

Business Operations
Joe Arriola, Chief Business Officer

SUBJECT: AUTHORIZATION TO EXECUTE A LEASE AMENDMENT AND RENEW THE LEASE AGREEMENT WITH BISCAYNE MANAGEMENT CORPORATION FOR ADMINISTRATIVE OFFICE SPACE AT THE 1444 BISCAYNE BOULEVARD BUILDING, AND AUTHORIZATION TO NEGOTIATE AND EXECUTE A LEASE AGREEMENT WITH BISCAYNE MANAGEMENT CORPORATION FOR ADDITIONAL OFFICE SPACE AT THE 1444 BISCAYNE BOULEVARD BUILDING AND CANCEL THE LEASE AGREEMENT FOR THE 4300 BISCAYNE BOULEVARD BUILDING

Lease Amendment and Renewal

Since January 2000, the Board has leased 9,985 square feet of office space in suites 104, 201 and 220 at the 1444 Biscayne Boulevard Building (1444 Building) for the Office of Workforce Development and Education, Division of Materials Management, Division of Procurement Management, Pre-qualification and Educational Facilities Compliance, Stay in School Program, Virtual Adult Registration Center, and One Community One Goal, from Biscayne Management Corporation (Biscayne Management). The lease agreement includes 50 parking spaces, at no additional cost to the District. The District is in its last of two one-year renewal option periods, and the current term of the lease agreement will expire on January 24, 2003. The Chief of Staff, the Associate Superintendent of Education, the Assistant Superintendent of the Bureau of Procurement Management and the Assistant Superintendent of the Bureau of Adult/Vocational and Alternative Education have indicated a continuing need for office space to serve the departments noted above. The rental rate currently paid by the District for use of the premises is \$19.11 per square foot (\$190,813.35 annually). Staff contacted Biscayne Management, who expressed its willingness to enter into a lease amendment with the Board to extend the term of the lease at a reduced rental rate, as described below.

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

- The Board, at its sole option, shall have the right to renew the lease agreement for three additional one-year periods;
- the rental rate for the first one-year renewal option period commencing January 25, 2003 and ending January 24, 2004 shall be reduced from \$19.11 per square foot to \$18 per square foot (\$179,730 annually, down from the current amount of \$190,813.35 annually);

- the rental rate for the second one-year renewal option period commencing January 25, 2004 and ending January 24, 2005 shall be \$19 per square foot (\$189,715 annually, down from the current amount of \$190,813.35 annually); and
- the rental rate for the last one-year renewal option period commencing January 25, 2005 and ending January 24, 2006 shall increase to \$20 per square foot (\$199,700, for an incremental increase of \$8,886.65 from the current annual rate).

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

- Biscayne Management, at its sole cost and expense, is responsible for providing all utilities, custodial services and building maintenance;
- the District is entitled to 50 parking spaces within the 1444 Building parking garage, at no additional cost to the District; and
- either party may cancel the lease agreement at any time by giving the other party 120 days prior written notice.

The new lease term will commence January 25, 2003, and will end January 24, 2004. No physical improvements requiring the use of District funds are necessary as a result of the proposed Board action.

The proposed lease amendment will be reviewed by the School Board Attorney's Office, the Chief of Staff, the Associate Superintendent of Education, the Assistant Superintendent of the Bureau of Procurement Management and the Assistant Superintendent of the Bureau of Adult/Vocational and Alternative Education prior to its execution.

Relocation and New Lease Agreement

In an effort to reduce operational expenses, District staff has been reviewing all existing lease agreements to determine whether certain District operations can be relocated to other Board-owned facilities. As a result of this review, coupled with on-going District restructuring, the implementation of an in-house Building Official and other substantive changes as well as the current availability of alternate space, staff is recommending that the lease agreement for the 4300 Biscayne Boulevard Building (4300 Building) be canceled, and that staff housed therein be relocated to more cost-efficient facilities.

After analyzing existing staffing and operational requirements, it is recommended that the following departments be relocated from the 4300 Building to the Board-owned North Maintenance Satellite facility (North Maintenance Facility) located at 12525 N.W. 28 Avenue: Asbestos Abatement Management, Department of Safety and Environmental Management and Job Order Contracts.

District staff conducted a preliminary inspection of the North Maintenance Facility and verified that sufficient space is available therein for purposes of relocating the departments noted above. Such a relocation may be accomplished without requiring significant improvements or alterations to the subject space. Although further analysis needs to be conducted, the cost to retrofit this facility is estimated to be approximately \$25,000.

