

Office of Facilities Design and Construction  
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**SUBJECT: APPROVE MASTER DEVELOPMENT AGREEMENT, 99-YEAR GROUND LEASE, AND RELATED ANCILLARY AGREEMENTS WITH RELATED URBAN DEVELOPMENT GROUP (RUDG) FOR THE REDEVELOPMENT OF THE FORMER J.R.E. LEE EDUCATION CENTER, 6521 SW 62 AVENUE, SOUTH MIAMI**

**COMMITTEE: FACILITIES AND CONSTRUCTION**

**LINK TO STRATEGIC PLAN: EFFECTIVE AND SUSTAINABLE OPERATIONAL PRACTICES**

## **BACKGROUND**

The former J.R.E. Lee Education Center property, located at 6521 SW 62 Avenue in the City of South Miami, consists of approximately 3.34 acres and is currently underutilized. The proposed redevelopment is the result of a multi-year public-private partnership framework previously authorized and implemented by the School Board in collaboration with Related Urban Development Group (“RUDG”).

On July 25, 2018, the Board authorized the Superintendent to finalize negotiations and execute a Ground Lease Agreement, Project Work Letter, and Sublease Agreement with Miami-Dade County Public Housing and Community Development in connection with the Southside K-8 Center Annex project. That action established the District’s use of long-term ground lease structures to preserve fee ownership of District land while facilitating delivery of educational facilities in coordination with affordable housing development.

On April 29, 2020, the Board approved Agenda Item F-4 authorizing the Superintendent to explore expansion of the collaboration to include RUDG for expanded parking facilities at Southside K-8 Center Annex and potential redevelopment opportunities at the former J.R.E. Lee Education Center.

On March 10, 2022, the Board approved Agenda Item Revised F-3 authorizing execution of parking and escrow agreements with RUDG in connection with the Gallery at West Brickell development. That collaboration enabled the District to secure long-term access to structured parking and resulted in measurable cost savings.

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During those negotiations, discussions expanded to include redevelopment of the former J.R.E. Lee property as a logical extension of the Southside partnership model.

On January 18, 2023, the Board approved an item authorizing the Superintendent to proceed with required due diligence for the potential redevelopment of the former J.R.E. Lee Education Center. That item required that any proposed agreement include:

- A detailed description of financial benefits to the School Board;
- Disclosure of development fees, lease payments, cash participation, and net proceeds;
- A full financial analysis over the life of the lease;
- District property appraisals in accordance with Board Policy 7510; and
- Developer investment in new and/or improved educational facilities evaluated relative to the appraised value of the property.

An independent appraisal dated February 23, 2024 established a fee simple “As Is” land value of \$31,300,000 for the J.R.E. Lee property. That appraisal serves as the economic benchmark against which the proposed transaction has been evaluated.

The Master Development Agreement and 99-year Ground Lease now presented are the culmination of that Board-directed due diligence process.

#### **PROJECT DESCRIPTION:**

Under the proposed structure, Miami-Dade County Public Schools (MDCPS) will retain fee simple ownership of the 3.34-acre property and grant a 99-year ground lease to Related Urban Development Group (RUDG) or its affiliated development entity. The ground lease structure is required to satisfy federal Low-Income Housing Tax Credit (LIHTC) and tax-exempt bond financing requirements, which require the development entity to hold a leasehold interest in the land. This structure preserves District ownership while enabling private financing of the project.

The development will include 355 residential units totaling approximately 240,501 square feet of rentable residential area, approximately 12,785 square feet of ground-floor commercial space, and 456 structured parking spaces. RUDG will design, finance, and construct the entire mixed-use development at its sole cost and expense.

MDCPS will not provide any capital funding for residential or mixed-use construction. The District’s contribution to the transaction is the long-term ground lease of the land while retaining fee ownership.

RUDG will design, finance, and construct, at its sole cost and expense, a new approximately 25,000 square foot Educational Facility, which will be delivered to MDCPS at no capital cost to the District. The Educational Facility site is included within the ground lease to satisfy federal tax credit requirements applicable to “community service facilities” under Section 42 of the Internal Revenue Code. Inclusion within the ground lease provides the leasehold interest necessary for LIHTC eligibility and does not transfer fee ownership. MDCPS retains fee title to the land at all times.

Upon completion, the Educational Facility will be subleased to MDCPS pursuant to a long-term sublease coterminous with the 99-year ground lease. The sublease will grant MDCPS exclusive possession and operational control for District purposes and expressly provides that MDCPS may

not be evicted, displaced, or have its possession disturbed by the Developer, any successor entity, or any leasehold mortgagee, so long as MDCPS is not in default.

The commercial space may be used for District-approved programmatic functions or, if not utilized by MDCPS, may be subleased in accordance with the restrictions and approval rights set forth in the ground lease.

The total projected development cost is approximately \$159,539,055 and will be financed entirely through private equity, tax credit equity, tax-exempt bond financing, and other non-District sources.

