



Cover Memorandum/Staff Report

File #: 18-0222 CRA

Agenda Date: 1/15/2019

Item #: 10F.

TO: CRA Board of Commissioners
FROM: Jeff Costello, CRA Executive Director
DATE: January 15, 2019

LETTER OF INTENT TO LEASE COMMERCIAL SPACE - 606 W. ATLANTIC AVENUE - JOHNSON'S MEMORIAL CHAPEL

Recommended Action:

1. Authorize CRA Staff and CRA Legal Counsel to negotiate a 2-year lease with Johnson's Memorial Chapel to occupy/lease 606 W. Atlantic Avenue, subject to any additional terms and conditions requested by the Board.
2. Authorize the issuance of a 30-day public notice of the CRA's intent to lease the property at 606 W. Atlantic Avenue to Johnson's Memorial Chapel in accordance with Florida Statutes Section 163.380(3) (a).

Background:

The building located at 606 W. Atlantic Avenue (formerly Shuler's Memorial Chapel) is approximately 5,811 sq. ft. (4,854 sq. ft. commercial space, 957 sq. ft. apartment). In 2010, the CRA acquired the property for redevelopment purposes. As part of the negotiations associated with the transaction, the CRA also entered into a Commercial Lease Agreement with Shuler's Memorial Chapel, Inc. The triple net lease (including real estate taxes and insurance, etc.) was for a term of two (2) years at a rate of \$500.00 per month. Pursuant to the lease, the tenant was also responsible for all expenses associated with the maintenance and repairs of the premises including the building and property. The lease was extended several times while Request for Proposals were processed to redevelopment the subject property as well as other CRA-owned properties within the SW 600-800 Blocks along W. Atlantic Avenue ("SW 600-800 Blocks Properties"). In 2016, Shuler's Memorial Chapel vacated the premises in anticipation of the redevelopment of the property and the structure was prepared for demolition. Subsequently, the agreement with the developer was terminated and the CRA considered activating the building while another offer to redevelop the site was considered.

On April 13, 2017, the CRA Board considered a Letter of Intent from Shuler's Memorial Chapel to lease 606 W. Atlantic Avenue and authorized staff to negotiate a lease agreement with Dr. Shuler. However, a formal agreement was never finalized and the building is currently vacant.

The CRA is currently in the evaluation process of a Request for Proposals (RFP) to redevelopment the SW 600-800 Blocks Properties. The award of the RFP is scheduled for CRA Board consideration on January 29, 2019.

Letter of Intent from Johnson's Memorial Chapel:

On December 26, 2018, the CRA received a Letter of Intent from Johnson's Memorial Chapel to lease the vacant CRA-owned building located at 606 W. Atlantic Avenue, formerly occupied by Shuler's Funeral Home.

The intent outlined on the letter is for Johnson’s Memorial Chapel is to provide professional funeral services, embalming, and contracted cremation services to the community. The establishment will also provide visitation services and chapel services on premises for the community as well. The letter further states the business will provide several jobs for individuals within the community such as funeral attendants, interns for mortuary schools, and auto detailers.

The request is for the CRA to lease the property for two (2) years with each month thereafter being a month to month lease until sold to a developer. The requested occupancy date is March 1, 2019, but no later than March 15, 2019.

It is noted, all expenses including repairs, maintenance and/or improvements to the building and premises will be the obligation of the tenant. Further, funeral homes are only allowed as a conditional use within the Central Business District (CBD) zoning district, which is the current zoning of the property. As the previously existing funeral home was discontinued for a period over 180 days, the re-establishment of the use requires conditional use approval by the City Commission. Thus, the term of the lease agreement would not commence until the tenant is able to occupy the premises.

Lease Rate:

Subsequent to receiving the LOI, a base rent rate of \$3,800 to \$4,000 plus taxes per month has been suggested by the applicant, which is \$7.85 to \$8.26 per sq.ft.

Based on information provided by CoStar the current average market lease rate for retail along the West Atlantic corridor (Sub-Area #3 of the CRA District) is \$49 per sq.ft. triple net. The CRA currently owns the commercial building located at 700 W. Atlantic Avenue, which is presently occupied by four (4) tenants. The lease terms for the tenants are as follows:

1. #700 - EJS Project Inc. - Two-year lease at \$1 per year triple net with \$500 deposit. The lease expires January 14, 2020. Tenant responsibilities includes its own interior improvements and all other maintenance and repairs necessary to maintain the interior and improvements in a first-class operating condition and taxes imposed on the real property, if any, as well as any fixtures or other personal property located on the premises. All charges for water, sewer, gas, electricity, telephone, cable television, solid waste disposal, local or state licensing and other services and utilities are also the responsibility of the EJS Project.
2. #702 - Klein’s Multi-Services - month-to-month tenancy at 21.11 per sq.ft
3. #704 - Blanc Fresh Cut Barber Shop - month-to-month tenancy at 21.11 per sq.ft
4. #710, 712, 714 - Hatcher Construction & Development (Hatcher)- Two (2) year lease expires on September 30, 2019. The term may be extended for an additional one (1) year upon the mutual consent of the landlord and tenant. Hatcher, at their expense (approximately \$50,000), build-out 3 bays to establish their offices and the lease is at \$1,500 per month triple net for all 3 bays totaling 2,370 sq.ft. = \$7.60 per sq.ft.).

Recommendation for Terms of Proposed Lease:

If the direction is provided to negotiate a Commercial Lease Agreement with Johnson’s Memorial Chapel to occupy the premises at 606 W. Atlantic Avenue, the following is recommended:

Lease Rate	Negotiated rate plus Triple Net
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Lease Term	No more than 2 years with a 90-day termination provision
Expenses	All expenses and costs relative to the maintenance and operation of the property including taxes and insurance will be borne by the tenant.
Additional Terms	Neither the CRA nor the future developer would be required to relocate the business or provide space for the business.
Tenant Improvements	To be borne solely by the tenant

Attachments: Exhibit A - Location Map; Exhibit B - Letter of Intent dated Received December 26, 2018 from Johnson's Memorial Chapel

CRA Attorney Review:

N/A

Finance Review:

N/A

Funding Source/Financial Impact:

N/A

Timing of Request:

N/A