Staff is also recommending that the Department of Facilities Design and Quality Control, which will be under the control of the new in-house Building Official and is also currently housed in the 4300 Building, be relocated to new leased space within the 1444 Building.

Suitable office space is currently available for lease at the 1444 Building, which requires no build-out. Staff contacted the landlord, Biscayne Management, who has expressed its willingness to lease this additional office space to the Board at a reduced rental rate. Since this special rate is available for new leases and for a limited time only, it is recommended that the Superintendent be authorized to negotiate a lease agreement with Biscayne Management, and to execute the agreement without further Board action. The lease agreement will include, substantially, the following terms and conditions:

- the lease shall be for approximately 10,965 square feet of space in suites 302 and 350. There is no build-out cost associated with the leasing of this space;
- a one-year term, with two one-year renewal option periods, at the Board's sole option;
- the rental rate for the initial one-year term shall be \$12 per square foot for months 1 through 6, and \$15 per square foot for months 7 through 12, at an average annual rental rate of \$13.50 per square foot (\$148,027.50 annually);
- the rental rate for the first one-year renewal option period shall be \$18 per square foot (\$197,370 annually);
- the rental rate for the second one-year renewal option period shall be \$19 per square foot (\$208,335 annually);
- Biscayne Management will provide all utilities, custodial services and building maintenance, at no additional cost to the District;
- Biscayne Management will provide 30 additional parking spaces within the 1444 Building parking garage, at no additional cost to the District;
- either party shall have the right to cancel the lease agreement at any time, without penalty, by giving the other party 120 days prior written notice; and

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

The proposed lease agreement will be reviewed by the School Board Attorney's Office, the Office of Risk and Benefits Management and the Chief of Staff prior to its execution.

Estimated Cost Savings

The District currently leases the entire 4300 Building, consisting of 37,847 square feet of space, at a rental rate of \$10 per square foot (\$378,470 annually). In addition to the rental payment, the District is also responsible for the payment of all utilities, routine maintenance and custodial and guard services, the combined cost of which is estimated at \$254,000 annually, for a total annual cost of \$632,470. As noted above, the proposed relocation of the departments housed in the 4300 Building to either the North Maintenance Facility or new space at the 1444 Building would allow for the cancellation of the 4300 Building lease. It should be noted that if the 4300 Building lease is to be canceled, the District must provide the landlord with 120 days prior written notice of its intent, and is also required to reimburse the landlord for the unamortized portion of the landlord's cost to build-out the space, in the amount of \$6,700 for each month that would remain under the current term of the lease (after proper cancellation). The foregoing reimbursement obligation as well as the District's rent savings due to the early termination of the 4300 Building lease is accounted for in the attached costs/savings analysis, which indicates that over a three-year period, there is a savings to the District of approximately \$247,740.32, \$441,820.33 and \$420,873.60, for years one, two and three, respectively (see attachment). The total estimated savings for year one is exclusive of moving expenses and the cost to retrofit the North Maintenance Facility, which is estimated at approximately \$25,000.

RECOMMENDED:

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

1. authorize the Superintendent or his designee to execute a lease amendment with Biscayne Management Corporation for 9,985 square feet of administrative office space at the 1444 Biscayne Boulevard Building, under the terms and conditions set forth above, and authorize the renewal of the lease agreement for an additional one-year period, at an annual rental rate of \$179,730, which is a reduction from the current annual rental amount of \$190,813.35. The term of the renewal option period will commence January 25, 2003, and will end January 24, 2004. All other terms and conditions of the lease agreement, other than as set forth above, will remain unchanged;
2. authorize the Superintendent or his designee to negotiate and execute a lease agreement with Biscayne Management Corporation for an additional 10,965 square feet of office space at the 1444 Biscayne Boulevard Building, at an annual rental rate for the initial one-year term of \$148,027.50, and substantially in conformance with the terms and conditions set forth above; and
3. authorize the Superintendent or his designee to cancel the lease agreement for the 4300 Biscayne Boulevard Building.

