



MEMORANDUM

AGENDA ITEM #IIL.H

DATE: JANUARY 6, 2014
TO: COUNCIL MEMBERS
FROM: STAFF
SUBJECT: SFRPC LEASE

Council staff looked at two lease options for the Council's office space.

Option 1 - Re-negotiate existing lease- downsize

Council staff has negotiated and the landlord has agreed to take back 2,567 sq. ft. of space (27% of total space) during the remaining 14 months of our existing lease and to discount the conference room space (17% of the existing leased space) by making the conference room a building amenity. The Council will still have priority use 5 days per month and the ability to use the space on a first come first serve basis at any other time during the remainder of the month at no additional cost. The landlord has also agreed to a 3-year lease extension beginning March 1, 2015 at a lower (market) rate of base rent, \$1.53/sq. ft. or an 8% reduction.

Total leased space after the give back would be 6,975 with 1,642 of the space being the conference room or net leased space of 5,333.

The benefits of this option are the Council maintains its existing presence in the region with minimal disruption and out of pocket expense. The Council maintains adequate use of the conference room to fulfill its mission. (A recent staff survey indicated this was a mission critical need). The Council will also begin saving money versus budget in the current fiscal year (\$48,000).

From a financial standpoint, the Council would be reducing its budgeted lease cost by \$399,024 over the next 4 fiscal years.

In order for the Council to capture this savings it will need to commit to 4 years of lease expense.

Option 2 - Relocate and share space with Broward County MPO (TRADE CENTRE SOUTH 100 West Cypress Creek Road, Fort Lauderdale, Florida 33309)

The Council staff worked with the Broward MPO staff on a lease extension and additional lease space commitment until 2020. The Council would need to relocate to the West Cypress Creek Road address and share conference space with the Broward MPO. The relocation cost is assumed at \$50,000.

The Council would also need to terminate the existing lease early and pay an early termination fee of 14 months of rent or \$331,190. Conversations with our landlord indicated an unwillingness to forego any of this rent, especially when the landlord has agreed to the above concessions.

Under this option the Council would occupy 5,483 sq. ft. of space, 150 sq. ft. more than option 1 excluding the discounted conference room space.

The Council would also need to prepare the space (tenant improvements) before it could occupy the space. Tenant improvements range between \$10/sqft for carpet and paint to \$40/sqft for complete build out. The Council is assuming a \$20/sq. ft. cost to complete the tenant improvements.

The financial impact of this option is basically a breakeven (\$5,602 less) than staying with the existing lease and extending the lease for 3 more years. Plus the Council would need over \$400,000 in the current fiscal year to execute this option.

Based on the above this option is not viable.

Attached are option summaries for your review.

Recommendation

Approve lease modification and extension with existing landlord.

South Florida Regional Planning Council
Lease Analysis - Downsize Existing Space
12/20/2013

	<u>SqFt</u>	<u>Rate</u>	<u>Annual</u>	<u>Monthly</u>
<u>Current Rent</u>				
Base Rent	9,542	\$ 17.51	\$ 167,080.42	\$ 13,923.37
Operating Expenses (CAM + Property Tax)	9,542	\$ 12.24	116,796.36	9,733.03
Total	9,542	\$ 29.75	\$ 283,876.78	\$ 23,656.40
Space Returned	(2,567)	\$ 29.75	\$ (76,368.86)	\$ (6,364.07)
Shared Conference	(1,642)	\$ 12.24	(20,098.47)	\$ (1,674.87)
New Lease Rate 02.01.2014	6,975	\$ 26.87	\$ 187,408	\$ 15,617
Annual Savings			\$ (96,469)	\$ (8,039)
New Lease Rate 03.01.2014	6,975	\$ 27.39	\$ 191,035	\$ 15,920
Annual Savings			\$ (92,842)	\$ (7,737)
New Lease Rate 03.01.2015	6,975	\$ 25.86	\$ 180,363	\$ 15,030
Annual Savings			\$ (103,513)	\$ (8,626)
New Lease Rate 03.01.2016	6,975	\$ 26.35	\$ 183,816	\$ 15,318
Annual Savings			\$ (100,061)	\$ (8,338)
New Lease Rate 03.01.2017	6,975	\$ 27.74	\$ 193,461	\$ 16,122
Annual Savings			\$ (90,416)	\$ (7,535)

	<u>FY</u> <u>2014</u>	<u>FY</u> <u>2015</u>	<u>FY</u> <u>2016</u>	<u>FY</u> <u>2017</u>
<u>Budget Impact</u>				
Annual Budget *	\$ 285,000	\$ 293,550	\$ 302,357	\$ 311,427
Rent Oct-Jan	\$ (94,626)	\$ (63,678)	\$ (60,121)	\$ (61,272)
Rent Feb	(15,617)	(15,920)	(15,030)	(15,318)
Rent March-Sept	(111,437)	(105,212)	(107,226)	(112,852)
Estimated Rent Expense **	(221,680)	(184,810)	(182,377)	(189,442)
Est. Construction/Move	(15,000)	-	-	-
Total Rent Expense	\$ (236,680)	\$ (184,810)	\$ (182,377)	\$ (189,442)
Variance to Budget	<u>\$ 48,320</u>	<u>\$ 108,740</u>	<u>\$ 119,979</u>	<u>\$ 121,985</u>
Total Est. Budget Savings	<u>\$ 399,024</u>			

* Assumes 3% increase in annual budget.

** Assumes contract base rent + a 3% increase in CAM and property taxes with 2013 as base year.

South Florida Regional Planning Council
Lease Analysis - Relocation Alternative
12/20/2013

	<u>SqFt</u>	<u>Rate</u>	<u>Annual</u>	<u>Monthly</u>
Current Rent				
Base Rent	9,542	\$ 17.51	\$ 167,080.42	\$ 13,923.37
Operating Expenses (CAM + Property Tax)	9,542	\$ 12.24	116,796.36	9,733.03
Total	9,542	\$ 29.75	\$ 283,876.78	\$ 23,656.40
Space Reduction	(4,059)	\$ 29.75	\$ (120,756.22)	\$ (10,063.02)
New Lease Rate 03.01.2014	5,483	\$ 28.24	\$ 154,840	\$ 12,903
Annual Savings			\$ (129,037)	\$ (10,753)
New Lease Rate 03.01.2015	5,483	\$ 29.11	\$ 159,595	\$ 13,300
Annual Savings			\$ (124,282)	\$ (10,357)
New Lease Rate 03.01.2016	5,483	\$ 29.98	\$ 164,383	\$ 13,699
Annual Savings			\$ (119,494)	\$ (9,958)
New Lease Rate 03.01.2017	5,483	\$ 30.88	\$ 169,342	\$ 14,112
Annual Savings			\$ (114,534)	\$ (9,545)

	<u>FY</u> <u>2014</u>	<u>FY</u> <u>2015</u>	<u>FY</u> <u>2016</u>	<u>FY</u> <u>2017</u>
Budget Impact				
Annual Budget *	\$ 285,000	\$ 293,550	\$ 302,357	\$ 311,427
Estimated Rent Expense **	(208,605)	(157,614)	(162,388)	(167,276)
Existing lease termination fee	(331,190)			
Tenant improvements (assume \$20/sqft)	(109,660)			
Moving Cost	(50,000)	-	-	-
Total Rent Expense	\$ (699,455)	\$ (157,614)	\$ (162,388)	\$ (167,276)
Variance to Budget	\$ (414,455)	\$ 135,936	\$ 139,969	\$ 144,151
Total Est. Budget Savings	\$ 5,602			

* Assumes 3% increase in annual budget.

** Assumes contract base rent + a 3% increase in CAM and property taxes with 2013 as base year.