



**CITY OF BELLE ISLE, FLORIDA  
CITY COUNCIL AGENDA ITEM COVER SHEET**

**Meeting Date:** January 5, 2021

**To:** Honorable Mayor and City Council Members

**From:** B. Francis, City Manager

**Subject:** Draft Lease for Cornerstone Charter Academy (CCA) if Refinancing Debt

**Background:** This issue is well over a year in discussion by both the Council and the CCA Board. This new lease centers on the premise that CCA will borrow up to \$12-13 million to expand the CCA Campus and if this occurs, then CCA would refinance the current 2012 bonds issued by the City, approximately \$8.5 million. If this occurs, then the current lease between the City and CCA will terminate and a new lease will be executed between the two entities. Much of the former lease is contained in the new draft; however, changes are made to the lease that makes this lease more of a landlord-tenant relationship. This new lease has been drafted by the City and the City's Budget Committee reviewed the draft and recommended that it move forward to Council for discussion and review. The Council may then require further changes or recommend to forward the draft agreement to the CCA Board for their review and further negotiations to come to an agreement. The entire draft was sent to the City Council on December 22, 2020. Included with this packet is an excerpt from the lease that the Council may want to discuss. Those are highlighted. This draft agreement includes the Bank of America Property.

Included with this information is a spreadsheet on what the City received in the past in "excess rent". The "Excess Rent" is what comes back to the City that we budget for our expenses at the school (and what we used to purchase Wallace Field). We recently have been receiving approximately \$28,000/month.

**Staff Recommendation:** Discuss any remaining issues and forward to the CCA team for their review and comment.

**Suggested Motion:** None needed at this time, but a consensus from Council that they are supportive of the draft agreement; if further changes need to be made; and if this agreement is ready to send to the CCA Board for further negotiations.

**Alternatives:** Continue to make changes to the draft agreement.

**Fiscal Impact:** None at this time but the agreement allows for a monthly rent to be paid by CCA to the City.

**Attachments:** Draft Lease Excerpt  
Spreadsheet on "excess rent"

## **ARTICLE IV**

### **TERM, SURRENDER**

**Section 4.1 Term.** The term of this Lease shall commence on the Effective Date (as hereinafter defined) and end on the date that is thirty-five (35) years thereafter unless sooner terminated in accordance with the terms and conditions hereof (the "**Termination Date**"). The period from the Effective Date through the Termination Date shall be referred to herein as the "**Term.**" unless earlier terminated pursuant to Section 4.2 below.

**Section 4.2. Termination of Term.** The Term shall terminate upon the earliest of any of the following events:

- (a) The occurrence of an Event of Default and termination of the Term by the Landlord under Article XIV of this Lease;
- (b) The end of the Term; or
- (c) The date that no Bonds are Outstanding.

**Section 4.3. Term Extensions.** Tenant shall, provided the Lease is in full force and effect and Tenant is not in default under any of the terms and conditions of the Lease at the time of notification or commencement, have the option to extend the Initial Term (the "Term Extension") for the greater of two (2) 5-year terms or for the same amount of time that the Orange County School Board (or the state) extends the term of either Contract (the "Charter Renewal"). The renewal process may require that Tenant be able to demonstrate to the School Board that the Lease Agreement has been extended as a condition to the School Board's willingness to grant the Charter Renewal. In such case, Tenant can elect to initiate the Term Extension subject to a condition that the School Board approve the Charter Renewal within a reasonable amount of time after any such Charter Renewal, Tenant shall notify the Landlord of any such extensions. If Tenant elects to exercise said option, then Tenant shall provide Landlord with written notice not later than eighteen (18) months prior to the expiration of the term of the Lease. If Tenant fails to provide such notice, Tenant shall have no further or additional right to extend or renew the term of the Lease.

**Section 4.4. End of Term.** Upon the expiration or earlier termination of the Term, Tenant shall surrender the Leased Property in the same order and condition in which it was in on the Commencement Date, ordinary wear and tear excepted. All alterations, additions or improvements and fixtures made to the Premises made by either party shall remain upon and be surrendered with the Premises as a part thereof except that Tenant shall have the right to remove all of Tenant's movable trade fixtures, furniture, furnishings and equipment and any of such property deemed by law to be the property of the School Board. All damage and injury to the Premises caused by such removal shall be repaired by Tenant at Tenant's sole expense. If such property of Tenant is not removed by Tenant prior to the expiration or termination of the Term, the same shall, at Landlord's option, become the property of Landlord. The Tenant will pay to the Landlord an amount equal to the Renewal and Replacement Fund of the 2012 bond issue (currently \$250,000.00) as security for any damages not repaired by the

Tenant. If Tenant fully complies with all terms of the Lease, Landlord will return the Security Deposit within 20 days after termination/expiration of the Leased Premises to Tenant. If Tenant does not fully comply with the terms of the Lease, Landlord may use Security Deposit to pay amounts owed by Tenant, including damages and such charges shall be deemed additional rent.

