

Business Operations
Joe Arriola, Chief Business Officer

SUBJECT: AUTHORIZATION TO EXECUTE A LEASE AMENDMENT AND RENEW THE LEASE AGREEMENT WITH BARROW STREET CREC CROSSPOINT, L.P., FOR REGION II OFFICE SPACE

Since April 1991, the Board has leased 7,625 square feet of office space, located at 1515 N.W. 167 Street, for the Region II Office, from Barrow Street CREC Crosspointe, L.P. (Crosspointe). The District is in its last renewal option period and the current agreement will expire on April 19, 2002. The Region Superintendent for Region II has indicated a continuing need for a Region Office in this approximate geographic area.

When this matter was reviewed by the Management Team (MT) on November 20, 2000, staff was directed to review the feasibility of a new long-term lease agreement for the current facility, including a cost benefit analysis for this particular location as well as other available lease or purchase options for Region II. Staff subsequently conducted a preliminary economic analysis of available Board options, including remaining in this or other lease space, purchasing an available office building, installing a reusable prefabricated modular building on available Board-owned land or constructing office space within a future educational facility to be built within the Region. The results of this study are as summarized below:

OPTION 1: Construct additional 10,000 square feet of office space and required parking within a new Board-owned educational facility, with projected occupancy of April 2006

<u>Option 1A</u>	<u>Cost</u>
remain at current lease location prior to occupancy of new facility (cost includes construction)	\$2,017,000

<u>Option 1B</u> relocate to alternate lease location prior to occupancy of new facility (cost includes construction and ongoing rent)	\$2,167,200
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OPTION 2: Purchase existing 10,000 square foot office building, with projected occupancy April 2003

remain at current location prior to occupancy of new facility (cost includes estimated purchase price of \$80.00 per square foot and interior improvements of \$50.00 per square foot)	\$1,431,100
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OPTION 3: Purchase prefabricated modular units for installation on available Board-owned site, with projected occupancy of April 2003

remain at current location prior to occupancy of new facility (cost includes parking lot, estimated cost of \$105 per square foot for modular units, and installation)

\$1,337,700

OPTION 4: Continue renting existing or alternate lease space, with projected occupancy through April 2012

Option 4A

remain at current location

\$1,433,300

Option 4B

relocate to alternate location April 2003 (cost includes additional tenant improvements to be paid by the Board)

\$1,928,200

The analysis indicates that ownership of a permanent Region II facility should, in the long run, be the most cost effective approach for the District (see Attachment 1). This could be accomplished through the purchase of an existing office building, installing a reusable prefabricated modular structure on available Board-owned land or constructing additional office space within a future educational facility (such as State School "RR-1", site adjacent to Dr. Michael M. Krop Senior High School).

In order to more fully explore these options, seek input from the affected Region staff, and develop a final detailed economic analysis for presentation to the Board, staff is recommending that the existing Crosspointe lease agreement be amended to provide one additional four-year option period (April 20, 2002 through April 19, 2006), which could be canceled by the Board, at any time, with a 90 day notice. Should the District move forward with either installing a modular structure or purchasing an existing office building, the proposed four year term would provide an adequate buffer within which to provide the new space and relocate the Region staff. In addition, by agreeing to a four-year extension of the current lease agreement, the District was able to secure more favorable rental rate terms from the owner.

Should the Board concur with staff's recommendation to extend the current lease agreement, it is staff's intent to complete its final detailed economic analysis of the various options within six months, after which a report will be presented to the Board.

The terms and conditions of the proposed lease amendment are as follows:

- one additional four-year renewal option period to commence April 20, 2002 and end April 19, 2006, with the District having the sole right to cancel the lease

agreement any time by giving the landlord 90 days prior written notice;

- the rental rate for the first year of the option period shall remain unchanged from the current lease rate of \$16.35 per square foot (\$124,668.75 annually);
- the rental rate for each additional year of the option period shall increase by \$.40 per square foot (2.5%); and
- all other terms and conditions of the lease agreement shall remain in full force and effect.

No physical improvements requiring the use of District funds would be necessary as a result of the proposed Board action. As an inducement to enter into this lease amendment, the owner has agreed to re-paint the demised area and provide commercial shampooing of the carpet.