MMC:rr

ESTIMATED COSTS/SAVINGS ANALYSIS

LEASED FACILITY	YEAR 1												
	COSTS (-) AND SAVINGS (+)												
	June '02 (Baseline)	July '02	Aug. '02	Sept. '02	Oct. '02	Nov. '02	Dec. '02	Jan. '03	Feb. '03	March '03	April '03	May '03	June '03
4300 Building	\$52,705.00	\$52,705.00	\$52,705.00	\$52,705.00	\$52,705.00	\$6,700.00	\$6,700.00	\$6,700.00	\$6,700.00	\$3,891.00	\$0.00	\$0.00	\$0.00
1444 Building (existing space)	\$15,901.00	\$15,901.00	\$15,901.00	\$15,901.00	\$15,901.00	\$15,901.00	\$15,901.00	\$15,692.68	\$14,978.00	\$14,978.00	\$14,978.00	\$14,978.00	\$14,978.00
1444 Building (new space)	\$0.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00	\$12,336.00
Total	\$68,606.00	\$80,942.00	\$80,942.00	\$80,942.00	\$80,942.00	\$34,937.00	\$34,937.00	\$34,728.68	\$34,014.00	\$31,205.00	\$27,314.00	\$27,314.00	\$27,314.00
Additional Costs/Savings		-\$12,336.00	-\$12,336.00	-\$12,336.00	-\$12,336.00	\$33,669.00	\$33,669.00	\$33,877.32	\$34,592.00	\$37,401.00	\$41,292.00	\$41,292.00	\$41,292.00
Total Estimated Savings for Year 1:													\$247,740.32

LEASED FACILITY	YEAR 2												
	COSTS (-) AND SAVINGS (+)												
	June '03 (Baseline)	July '03	Aug. '03	Sept. '03	Oct. '03	Nov. '03	Dec. '03	Jan. '04	Feb. '04	March '04	April '04	May '04	June '04
4300 Building	\$52,705.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1444 Building (existing space)	\$15,901.00	\$14,978.00	\$14,978.00	\$14,978.00	\$14,978.00	\$14,978.00	\$14,978.00	\$15,165.77	\$15,809.58	\$15,809.58	\$15,809.58	\$15,809.58	\$15,809.58
1444 Building (new space)	\$0.00	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50	\$16,447.50
Total	\$68,606.00	\$31,425.50	\$31,425.50	\$31,425.50	\$31,425.50	\$31,425.50	\$31,425.50	\$31,613.27	\$32,257.08	\$32,257.08	\$32,257.08	\$32,257.08	\$32,257.08
Additional Costs/Savings		\$37,180.50	\$37,180.50	\$37,180.50	\$37,180.50	\$37,180.50	\$37,180.50	\$36,992.73	\$36,348.92	\$36,348.92	\$36,348.92	\$36,348.92	\$36,348.92
Total Estimated Savings for Year 2:													\$441,820.33

LEASED FACILITY	YEAR 3												
	COSTS (-) AND SAVINGS (+)												
	June '04 (Baseline)	July '04	Aug. '04	Sept. '04	Oct. '04	Nov. '04	Dec. '04	Jan. '05	Feb. '05	March '05	April '05	May '05	June '05
4300 Building	\$52,705.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1444 Building (existing space)	\$15,901.00	\$15,809.58	\$15,809.58	\$15,809.58	\$15,809.58	\$15,809.58	\$15,809.58	\$15,997.57	\$16,641.67	\$16,641.67	\$16,641.67	\$16,641.67	\$16,641.67
1444 Building (new space)	\$0.00	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25	\$17,361.25
Total	\$68,606.00	\$33,170.83	\$33,170.83	\$33,170.83	\$33,170.83	\$33,170.83	\$33,170.83	\$33,358.82	\$34,002.92	\$34,002.92	\$34,002.92	\$34,002.92	\$34,002.92
Additional Costs/Savings		\$35,435.17	\$35,435.17	\$35,435.17	\$35,435.17	\$35,435.17	\$35,435.17	\$35,247.18	\$34,603.08	\$34,603.08	\$34,603.08	\$34,603.08	\$34,603.08
Total Estimated Savings for Year 3:													\$420,873.60

- Notes:
1. Figures are based on estimates.
 2. This costs/savings analysis assumes that the 4300 Building lease will be canceled on July 1, 2002, which cancellation will be effective as of November 1, 2002.
 3. The monthly payment of \$52,705 for the 4300 Building includes rent (\$31,539), utilities (\$4,666), custodial services (\$8,333), guard services (\$6,667) and routine maintenance (\$1,500).
 4. Total estimated savings for year 1 is exclusive of moving expenses and an estimated \$70 in retrofitting the North Maintenance Facility.