Section 4.5 Holdover Tenancy. Without limiting the foregoing and notwithstanding anything herein to the contrary, in the event that Tenant fails or refuses to vacate and surrender the Leased Premises after the Expiration Date, the Landlord, in its sole and absolute discretion, may elect to treat that failure or refusal as an automatic month-to-month holdover tenancy, subject to all the terms and conditions of this Lease. The terms and conditions of this Section shall survive expiration of this Lease.

## **ARTICLE V**

### **RENT**

Section 5.1 Rent Payment Period. The "Annual Rent" (as defined below) shall be paid in equal monthly installments beginning October 1st of each of the consecutive 12-month periods during the Term. The Annual Rent due from Tenant to Landlord shall generally pay for consecutive 12-month periods during the Term (i.e. October 1st to September 30th). Notwithstanding the foregoing, the first 12 monthly installments that Tenant begins paying on \_\_\_\_\_, 20\_\_ shall pay be prorated commencing on the Lease Term Effective Date and ending September 30, 20\_\_.

Section 5.2 Calculation of Annual Rental Amounts. Tenant shall pay annual rent to Landlord during the Term in an amount calculated to be \$700 per the maximum number of students (currently 1600) according to the Charter number (the "Annual Rent"). The monthly installments due each year prior to the School Board's release of the October count shall be based on the \$420,000 minimum rent (i.e.  $1/12 \times \$420,000 = \$35,000$ ) (This \$420,000 minimum is based on the difference between the 2012 bond Base Rent which averaged \$58,500 and the \$700 per student times the maximum of 1600 students).

Section 5.3 Rent Adjustments: Once every 3 years of the Term starting with the 20\_\_ school year, the Annual Rent shall be adjusted based on the current student count, per student state charter school operating funds and CPI for that year.

*Alternative Language: Rent Adjustment: The Parties will in good faith seek to renegotiate the Annual Rent for two additional 5-year extension of the Lease Agreement. The Parties acknowledge that the amount of Annual Rent for the additional 5-year term shall be reasonably related to the state operational funding that Tenant receives in order to operate the School. In the event the Parties are unable to agree on the Annual Rent by the 120th day prior the end of the initial term or any term extensions, then each Party shall select a commercial leasing professional with experience in, or knowledge about, negotiating leases for charter schools and who understands the state charter school funding formulas (herein referred to as "Charter Lease Knowledge"). These professionals shall have until 90 days to determine the Annual Rent for the 5-year extension period. If these professionals are unable to agree, then within 10 days of the expiration of the aforesaid 90-day period the professionals will mutually agree upon and select another commercial leasing professional with Charter Lease Knowledge. This third professional shall make the determination of the Annual Rent for the 5-year extension period, and said determination will be binding on the Parties.*

Section 5.4 Additional Rent. All sums, liabilities, obligations, and other amounts which Tenant is required to pay or discharge pursuant to this Lease, including taxes (if any) and insurance premiums, in addition to Annual Rent, together with any finance charge, late fees, or other sums which may be added for late payment thereof, shall constitute “**Additional Rent**” hereunder. The Annual Rent, Additional Rent, and any other sums required to be paid by Tenant to Landlord hereunder are collectively referred to as the “**Rent**”. All Rent shall be paid without deduction, offset, prior notice, or demand as directed pursuant to this Lease.

Section 5.5 Late Charges and Default Interest. If any installment of Rent is not paid within ten (10) business days after its due date, then such arrearage shall (i) bear 5% interest from the due date for amounts past due to the Landlord until paid in full; (ii) include a reasonable administrative charge to cover the costs of processing and handling delinquent debts, but not in excess of \$100.00; and (iii) include an assessment of an additional 5% penalty charge on any portion of a debt that is more than 90 days past due.

Section 5.6 Rent Credits: *The City would consider rent credits based on the percentage of Belle Isle students to total enrollment. The amount of the credit would be negotiated with the Tenant during the Rent Adjustment Negotiations.*

The "Excess Rent" line below is what comes back to the City that we use for our expenses at the school (and what we used to purchase Wallace Field). We recently have been receiving approximately \$28,000/month.

	FY1213	FY1314	FY1415	FY1516	FY1617	FY1718	FY1819	FY1920	FY2021
Rent Revenue	698,135	862,972	928,900	957,249	963,674	984,844	1,018,908	1,036,641	1,040,141*
Principal	-	125,000	135,000	140,000	145,000	155,000	165,000	175,000	185,000
Interest	532,894	570,400	563,525	556,100	548,400	540,425	531,900	522,825	513,200
Excess Rent	165,240	167,572	230,375	261,149	270,274	289,419	322,008	338,816	341,941

\*FY2021 Rent Revenue is the budgeted amount, not actual.

The revenue flow is:

- 1.) Interest Account (annual interest, as shown above)
- 2.) Principal/Sinking Fund (annual principal, as shown above)
- 3.) Debt Service Reserve Fund (fully funded - minimum requirement to maintain balance of \$698,525 - balance at 9/30/20 was \$712,384.67)
- 4.) Renewal and Replacement Fund (fully funded - \$250,000 - Balance at 9/30/20 was \$254,560.27)
- 5.) Returned to the City (as shown above)

Our FY1920 Ending Fund Balance in the Charter Debt Service Fund was \$1,340,993. Of that, \$374,047 is what we have in the "Excess Rent" account.