The proposed lease amendment will be reviewed by the School Board Attorney's Office, the Office of Risk and Benefits Management, the Region II Superintendent and the Associate Superintendent of School Operations.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida:

1. authorize the Superintendent or his designee to execute a lease amendment with Barrow Street CREC Crosspointe, L.P., for the Region II Office, to provide one additional four-year renewal option period, for the period of April 20, 2002 through April 19, 2006, preserving the District's sole right to cancel at any time with a 90-day notice. The annual rental amount shall remain at \$124,668.75 for the period of April 20, 2002 through April 19, 2003. Thereafter, the annual rental amount shall increase by \$.40 per square foot per year. All other terms and conditions of the lease agreement will remain unchanged; and
2. direct the Superintendent or his designee to complete a detailed economic analysis and feasibility study for a permanent facility for Region II, with these results to be brought back to the Board within six months, along with a staff recommendation for further action.

MAL:svl

ATTACHMENT 1

<p>1. Construct as part of new Board-owned facility (RR-1)</p>	<p>Construct additional 10,000 sf of office space and required parking for April 2006 occupancy.</p>		<p>o rent is currently \$16.35. Preliminary negotiations with landlord indicate his willingness to increase rent by 0 % year 1 (\$16.35), 2.5% year 2 (\$16.75), 2.5% year 3 (\$17.15) and 2.5% year 4 (\$17.55)</p>
<p>OPTION 1A</p> <p>o total project cost of \$150/sf (includes construction, design professionals, parking, etc.)</p> <p>o Continue renting 7,625 sf at current location for the period of 4/02 - 4/06</p>	<p>\$1,500,000</p> <p>\$ 517,000</p>	<p>\$2,017,000</p>	<p>o remain in current location one year, with rent to increase by 2.5% (\$16.75).</p> <p>o base rent for year 2 (alternate location) @ \$13.75, with rent to increase by 4% year 3 (\$14.30) and 4% year 4 (\$14.90). Rent for year 2 based on lowest available rate in geographic area as determined in recent staff survey</p> <p>o MIS has advised relocation costs @ \$100,000 for telephone/computers; Will Lopez has advised \$10,000 for moving company.</p> <p>o no tenant improvements at alternate location at District cost.</p>
<p>OPTION 1B</p> <p>o total project cost of \$150/sf (includes construction, design professionals, parking, etc)</p> <p>o continue renting 7,625 sf at current location for the period of 4/02 - 4/03</p> <p>o rent 10,000 sf alternate location for the period of 4/03 - 4/06</p> <p>o relocation costs of \$110,000</p>	<p>\$1,500,000</p> <p>\$ 127,700</p> <p>\$ 429,500</p> <p>\$ 110,000</p>	<p>\$2,167,200</p>	<p>o remain in current location one year, with rent to increase by 2.5% (\$16.75).</p> <p>o base rent for year 2 (alternate location) @ \$13.75, with rent to increase by 4% year 3 (\$14.30) and 4% year 4 (\$14.90). Rent for year 2 based on lowest available rate in geographic area as determined in recent staff survey</p> <p>o MIS has advised relocation costs @ \$100,000 for telephone/computers; Will Lopez has advised \$10,000 for moving company.</p> <p>o no tenant improvements at alternate location at District cost.</p>

<p>2. Purchase existing office building.</p>	<p>Purchase 10,000 sf office building with sufficient parking.</p>		<ul style="list-style-type: none"> o all closing costs included in base purchase price o Interior improvement cost includes permanent improvements required for District occupancy. o remain in current location one year with rent to increase by 2.5% (\$16,75) o Purchase price of building larger than 10,000 sf to be offset by consolidating other existing District office facilities, with associated reduction in overall District lease expense. In addition, extra office space can be used as income producing property and remain available for eventual District use.
	<ul style="list-style-type: none"> o Purchase 10,000 sf office building @ \$80.34/sf (based on average asking price determined in recent staff survey) o Continue renting 7,625 sf at current location for the period 4/02 - 4/03 o construct interior improvements at office building @ \$50/sf 	<p>\$ 803,400</p> <p>\$ 127,700</p> <p>\$ 500,000</p>	<p>\$1,431,100</p>
<p>3. Purchase prefabricated units for installation on Board-owned site.</p>	<p>Purchase 10,000 sf prefabricated units with turn-key installation on Board-owned site.</p>	<ul style="list-style-type: none"> o purchase price (installed) of \$105/sf (turn-key from vendor) o continue renting at current location for the period of 4/02 - 4/03 o construct parking lot with 40 spaces @ \$3500/space o stub utilities close to building foot print 	<p>\$ 1,050,000</p> <p>\$ 127,700</p> <p>\$ 140,000</p> <p>\$ 20,000</p>
		<p>\$ 1,337,700</p>	

