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MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee Members

FROM: Kathie Brooks, Interim City Manager

Kathie Brooks
for KGB

DATE: December 20, 2012

SUBJECT: **A DISCUSSION REGARDING AN AMENDMENT TO THE LEASE AGREEMENT BETWEEN THE CITY AND MDGLCC FOUNDATION, INC., DATED MARCH 10, 2010 ("LEASE"), INVOLVING THE USE OF APPROXIMATELY 2,543 SQUARE FEET OF OFFICE SPACE LOCATED AT HISTORIC CITY HALL, 1130 WASHINGTON AVENUE, 1ST FLOOR NORTH, MIAMI BEACH, FLORIDA**

BACKGROUND

On March 10, 2010, the Mayor and City Commission passed Resolution No. 2010-27354, approving a Lease Agreement between the City and MDGLCC Foundation, Inc. ("MDGLCC" or Tenant) for the use of approximately 2,543 square feet of City-owned property, located at 1130 Washington Avenue, 1st Floor North, Miami Beach, Florida ("Leased Premises"); said Lease having a term of three (3) years, commencing on April 1, 2010, and ending on March 31, 2013, with two (2) additional three (3) year renewal terms.

On October 30, 2012, Steven Adkins, President of MDGLCC, submitted a letter to Commissioner Michael Gongora, which is attached hereto and labeled "Attachment 1," wherein Mr. Adkins described certain problems with the building due to its age, as well as certain maintenance and repair issues. Mr. Adkins requested a rent reduction and a new ten (10) year lease.

On December 6, 2012, the Administration met with Mr. Adkins and Karen Brown, Executive Director of MDGLCC, to discuss the issues described in Mr. Adkins' letter. During the meeting, MDGLCC advised the City they had been communicating directly with Duane Knecht, former Director of Property Management, regarding various maintenance and repair issues related to their office and the building. It was determined that Property Management had been responding to MDGLCC's maintenance issues without consideration for the City's or the Tenant's obligations under the Lease. Few, if any, formal work orders had been placed. While it was acknowledged that Property Management attempted to remedy persistent rodent problems, the problem has not been eradicated. During the December 6th meeting, Property Management staff committed to continue to explore solutions to alleviate the circumstances, including concerns about leaks, which have affected the entire building, and problems with the air conditioning system, and fire alarm panel. Potential solutions for window treatments to block the heat were also discussed.

MDGLCC was provided additional contact information for Office of Real Estate, Housing & Community Development staff and both City staff and the Tenant committed to more closely tracking contractual obligations and work orders so that persistent problems may be addressed jointly and separately by both parties as necessary.

In the meantime, the Tenant has expressed a need for a rent reduction in order to offset the cost of hiring additional staff, increase its hours of operation, and broaden its advertising.

The Tenant also requested a new ten (10) year lease. As mentioned above, the current Lease term ends on March 31, 2013, but has two additional three (3) year renewal terms.

ANALYSIS

Rent Reduction:

MDGLCC requested that its rent be reduced to \$30,000 annually (\$11.80 per square foot) payable in monthly installments of \$2,500. MDGLCC currently pays annual rent in the amount of \$52,320 (\$20.57 per square foot) payable in monthly installments of \$4,360. Said monthly amount consists of \$2,065 for base rent (\$9.74 per square foot), \$1,950 for operating expenses (\$9.20 per square foot) and \$345 for insurance (\$1.63 per square foot).

As a comparison, Miami Beach Film Society, Inc. (d/b/a Miami Beach Cinematheque), also located on the 1st Floor of Historic City Hall, currently pays the same amount of rent as MDGLCC on a per square foot basis. With the exception of the Miami Dade County Clerk of the Courts, the remaining six tenants in the building currently pay a rental rate ranging from \$23.30 to \$26.07 per square foot for office space, which includes operating expenses of \$11.08 per square foot plus insurance charges of \$1.63 per square foot.

Comparable asking rent for office space on Washington Avenue is currently a weighted average of \$30.58 per square foot.

As previously indicated, the other ground floor tenant (Miami Beach Cinematheque) pays \$9.20 per square foot for operating expenses and \$1.63 per square foot for insurance, for a total of \$10.83 per square foot.

Lease Term:

MDGLCC's current lease is for a period of three (3) years expiring March 31, 2013, with two (2) additional three (3) year renewal terms, subject to approval by the City Manager. MDGLCC has requested a new lease for a period of ten (10) years.

