

Office of School Facilities  
Jaime G. Torrens, Temporary Chief Facilities Officer

**SUBJECT: AUTHORIZATION FOR THE SUPERINTENDENT TO FINALIZE NEGOTIATIONS AND EXECUTE AN AMENDMENT TO THE LEASE AGREEMENT WITH A.A. HOLDINGS, LLC, FOR THE SCHOOL FOR APPLIED TECHNOLOGY, LOCATED AT 225 NE 34 STREET, MIAMI**

**COMMITTEE: FACILITIES AND CONSTRUCTION REFORM**

**LINK TO STRATEGIC PLAN: IMPROVE CONSTRUCTION SERVICES**

Background Information

Since September 1999, the Board has leased 12,760 square feet of space located at 225 NE 34 Street (see location map), for the School for Applied Technology (School) from A.A. Holdings, LLC. This alternative education program for at-risk students currently serves approximately 140 students. The School occupies the entire third floor of this facility and has use of 30 parking spaces. The District has completed its initial three-year lease term and last of five one-year renewal option periods, and the current term will expire September 22, 2007. Subsequent to receipt of written verification from the School principal and the Administrative Director, School Operations Alternative Education that there was a continuing need for this program, staff contacted the landlord, who expressed a willingness to extend the term for three years, subject to certain modifications of lease terms.

District Due Diligence Process

After securing the concurrence from the Associate Superintendent, School Operations, that there is a continuing need for a facility to operate this program, and in compliance with District leasing procedures, the Facilities Planning Department conducted a search of available alternate locations to house the School, based on geographical and operational parameters established by the School Principal and the Office of School Operations Alternative Education. Pursuant to department policy, in addition to lease space, the market analysis included any available underutilized Board-owned facilities within the established search boundary that could potentially be used to serve the intended purpose. These Board-owned locations include eight elementary, one middle and one senior high school (Booker T. Washington Senior High School). The Associate Superintendent, School Operations subsequently advised that use of elementary schools or middle schools for this function would be incompatible, and that use of Booker T. Washington Senior High School was also not recommended. As such, the market analysis was restricted to lease facilities within the established search area (see attached market analysis).

The District's current rate rental rate of \$20.34 per square foot (\$259,538.40 annually), includes parking and all utilities and building operational expenses. The landlord has advised that as a result of current market conditions and escalating building operating costs, comparable lease space within the building would be offered to a potential tenant at \$30 per square foot, plus a proportionate amount of building insurance, property taxes and all other building operating expenses. However, given the landlord's long-standing relationship with the District, the landlord has agreed to increase the School's rental rate for the period of September 23, 2007 to September 22, 2008 to \$23 per square foot (\$293,480 annually). This rate represents a 12% increase over the current rental amount; however, since the lease began, the rental rate increases have averaged only 3% per year. In addition to the proposed \$23 rental amount, the District will also pay \$1.67 per square foot (\$21,309.20 annually) for its proportionate share of building electrical usage. All other building operational expenses, including insurance and property taxes, will remain a landlord responsibility. The annual rental rate and electrical reimbursement cost will increase by 5% per year for the second and third year of the proposed three-year term. No physical improvements requiring the use of District funds will be necessary as a result of the proposed Board action.

#### Proposed Lease Amendment

As a result of the analysis, and the lack of an available Board-owned facility to house the School within the specified search area, it is recommended that the School remain at its current leased location. As such, the proposed amendment to the current lease agreement will include, substantially, the following terms and conditions:

- the current rental rate of \$20.34 per square foot (\$259,538.40 annually), will increase to \$23 per square foot (\$293,480 annually), for the period of September 23, 2007 to September 22, 2008. In addition, the District will pay \$1.67 per square foot (\$21,309.20 annually) for its proportionate share of building electrical usage for this same period;
- the rental rate will increase by 5% to \$24.15 per square foot (\$308,154 annually) for the period of September 23, 2008 to September 22, 2009, with the electrical reimbursement to also increase by 5% to \$1.75 per square foot (\$22,330 annually) for the School's proportionate share of building electrical usage for this same period;
- the rental rate will increase by 5% to \$25.35 per square foot (\$323,466 annually) for the period of September 23, 2009 to September 22, 2010, with the electrical reimbursement to also increase by 5% to \$1.84 per square foot (\$23,478 annually) for the School's proportionate share of building electrical usage for this same period; and
- the cancellation provision, which currently allows the landlord to cancel the lease only in the event the District defaults and fails to cure, will be amended to allow the landlord to cancel the lease without cause only during the last year of the term (September 21, 2009 through September 22, 2010), by giving the District a minimum of 180 days prior written notice.

All other terms and conditions of the lease agreement will remain unchanged, including the following:

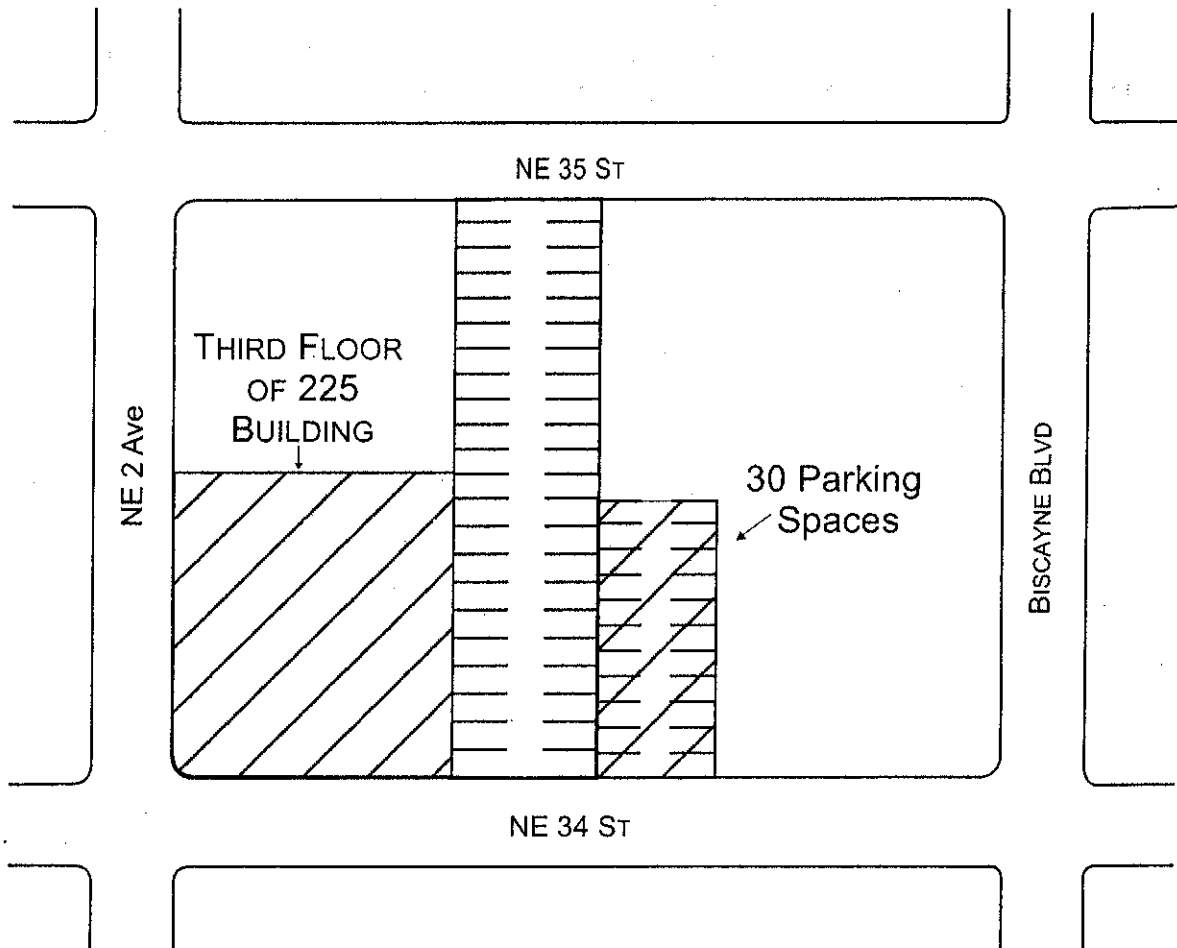
- other than electrical, the landlord is responsible, at its sole cost and expense, for providing all utilities, custodial services and building maintenance, and paying for all other building operating or ownership expenses; and
- the District has the right to cancel at any time by giving the landlord a minimum of 180 days prior written notice.

The proposed lease amendment will be reviewed 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 to finalize negotiations and execute an amendment to the Lease Agreement with A.A. Holdings, LLC, for the School for Applied Technology, to extend the term from September 23, 2007 to September 22, 2010, under the terms detailed above, including a combined annual rental and electrical reimbursement rate of \$314,789, for period of September 23, 2007 to September 22, 2008, \$330,484 for the period of September 23, 2008 to September 22, 2009, and \$346,944 for the period of September 23, 2009 to September 22, 2010. All other terms and conditions of the Lease Agreement will remain unchanged.

IB: ib

# LOCATION MAP



**LEGEND**

 DEMISED PREMISES



## Market Analysis

### Market Analysis for possible alternate sites to locate the School for Applied Technology

Option	Facility Name / Location	Space Type	Sq.Ft. Available	Lease Cost/Sq.Ft.	Lease Type	Sale Price for Building	Tenant Improvement Allowance	Estimated First Year Cost
1	225 NE 34 Street (current Location)	Office	12,760	24.67 <sup>1</sup>	Gross	N/A	None	\$314,789
2	3650 N. Miami Ave	Office	12,600	27.00 <sup>2</sup>	Triple net	\$4,900,000	To be negotiated	\$380,200 <sup>5</sup>
3	25 SE 2nd Avenue	Office	13,000	27.09 <sup>3</sup>	Gross	N/A	To be negotiated	\$392,170 <sup>5</sup>
4	1444 Biscayne Blvd.	Office	13,000	32.00 <sup>2</sup>	Gross	N/A	To be negotiated	\$456,000 <sup>5</sup>
5	2930 Biscayne Blvd.	Office	16,582	37.00 <sup>2</sup>	Triple net	\$7,500,000	To be negotiated	\$653,534 <sup>5</sup>
6	253 NE 14 Street	Office	14,000	38.48 <sup>4</sup>	Triple net	\$8,000,000	To be negotiated	\$578,720 <sup>5</sup>
7	3883 Biscayne Blvd.	Office	Insufficient	25.00 <sup>2</sup>	Triple net	\$3,500,000	To be negotiated	N/A
8	7101 Biscayne Blvd.	Office	Insufficient	27.00 <sup>2</sup>	Triple net	N/A	To be negotiated	N/A
9	3627 NE 1 Ct.	Whse	Insufficient	32.00 <sup>2</sup>	Triple net	N/A	To be negotiated	N/A
10	3701 Biscayne Boulevard	Office	Insufficient	37.00 <sup>2</sup>	Triple net	\$8,400,000	To be negotiated	N/A
11	6400 Biscayne Blvd.	Office	Insufficient	42.00 <sup>2</sup>	Triple net	N/A	To be negotiated	N/A

1 Includes rental rate of \$23/s.f., plus \$1.67/ s.f. for pro-rata share of building electrical costs

2 Includes base rental amount, plus estimated cost for taxes, insurance and operating expenses of \$7.00/ s.f.

3 Includes rental rate of \$23/s.f., plus estimated cost of \$4.09/ s.f. for rental of 30 parking spaces

4 Includes base rental amount, plus estimated cost for taxes, insurance and operating expenses of \$7.00/ s.f., plus estimated cost of \$1.48/ s.f. for rental of 30 parking spaces

5 Includes estimated relocation costs of \$40,000. Does not include tenant improvement costs