff is recommending that the lease agreement with the Credit Union for use of Board-owned land be amended to allow the Credit Union to pay the rent due for the 20-year renewal term in advance, at the discounted rate of \$900,000, and to modify several other terms of the agreement. The proposed lease amendment will substantially include the following terms and conditions:

- the Credit Union shall make a one-time, lump-sum payment of rent in advance, at the discounted rate of \$900,000, representing a \$50,000 discount, instead of paying the \$950,000 rent due for the 20-year renewal period in monthly installments of \$3,958.34;
- the Credit Union shall have the right to cancel the lease agreement at any time by giving the District 90 days prior written notice. In such event, the Credit Union shall not be entitled to any reimbursement of the \$900,000 advance rent;
- the District shall have the right to cancel the lease agreement in the event the Credit Union defaults under the terms of the lease agreement and fails to cure such default or in the event the premises are destroyed or damaged by fire, windstorm or other natural disaster, and the Credit Union fails to repair the premises. In such event, the Credit Union shall not be entitled to any reimbursement of the \$900,000 advance rent;
- the District shall also have the right to cancel the lease agreement in the event the premises are needed by the District for educational or other District purposes. However, in such event, the District shall be required to reimburse the Credit Union for a pro-rata amount of the \$900,000 advance rent paid by the Credit Union;
- the Credit Union shall have the right to cancel the lease agreement in the event the premises are taken as a result of eminent domain proceedings. In the event of such cancellation, the Credit Union shall be entitled to reimbursement of a pro-rata amount of the \$900,000 advance rent paid thereby. In the event of a partial taking of the premises not resulting in the cancellation of the lease, the Credit Union shall be entitled to reimbursement of a pro-rata portion of the \$900,000 advance rent in proportion to the premises taken;
- the Credit Union agrees to indemnify, hold harmless and defend the District from and against any and all costs, claims, suits, damages or actions arising from or in connection with the Credit Union's use and occupancy of the premises, with

the exception of those incidents arising from the District's negligence, actions or failure to act under the terms of the agreement; and

- the Superintendent of Schools shall be the party designated by the Board to grant or deny all approvals required by this agreement, or to cancel this agreement.

All other terms and conditions of the lease agreement will remain in full force and effect, including the Credit Union's obligation to provide all maintenance and repair of the premises and to pay all utilities consumed on the premises.

Staff contacted the Treasurer, Office of Treasury Management, and the Chief Financial Officer, Division of Financial Affairs, who recommended that the lease agreement with the Credit Union be amended to allow the Credit Union to pay the rent due for the 20-year renewal period in advance, at the discounted rate of \$900,000. The proposed lease amendment shall be reviewed and approved by the Office of Risk and Benefits Management and the School Board Attorney's Office, prior to its execution.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida, authorize the Superintendent or his designee to execute a lease amendment with the South Florida Educational Federal Credit Union to allow the Credit Union to pay rent in advance for the use of Board-owned land at 5780 N.W. 158 Street, at the discounted rate of \$900,000, and in conformance with the other terms and conditions set forth above.

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