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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

DATE: January 24, 2013

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, 1<sup>ST</sup> 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, 1<sup>st</sup> 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 6<sup>th</sup> 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 1<sup>st</sup> 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.

  
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