### **HOUSING AFFORDABILITY AND WORKFORCE STRUCTURE:**

The residential component of the proposed development is structured as a 4% Low-Income Housing Tax Credit (LIHTC) transaction utilizing tax-exempt bond financing. The affordability levels applicable to the project are established pursuant to federal Internal Revenue Code Section 42 and related federal housing regulations. Income limits and rent caps are calculated using Area Median Income (AMI) data published annually by the United States Department of Housing and Urban Development (HUD).

Under the LIHTC program, units are restricted to specified percentages of AMI, including units restricted at 60% and 80% of AMI. These federal income thresholds are administered and monitored at the state level by the Florida Housing Finance Corporation (FHFC), which oversees compliance, reporting, and extended affordability requirements. The project will be subject to all applicable LIHTC regulatory agreements and compliance monitoring provisions.

In addition to the federal tax credit requirements, the capital stack includes Miami-Dade County housing funds, and deferred developer fees. The project is slated for receiving Project-Based Voucher (PBV) operating assistance. Units supported by PBVs are restricted at approximately 20% of AMI, consistent with federal housing voucher guidelines. County surtax financing may impose additional affordability compliance obligations and monitoring requirements; however, income levels themselves are determined pursuant to federal and state housing program rules.

The development also includes a workforce housing tier restricted at approximately 120% of AMI. This tier is calculated using HUD-published AMI data and structured to comply with applicable state and federal housing program parameters. The District does not establish the AMI percentages; rather, the affordability levels are dictated by federal law and administered through state and local housing authorities.

To support recruitment and retention objectives, the development contemplates a workforce housing preference for eligible Miami-Dade County Public Schools employees within designated workforce-restricted units. Subject to federal Fair Housing laws and applicable financing program requirements, District instructional and support personnel will be provided a priority leasing window during initial lease-up and subsequent turnover periods. This preference does not alter income qualification requirements, does not guarantee unit availability, and will be implemented in a transparent, compliant, and non-discriminatory manner consistent with all governing regulations.

## **FINANCING STRUCTURE AND DISTRICT ECONOMIC BENEFITS:**

The capital stack includes tax credit equity generated through the 4% LIHTC program, first mortgage permanent financing, Miami-Dade County surtax funds, and deferred developer fee contributions.

The transaction provides several categories of value to MDCPS. RUDG will deliver an educational facility valued at approximately \$10,000,000 and special needs testing space valued at approximately \$3,835,500, along with a \$100,000 capitalized lease payment. MDCPS will receive 12.5 percent of the developer fee actually earned and received, currently projected at approximately \$2,989,657, and will receive 12.5 percent of available distributable cash flow after operating expenses, debt service, and required reserves.

Base year projected Net Operating Income is approximately \$5,830,661, with available distributable cash flow projected at approximately \$5,640,161 at stabilization. Financial modeling over the 99-year lease term projects cumulative economic benefits of approximately \$405,488,778. These projections are based on assumed revenue growth and stabilized performance; actual results may vary.

A present value analysis of projected lease benefits, discounted between 6.5 percent and 8 percent, indicates an estimated present value range of approximately \$44 million to \$75 million. Under conservative assumptions, the projected present value exceeds the \$31,300,000 appraised land value benchmark established by the independent appraisal.

## **RISK ALLOCATION AND DISTRICT PROTECTIONS:**

All entitlement, financing, construction, lease-up, and operating risks reside solely with RUDG and its financing partners. MDCPS retains fee ownership of the land throughout the 99-year term and assumes no development, construction, repayment, or guaranty obligations.

The 99-year Ground Lease requires prior written approval by MDCPS for any assignment, transfer, mortgage, bifurcation, or sublease of the Developer's leasehold interest. All subleases must comply with permitted use restrictions established in the Ground Lease.

The Educational Facility sublease provides MDCPS with long-term exclusive possession and operational control. In the event of foreclosure, transfer, or assignment of the leasehold estate, successor entities and leasehold mortgagees are bound by the District's sublease and non-disturbance protections. The structure ensures that MDCPS cannot be removed from or evicted from the Educational Facility during the lease term, absent a District default.

Because MDCPS retains fee ownership of the land, any failure of the private development would not result in loss of District ownership of the property.

## **FISCAL IMPACT:**

The transaction requires no General Obligation bond funding, no District capital contribution toward residential construction, and no District repayment or guaranty obligations. The District contributes the land via long-term lease while retaining fee ownership and receiving immediate capital improvements and long-term revenue participation. The projected present value of economic benefits exceeds the independently appraised land value benchmark.

**RECOMMENDED:**

That The School Board of Miami-Dade County, Florida, authorize the Superintendent to:

- 1) Approve and execute the Master Development Agreement, 99-year Ground Lease, and related ancillary agreements with Related Urban Development Group (RUDG) for the redevelopment of the former J.R.E. Lee Education Center property located at 6521 SW 62 Avenue, South Miami;
- 2) Execute all ancillary agreements, amendments, certificates, joinders, estoppels, and related documents necessary to effectuate the transaction, including documents required for financing, permitting, regulatory compliance, and implementation of affordability and workforce housing provisions;
- 3) Take all actions necessary to implement the redevelopment consistent with prior Board directives and the approved business terms; and
- 4) Make non-substantive modifications as required by legal review or financing authorities, provided such modifications do not materially alter the approved economic terms.