Typically, tenants request long or longer term leases in connection with capital investments. MDGLCC is committed to staying in the leased space and has made improvements to the space, resulting in an attractive and functional space which is an amenity to the building and to the City. However, no capital improvement was required by the City, nor is there a commitment for a defined capital improvement from the Tenant. Nonetheless, the MDGLCC is a tenant in good standing and serves an important public purpose.

CONCLUSION AND RECOMMENDATION

The Tenant has requested a rent reduction from \$4,360 monthly to \$2,500 monthly, representing a reduction in rent from \$20.57/sf to \$11.80/sf, and a new ten (10) year lease term.

The Administration seeks the Committee's direction with respect to granting the MDGLCC's requests.


KAB/MAB/AP/MM

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ATTACHMENT 1



1130 Washington Ave.
1st Floor North
Miami Beach, FL 33139
EMAIL: mdglcc@bellsouth.net
WEB: www.gaybizmiami.com
OFFICE: 305-673-4440
FAX: 305-673-8883

A Not -For-Profit Corporation

October 30, 2012

Commissioner Michael Gongora
City of Miami Beach
1700 Convention Center Dr.
Miami Beach, FL 33139

RE: MDGLCC Foundation Lease – Historic City Hall

Dear Commissioner;

On behalf of the MDGLCC Foundation, Inc. which leases space from the City of Miami Beach in Historic City Hall, I would like to ask for your assistance in bringing before the -Mayor & Commission a request for lease reduction. As a refresher, the LGBT Visitor Center on Miami Beach:

- is the safe and welcoming gathering place of the LGBT community in Miami-Dade.
- serves tourists and community members through a variety of programs and services.
- offers warm hospitality and a friendly welcoming face to those visiting our city for the first time.
- provides educational outreach through community partnerships and community calendar.

Since moving into the space more formally known as Historic City Hall (1130 Washington Ave. – 1st Floor North, Miami Beach, FL 33139), we have found that being tenants of an older building brings with it many issues. While we think the location for our business in operating the LGBT Visitor Center is ideal, the condition of the building is less so. The problems we have encountered (and continue to face):

- The building is infested with rats – since early 2011, we have dealt with a severe rat problem. The City of Miami Beach property management group (specifically Duane Knecht and his team) have tried unsuccessfully to alter the situation. Traps have been placed around the property and, many rodents have been captured. However, the rodent droppings and urine cause an extremely unpleasant odor and, are by themselves very unhealthy (it is everywhere from air ducts to ceiling times to ventilation).
- The building alarm – Though, not as bad as it once was, the alarm will go off for no reason and, continues to do so.
- Heat in the offices – The dome portions of all east and west facing windows remain uncovered. Due to restrictions imposed by Design Preservation, we cannot place anything on the windows that might block the intense sun (and heat). Florida Power & Light did an energy assessment of the building a couple of years back and, determined that placing a film over the windows would make the space more efficient and, cut down on the direct sunlight. Nothing has transpired and, we have higher than normal energy costs, as a result.
- Leaks in the ceiling - During heavy rains, we have reported leaks in our ceiling in many areas. Again, property management has responded but, there are still areas affected.

Michael, we are committed to staying here and, have invested tens of thousands of dollars to make this space a premiere LGBT Visitor/Community Center...one we and the City/County can be proud of. We would like to request that the City grant MDGLCC Foundation Inc a new 10 year lease at \$2500/month, commencing as soon as can be approved. The roughly \$1,850 in monthly savings would be used as follows:

- Services – As a result of our location, we see a lot of traffic from the general public...not just the LGBT market. We have become a resource center for all travelers, homeless persons, unemployed, people looking for the New City Hall, etc. We just don't have the staff to properly address the needs of some of these people. Having an additional person(s) will allow us to solicit the proper training to handle these situations more adeptly.
 - Add an additional staff person. We are currently open Monday – Friday from 9 am to 6 pm. Our goal is to be open 7 days a week and, longer hours into the evenings.

Miami-Dade Gay & Lesbian Chamber of Commerce
EMAIL: mdglcc@bellsouth.net
OFFICE: 305-673-4440

- Advertising – The Foundation has a limited ad budget and, has secured assistance through grants to fund advertising placements in Passport, Wire and Hotspots Magazine. We believe that the additional cash flow support will allow us to look at more online opportunities and, broaden our market reach leading to more LGBT visitor traffic to Miami Beach.

We appreciate your assistance in this matter and, look forward to discussing any questions you might have. Please feel free to call me at your earliest convenience.

Kind regards,

Steven Adkins, President
MDGLC Foundation, Inc.