

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

**SUBJECT:            AUTHORIZE THE SUPERINTENDENT TO FINALIZE  
NEGOTIATIONS AND EXECUTE AN AMENDMENT TO THE  
LEASE AGREEMENT BETWEEN THE SCHOOL BOARD AND  
R.K. ASSOCIATES, FOR CLASSROOM SPACE LOCATED AT  
850 IVES DAIRY ROAD**

**COMMITTEE:                               FACILITIES AND CONSTRUCTION REFORM**

**LINK TO  
STRATEGIC FRAMEWORK:    FINANCIAL EFFICIENCY/STABILITY**

Background

Since November 2005, the Board has leased retail storefront space within the California Club Shopping Mall for use as classroom space. The facility, located at 850 Ives Dairy Road, consists of 55,800 square feet of indoor space, which was fully built-out by the District. In addition to the classroom space, there is an outdoor patio area of 5,252 square feet, for a total usable area of 61,052 square feet. The facility was initially constructed as an interim relief school for Highland Oaks Middle School, and has been used for the past three years as an annex to Dr. Michael M. Krop Senior High School (High School). The current term of the Agreement will expire on October 31, 2010.

Region II staff has indicated a continuing need for the facility to serve as an annex to the High School until such time the desired effects of the attendance boundary changes approved effective with school year 2009-10, in connection with the opening of the new relief school, the Alonzo and Tracy Mourning Senior High Biscayne Bay, have been fully implemented. This will allow for a smooth and gradual transition period with minimum disruption to both student bodies.

The Agreement provides the District with the option to renew the term for an additional five-year period (November 1, 2010 through October 31, 2015), during which the rental rate will be adjusted by 5% over each previous year. Staff contacted the landlord, and indicated that the District may be amenable to such an extension, subject to the landlord providing significant concessions for free or reduced rent. The landlord subsequently indicated a willingness to negotiate an amendment to the Agreement to significantly reduce the rental rate, provided the extended term is limited to three years, rather than the five years called for in the renewal provision of the lease. The proposed amendment would include no rent for the period ending June 30, 2011 (a total of eight months), and significantly reduce rent for the period of July 1, 2011 through June 30, 2013. The following chart provides a comparison of the rental rate called for in the existing Agreement, with the negotiated proposed rental rate:

<b>Current Proposed Agreement</b>	<b>Prior Agreement - if extended beyond current termination date of October 31, 2010</b>
<p><u>November 1, 2010 – June 30, 2011:</u> Rent and CAM will be waived for this period (8 months), which when added to the July 1, 2010 - October 31, 2010 payments of <u>\$428,358</u>, would total \$428,358 for the year (\$7.68/ft.)</p>	<p><u>November 1, 2010 – June 30, 2011:</u> Rent and CAM will be \$112,443.92 per month for a total of \$899,551.36, which when added to the July 1, 2010 - October 31, 2010 payments of \$428,358, would total <u>\$1,327,909.36</u> for the year (\$23.80/ft).</p>
<p><u>July 1, 2011 – June 30, 2012:</u> Total annual rent of <u>\$550,000</u>, or \$9.86/ft.</p>	<p><u>July 1, 2011 – June 30, 2012:</u> Total annual rent and CAM will be <u>\$1,394,283.68</u>, or \$24.99/ft.</p>
<p><u>July 1, 2012 – June 30, 2013:</u> Total annual rent of <u>\$750,000</u>, or \$13.44/ft.</p>	<p><u>July 1, 2012 – June 30, 2013:</u> Total annual rent and CAM will be <u>\$1,464,099.04</u>, or \$26.24/ft.</p>
<p><b>Effective 3-year rate (July 1, 2010-June 30, 2013) @ \$10.33/ft, for a grand total of <u>\$1,728,358</u>.</b></p>	<p><b>Effective 3-year rate (July 1, 2010-June 30, 2013) @ \$25.01/ft, for a grand total of <u>\$4,186,292.08</u>.</b></p>

Proposed Lease Amendment

Given the School's continuing need for the lease space, and the lack of any alternate Board-owned locations to accommodate this need, it is recommended that the Agreement be amended to provide, substantially, the following terms and conditions:

- the current term of the Agreement, which expires on October 31, 2010, will be extended to June 30, 2013;
- the District will not be permitted to cancel or terminate the Agreement before June 31, 2013, other than in the event of Damage or Destruction, or in the event of an uncured default on the part of the landlord;
- the District shall have no options to renew the Agreement beyond June 30, 2013, unless the Agreement is subsequently amended;

- the total rental obligation on the part of the District shall be as follows:
  - o November 1, 2010 – June 30, 2011 @ \$0
  - o July 1, 2011 – June 30, 2012 @ \$550,000
  - o July 1, 2012 – June 30, 2013 @ \$750,000
- in the event that the applicable Florida Statute is amended to provide that any facility, or portion thereof, which is leased for use as a traditional public school, is exempt from ad valorem or other taxes, the rental amount due under this Agreement shall be reduced by the amount of the exempted ad valorem or other taxes assessed to the property, as prorated for the period of the District's occupancy. This rent reduction does not apply, however, to any abatement and/or reduction of taxes that is independent of any tax exemption specifically pertaining to the use of the property as a public school;
- in the event of any litigation between the parties under this Agreement, each party shall be responsible for its own attorney's fees and court costs through trials and appellate levels; and
- in compliance with Board policy, the landlord acknowledges and accepts the authority of the School Board Office of Inspector General to conduct random audits, inspections, and reviews of the landlord's records relating to this Agreement.

All other terms and conditions of the current Agreement will remain unchanged, including:

- the District will pay all utility charges and retain responsibility for routine maintenance and custodial of the facility;
- the landlord shall maintain and repair the parking lots and walking surfaces, exterior lighting and the structural elements of the building, including the roof; and
- the District will have use of 125 parking spaces within the parking area, of which no more than 50 can be utilized by senior high school students.

The principal of Dr. Michael M. Krop Senior High School and the Region Center II Superintendent recommend entering into the proposed amendment. The proposed amendment will be reviewed by the School Board Attorney's Office and Office of Risk and Benefits Management prior to 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 between the School Board and R.K. Associates, to extend the term of the lease agreement from November 1, 2010 to June 30, 2013, and under, substantially, the terms and conditions noted above. All other terms and conditions of the lease agreement will remain unchanged.

MAL: