

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 ARBAS REALTY TRUST, BY ITS AUTHORIZED AGENT R.K./FL MANAGEMENT, INC., A FLORIDA CORPORATION, D/B/A RK CENTERS, F/K/A 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. Over time, the facility has served as interim relief school for Highland Oaks Middle School, Dr. Michael M. Krop Senior High School and most recently as an annex to Aventura Waterways K-8 Center ("School"). The current term of the Agreement will expire on June 30, 2013.

The original terms of the Agreement provided 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 was to be adjusted by 5% over each previous year. In 2010, staff contacted the landlord, and negotiated an amendment to the Agreement to significantly reduce the rental rate. The amendment included no rent for the period ending June 30, 2011 (a total of eight months), and significantly reduced rent for the period of July 1, 2011 through June 30, 2013. The net savings to the District over that three year period compared to the rental rate called for in the Agreement, totaled \$2,457,934. The current annual rental rate is \$750,000 (\$13.44/square foot).

The School principal and Region Superintendent, North Regional Center, have indicated a continuing need for the facility to serve as an annex to the School to allow sufficient time within which to build additional capacity, as envisioned under the 2012 General Obligation Bond. The landlord has again been contacted and indicated a desire to work collaboratively with the District in establishing a new lease rate over the next three years under favorable terms and conditions. Terms of the proposed amendment include an annual rent for the period of July 1, 2013 through June 30, 2014 at \$765,000 (\$13.70/square foot); annual rent for the period of July 1, 2014 through June 30, 2015 at

\$835,000 (\$14.96/square foot); and annual rent for the period of July 1, 2015 through June 30, 2016 at \$900,000 (\$16.12/square foot).

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 June 30, 2013, will be extended for the three year period ending June 30, 2016;
- the District will not be permitted to cancel or terminate the Agreement before June 30, 2016, 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, 2016, unless the Agreement is subsequently amended; and
- the total rental obligation on the part of the District shall be as follows:
 - o July 1, 2013 – June 30, 2014 @ \$765,000
 - o July 1, 2014 – June 30, 2015 @ \$835,000
 - o July 1, 2015 – June 30, 2016 @ \$900,000

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;
- 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;
- 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 Aventura Waterways K-8 Center and the Region Superintendent, North Regional Center, 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 Arbas Realty Trust, by its authorized agent R.K./FL Management, Inc., a Florida Corporation, d/b/a RK Centers, f/k/a R.K. Associates, to extend the term of the lease agreement from July 1, 2013 to June 30, 2016, including an annual rental rate of \$765,000 for the period of July 1, 2013 through June 30, 2014, \$835,000 for the period of July 1, 2014 through June 30, 2015, and \$900,000 for the period of July 1, 2015 through June 30, 2016, and under, substantially, the terms and conditions noted above. All other terms and conditions of the lease agreement will remain unchanged.

MAL: