



## Cover Memorandum/Staff Report

File #: 22-1746

Agenda Date: 1/17/2023

Item #: 6.C.

**TO: Mayor and Commissioners**  
**FROM: Duane D'Andrea, Human Resources Director**  
**THROUGH: Terrence R. Moore, ICMA-CM**  
**DATE: January 17, 2023**

APPROVAL OF AMENDMENT NUMBER 3 TO THE LEASE AGREEMENT BETWEEN THE CITY OF DELRAY BEACH AND PINEAPPLE GROVE HOLDINGS, LLC FOR THE CONTINUED OCCUPANCY OF THE MEDICAL FACILITY LOCATED AT 525 NE 3<sup>RD</sup> AVENUE, DELRAY BEACH, FLORIDA.

**Recommended Action:**

Motion to approve the lease renewal for the Pineapple Grove Center for the Employee Health and Wellness Center.

**Background:**

Since 2010 the City has provided medical services at the City's Employee Health and Wellness Center for employees and dependents participating in one of City's Group Health Plans. Such services include initial care for minor ailments and injuries, employee physicals, blood draws, x-rays, ultrasounds and generic prescription disbursement at no cost to the employee.

The attached lease agreement and addendum is between the City of Delray Beach and Pineapple Grove Holdings, LLC, for continued utilization of the site for the City's Employee Health and Wellness Center. The lease addendum terms is for a period of one (1) year, beginning March 1, 2023 through February 28, 2024, with the option to terminate with 60-day written notice to lessor.

Construction work is currently underway at the Train Depot to move the Employee Health and Wellness Center upon completion. The construction is projected to be completed in November 2023. The negotiated option to terminate the lease early with 60-day written notice to lessor will protect the city if the project is completed early than expected.

In the last negotiated lease with the Lessor, Pineapple Grove Holdings, LLC, there was zero percent (0%) increase for March 2020 - February 2021, two percent (2%) increase for March 2021 - February 2022, and four percent (4%) increase for March 2022 - February 2023. With this negotiated lease, there will be no increase in rent (0%) for the one year renewal from March 2023 to February 2024 with the option to terminate with 60-days' notice. During the budget process, a four percent (4%) rental increase was anticipated prior to negotiated a new lease with a zero percent (0%) increase. Therefore in FY 2023, there will be a budget surplus of \$1,276.20.

The item before the Commission is to approve the lease agreement between the City of Delray Beach and Pineapple Grove Holdings, LLC for the continued occupancy of the medical facility located at 525 NE 3<sup>rd</sup> Avenue, Delray Beach, Florida. The Code of Ordinance, Chapter 36 only applies to the acquisition of goods and or services.

**FY 2023****551-17-020-513.44-11****Rentals & Leases Building Rental/Lease**

<b>Rent</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Over/Under</b>
10/1/2022	\$4,556.90	\$4,556.90	\$ -
11/1/2022	\$4,556.90	\$4,556.90	\$ -
12/1/2022	\$4,556.90	\$4,556.90	\$ -
1/1/2023	\$4,556.90	\$4,556.90	\$ -
2/1/2023	\$4,556.90	\$4,556.90	\$ -
3/1/2023	\$4,739.18	\$4,556.90	(\$182.28)
4/1/2023	\$4,739.18	\$4,556.90	(\$182.28)
5/1/2023	\$4,739.18	\$4,556.90	(\$182.28)
6/1/2023	\$4,739.18	\$4,556.90	(\$182.28)
7/1/2023	\$4,739.18	\$4,556.90	(\$182.28)
8/1/2023	\$4,739.18	\$4,556.90	(\$182.28)
9/1/2023	\$4,739.18	\$4,556.90	(\$182.28)
<b>Total</b>	<b>\$55,958.76</b>	<b>\$54,682.80</b>	<b>(\$1,275.96)</b>
Actual	\$55,959.00	\$54,682.80	(\$1,276.20)
*assumed 4% increase in budget process			

**City of Delray Beach Wellness Center Lease w/ Pineapple Grove Professional Center**

	Agreement	Start	End	Year	Monthly	Annual	% Diff	Notes
1	Original	3/1/2016	2/28/2017	Year 1	\$ 4,211.49	\$ 50,537.88		1 year lease w/ 3 options to extend with 4% increase
	Option 1	3/1/2017	2/28/2018	Year 2	\$ 4,379.95	\$ 52,559.40	4%	Option not used, renegotiated
	Option 2	3/1/2018	2/28/2019	Year 3	\$ 4,555.15	\$ 54,661.77	4%	
	Option 3	3/1/2019	2/28/2020	Year 4	\$ 4,737.35	\$ 56,848.24	4%	
					Agreement Total	\$ 50,537.88		
2	Amd 1	3/1/2017	2/28/2018	Year 1	\$ 4,049.51	\$ 48,594.12	-4%	3 year agreement, 4% reduction over current rent

3	Amd 1	3/1/2018	2/28/2019	Year 2	\$ 4,130.50	\$ 49,566.00	2%	
4	Amd 1	3/1/2019	2/28/2020	Year 3	\$ 4,295.72	\$ 51,548.64	4%	
					Agreement Total	\$ 149,708.76		
5	Amd 2	3/1/2020	2/28/2021	Year 1	\$ 4,295.72	\$ 51,548.64	0%	3 year agreement, no rate increase from prior yr
6	Amd 2	3/1/2021	2/28/2022	Year 2	\$ 4,381.63	\$ 52,579.62	2%	
7	Amd 2	3/1/2022	2/28/2023	Year 3	\$ 4,556.90	\$ 54,682.80	4%	
					Agreement Total	\$ 158,811.06		
8	Amd 3	3/1/2023	2/28/2024	Year 1	\$ 4,556.90	\$ 54,682.80	0%	1 year, no rate increase from prior yr, 60 day written notice to cancel
					Agreement Total	\$ 54,682.80		
					Monthly Avg	Annual Avg		
		3/1/2016	2/28/2024	8 Years	\$ 4,309.80	\$ 51,717.56	8.2%	8.2% rent increase from 1st negotiated contract (avg 1% inc over life of agreements)
					Total Cost	\$ 413,740.50		

**Attachments:**

- 1.MSA agreement
- 2.Amendment 1
- 3.Amendment 2
- 4.Amendment 3
- 5.Legal Review

**City Attorney Review:**

City Attorney approves as to form and legal sufficiency.

**Funding Source/Financial Impact:**

551-17-020-513.44-11 - Rentals and Leases

**Timing of Request:**

Renewal of these services is urgent.