

Business Operations
 Facilities Planning
 Ana Rijo-Conde, AICP, Administrative Director

SUBJECT: AUTHORIZATION TO EFFECTUATE A REDUCTION OF LEASED OFFICE SPACE AND ACHIEVE COST SAVINGS BY CANCELING THE LEASE AGREEMENTS FOR THE 1444 AND 4300 BISCAYNE BOULEVARD BUILDINGS AND RELOCATING PERSONNEL TO A BOARD-OWNED FACILITY

COMMITTEE: FACILITIES PLANNING AND CONSTRUCTION

Background Information

Presently, the School Board leases office space at 4300 Biscayne Boulevard and 1444 Biscayne Boulevard. The table below provides a snapshot of the District functions housed in each of these buildings, number of employees, total square footage at each facility and total lease costs.

Building Location	Function(s)	Total # of Employees	Total Square Footage	Total Annual Cost(s)
4300 Biscayne Boulevard (1)	Safety and Environmental Management, Asbestos Abatement Management, Job Order Contracts, ADA Compliance and Facilities Design and Quality Control	92	37,847 (3)	\$632,470 (4)
1444 Biscayne Boulevard (2)	Pre-qualification and Educational Facilities Compliance, Procurement and Materials Management, Workforce Development and Education and One Community One Goal	55	9,985 (suites 104, 201 & 220)	\$190,813.35
Totals		147	47,832	\$823,283.35

- (1) The lease agreement for 4300 Biscayne Boulevard expires March 18, 2003; it renews automatically for another five-year period effective on that date unless notice of cancellation is provided to the Lessor by November 1, 2002. The lease can be canceled at any time with 120 days advance notice.
- (2) The lease agreement for 1444 Biscayne Boulevard expires on January 24, 2003 and is in its last renewal year. As such, two options are available: the lease can be allowed to lapse on that date; or the lease can be renegotiated for a new term.
- (3) The District occupies approximately 28,953 square feet of the total leased area.
- (4) The annual rental payment of \$632,470 for the 4300 Building includes rent (\$378,470), utilities (\$56,000), custodial services (\$100,000), guard services (\$80,000) and routine maintenance (\$18,000).

Two factors have prompted the re-evaluation of the referenced leases:

1. The goal to reduce costs where possible through relocation to other Board-owned facilities; and
2. Recent District-wide reorganization, which has included both regrouping of existing functions and creation of new functions, such as the newly created District code compliance/building department.

After analyzing several options based on funding constraints both as to amount and sources, staff recommends that the 1444 Biscayne Boulevard Building (1444 Building) and the 4300 Biscayne Boulevard Building (4300 Building) be vacated and that approximately 88 personnel be relocated to approximately 13,900 square feet of space within the Board-owned Maintenance Material and Facilities Operation Center located at 12525 N.W. 28 Avenue (Central Maintenance Facility). In order to accommodate this relocation, layout modifications of approximately 3,000 square feet of space would be required as well as build-out of an additional 10,900 square feet within the facility's existing mezzanine area. This project is estimated to cost approximately \$896,300, with a projected occupancy of approximately 12 months from the commencement date. The 1444 Building would be vacated effective January 24, 2003; the District would continue leasing the 4300 Building until approximately October of 2003 when the retrofitting of space at the Central Maintenance Facility should be completed.

Financing

Based on a preliminary analysis of potential funding sources, it has been determined that the relocation and proposed improvements to the Central Maintenance Facility can be funded from the District's lease budget, by tapping into funds saved through lease renegotiations and/or discontinuation. Based on a preliminary review, approximately \$617,000 from the 2002-03 District lease budget would be immediately available to cover these costs. Assuming similar funding levels for the 2003-04 District lease budget and vacation of the 4300 Building by October 2003, the remainder, approximately \$279,300, would be secured by reallocating the unspent lease payment funds designated for the 4300 Building in the 2003-04 lease budget, and from the lease budget contingency as may be needed.

