



Cover Memorandum/Staff Report

File #: 20-063

Agenda Date: 2/11/2020

Item #: 6.D.

TO: Mayor and Commissioners
FROM: Duane D'Andrea, Human Resources Director
THROUGH: George Gretsas, City Manager
DATE: February 11, 2020

LEASE RENEWAL PINEAPPLE GROVE PROFESSIONAL CENTER FOR THE EMPLOYEE HEALTH AND WELLNESS CENTER

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 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 are for a period of three (3) years, beginning March 1, 2020 through February 28, 2023.

This renewal was originally presented to the City Commission during the December 10, 2019 meeting. At that time, Interim City Manager Neal De Jesus presented three possible alternate sites for the Clinic, which had been provided by the CRA. These sites included the American Legion Building located at 196 NW 8th Avenue, a future site on NW 5th, and a future site on SW 5th. Based on information provided, the American Legion Building was thought to be cost prohibitive. The building's estimated value is \$300,000 and the estimated design cost is \$200,000 and estimated buildout cost is \$626,000 in order to make the building compliant with both the City Code and the ADA.

The CRA has informed us they do not have any existing facilities that would meet our needs however they have two future properties that may work:

1. 98 NW 5th Avenue - existing freestanding structure
 - a. Two story, 7,903 square feet
2. 95 SW 5th Avenue - vacant property (new build)
 - a. 2 story, 7,508 square feet

Construction for both properties is anticipated to begin Summer 2020 with an expected nine-month

buildout.

Since there are no City-owned buildings suitable at this time for the Clinic, discussion turned to the appearance of the current leased facility at Pineapple Grove Professional Center, 525 NE 3rd Avenue. Staff was directed to ensure needed improvements to the facility were addressed before the lease agreement is approved.

The facility owner began this renovation work on January 15, 2020 with the replacement of the ceiling tiles. Painting is scheduled to be completed by January 21, 2020 and the flooring is scheduled to be replaced by January 31, 2010. All renovations are at the owner's expense.

City Commission also instructed staff to continue researching options to relocate the Clinic to a City-owned building in the future.

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 NW 3rd Avenue, Delray Beach, Florida. The Code of Ordinance, Chapter 36 only applies to the acquisition of good and or services.

The initial lease negotiated with the Lessor, Pineapple Grove Holding, LLC, provided for an annual increase of four percent (4%) in rent beginning March 2020. However, the renewal was negotiated to provide for a zero percent (0%) increase for March 2020 - February 2021; a two percent (2%) for March 2021 - February 2022 and a four percent (4%) increase for March 2022 - February 2023 resulting in a savings of \$8,539.75 for the term of the renewal. This savings is illustrated in the table on the following page.

Lease Cost Increase Based on Lease Agreement				Total 3 Year Cost
	March 2020	March 2021	March 2022	
Monthly Lease as of 02/28	\$4,295.72	\$4,467.55	\$4,646.25	
4% Increase	\$171.83	\$178.70	\$185.85	
New Monthly Lease	\$4,467.55	\$4,646.25	\$4,832.10	
Total Annual Cost	\$53,510.59	\$55,755.01	\$57,985.20	\$167,350.80
Lease Cost Increase Based on Negotiated Lease Amendment				
	March 2020	March 2021	March 2022	
Monthly Lease as of 02/28	\$4,295.72	\$4,295.72	\$4,381.63	
Negotiated Increase	0%	2%	4%	
Monthly Increase	\$0.00	\$85.91	\$175.27	
New Monthly Lease	\$4,295.72	\$4,381.63	\$4,556.90	
Total Annual Cost	\$51,548.64	\$52,579.61	\$54,682.80	\$158,811.05
Amendment Savings				\$8,539.75

City Attorney Review:

Approved as to form and legal sufficiency.

Funding Source/Financial Impact:

Funding is available from Risk Management Number 551-17-020-513-44.11.