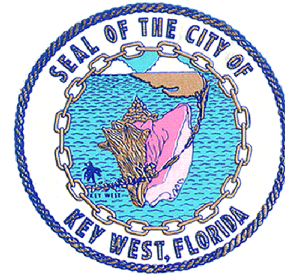


Executive Summary



TO: City Commission

CC: Jim Scholl, Mark Finigan, David Fernandez

FR: Larry Erskine
Marilyn Wilbarger, RPA, CCIM

DT: May 10, 2011

RE: Amendment to the Lease for City Offices at Habana Plaza

ACTION STATEMENT

This is a request to approve the first amendment to the city lease for space at 3100 - 3140 Flagler Avenue in Habana Plaza.

HISTORY

In April of 2010 the City signed an agreement to lease space at Habana Plaza for the temporary re-location of administrative offices while a new city hall could be completed. Subsequently events have taken place that require the City to amend the lease prior to the remaining re-location as follows:

Space re-location

This change is based upon the prior owner's request to re-locate the original space designated as Unit D which houses IT and Risk Management, and Unit E which houses Human Resources. These units, located in the rear of the building are completely raw space with no existing improvements and therefore expensive to finish for short term occupancy. When Grimm's Grill vacated, the Owner approached the city with taking that space instead to house these groups at no additional cost to the City. This is a substantially better location, the square footage is comparable and the space plan works as well for City purposes. The total square footage will change slightly from 24,224 to 24,271 square feet. The amendment calls for the construction to be completed within 90 days of permit issuance and permit application to be made within 5 days of the execution of the amendment.

Term

The original lease calls for the city to occupy the premises for a minimum of two years or until March of 2013. As the occupancy of the remaining units has been delayed the owners have requested that the term be extended until the end of 2013. The delay in occupancy was caused by the foreclosure and subsequent sale of the property which is now titled to a new institutional ownership entity with the financial capacity to finish the space immediately.

Rent

There is no change as the base rent for each unit will remain fixed at an annual rate of \$12.00 per square foot for eighteen months and will increase by 3.5% annually thereafter.

Renewal

The City will have the right to renew the lease for two, one year terms at a 5% increase for each renewal term.

Signage

The Lessor will provide signage as Lessor’s sole expense.

Common Area Maintenance:

The City will agree to accept the charges of \$4.75 per square foot as the actual costs for common area maintenance from the date of occupancy until the date of the transfer of ownership. Going forward, costs will be paid on an estimated basis and reconciled annually as per the lease agreement.

Construction Costs:

The City will agree pay \$154,390, which is an increase of \$5,851, as the total construction reimbursement amount for improvements to the space.

FINANCIAL STATEMENT:

The original projected and amended annual rental costs are as follows:

1. Original projected rental costs to re-locate all three city locations

26,458 sf. @ \$12.00 psf	\$317,496
NNN charges @\$4.75	\$125,675
26,458 sf @\$2.00 psf improvement costs	\$52,916
Total Annual Rent	\$496,087

Off-setting Annual Expense Reductions

Rent for 626 Duval - 5712 s.f. @ \$30.07	(\$171,759)
Property coverage premium reduction	(\$30,000)

Total Annual Increase in Rental Cost \$294,328

2. First Amendment Rental Costs

24,271 sf. @ \$12.00 psf	\$291,252
NNN charges @\$4.75	\$115,287
24,271 sf. improvement costs	\$51,463
Total Annual Rent	\$458,002

Off-setting Annual Expense Reductions

Rent for 626 Duval - 5712 s.f. @ \$30.07	(\$171,759)
Property coverage premium reduction	(\$30,000)

Total Annual Increase in Rental Cost \$256,243

RECOMMENDATION:

Staff believes that the amended terms will serve the city well and recommends approval of the lease amendment as proposed.

ATTACHMENTS:

Lease Amendment
Lease