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 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. Additionally, the District presently leases 9,985 square feet of space at the 1444 Building, at a rental rate of \$19.11 per square foot (\$190,813.35). Relocating staff to the Central Maintenance Facility, as described in this

report, would allow for the discontinuation of the 1444 Building lease effective January 24, 2003 and the eventual cancellation of the 4300 Building lease, effective approximately October of 2003. As indicated on the cost/savings analysis set forth below, over a 10 year period, there would be a net savings to the District of approximately \$6,645,782, with the District achieving a savings of \$59,518 during year 2, and the annual savings of \$823,283 to begin during year 3.

OPTIONS	COSTS (-) AND SAVINGS (+)			
	Year 1	Year 2	Years 3-10	Total Savings
<ul style="list-style-type: none"> • Relocate 88 personnel to 13,900 sq.ft. at the Central Maint. Facility Cost: \$896,300 Lease Costs: \$690,748 Total Cost: \$1,587,048 	-\$763,765	\$59,518	\$6,586,264**	\$6,645,782
Annual Lease Savings: 1444 Building: \$190,813 4300 Building: \$632,470* Total Savings: \$823,283				

*The annual payment of \$632,470 for the 4300 Building includes rent (\$378,470), utilities (\$56,000), custodial services (\$80,000) and routine maintenance (\$18,000).

**The savings achieved during years 3 through 10 is approximately \$823,283 per year, for a total of \$6,586,264.

4300 Building Lease Renewal

As previously noted, the District would need to continue leasing the 4300 Building until approximately October of 2003. Therefore, it is further recommended that the lease agreement with Megapolis Corporation for the use of the 4300 Building be renewed for an additional five-year period commencing March 19, 2003 and ending March 18, 2008. The District will have the ability to cancel the lease effective with the completion of work at the Central Maintenance Facility, by providing the landlord with 120 days advance notice.

The lease specifies that the current annual rental rate of \$10.00 per square foot (\$378,470 annually) shall be adjusted by the increase in the January Consumer Price Index (CPI), provided the CPI increase is not less than 3% or greater than 6%. As the January 2003 CPI is anticipated to be no more than 3.5%, this would effectively increase the annual rent by no more than \$13,246.45. However, in no event could the cost exceed \$10.60 per square foot (\$401,178.20 annually). No physical improvements requiring the use of District funds will be undertaken. All other terms and conditions of the lease agreement will remain unchanged, including the following:

- the Board is responsible for payment of all utilities consumed on the premises;
- the Board, at its sole cost and expense, is responsible for providing all routine maintenance and custodial services;
- the landlord, at its sole cost and expense, is responsible for the maintenance and repair of the mechanical, electrical and plumbing systems (with the exception of those items installed by the Board), exterior painting, parking lot and walking surfaces, as well as the structural elements of the building, including the roof;
- the Board may cancel the lease at any time, without penalty, by giving the landlord 120 days prior written notice; and
- the landlord will only have the right to cancel the lease if the Board defaults under the terms of the lease and fails to cure such default.

RECOMMENDED:

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

1. authorize the Superintendent or his designee to allow the lease agreement with Biscayne Management Corporation for the 1444 Biscayne Boulevard Building to lapse on January 24, 2003;
2. authorize the renewal of the lease agreement with Megapolis Corporation for the 4300 Biscayne Boulevard Building for the period of March 19, 2003 through March 18, 2008, preserving the District's right to cancel at any time with 120 days notice. The annual rental amount for the period of March 19, 2003 through March 18, 2004 shall not exceed \$401,178.20. Thereafter, the annual rental amount shall be adjusted by the January Consumer Price Index, provided the increase is not less than 3% or greater than 6%. All other terms and conditions of the lease agreement will remain unchanged; and
3. authorize the Superintendent or his designee to cancel the lease agreement with Megapolis Corporation for the 4300 Biscayne Boulevard Building effective with the completion of work at the Central Maintenance Facility and relocate approximately 88 personnel to that facility.

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