



Broward County

Legislation Text

File #: 21-1099, Version: 1

Broward County Commission Regular Meeting

Director's Name: Jonathan Daniels

Department: Port Everglades

Division: Business Administration

Information

Requested Action

MOTION TO AUTHORIZE Port Everglades Chief Executive & Port Director to execute the Commercial Tenant Lease between CenterPoint Port Everglades, LLC, as landlord, and Broward County, as tenant, in substantially the form attached hereto, subject to final review for legal sufficiency by the Office of the County Attorney, for approximately 45,360 square feet of space in the Port Everglades International Logistics Center located at 3413 McIntosh Road, Hollywood, Florida, for a ten-year term; and to execute a sublease agreement between the United States Government, as lessee, and Broward County, as landlord, subject to final review for legal sufficiency by the Office of the County Attorney, subleasing the same 45,360 square feet of space in the Port Everglades International Logistics Center, at no cost to United States Government, for a one-year term with nine one-year renewals, to relocate U.S. Customs and Border Protection's Anti-Terrorism Contraband Enforcement Team.

Why Action is Necessary

Lease agreements require approval by the Broward County Board of County Commissioners.

What Action Accomplishes

Authorizes the Port Everglades Chief Executive & Port Director to execute the Commercial Tenant Lease between CenterPoint Port Everglades, LLC, as landlord, and Broward County, as lessee, in substantially the form attached hereto, subject to final review for legal sufficiency by the Office of the County Attorney, for approximately 45,360 square feet of space in the Port Everglades International Logistics Center; and to execute a sublease agreement between the United States Government, as lessee, and Broward County, as landlord, subject to final review for legal sufficiency by the Office of the County Attorney, subleasing the same 45,360 square feet of space in the Port Everglades International Logistics Center, to relocate U.S. Customs and Border Protection's Anti-Terrorism Contraband Enforcement Team.

Is this Action Goal Related

Yes

Previous Action Taken

None

Summary Explanation/Background

THE PORT EVERGLADES DEPARTMENT RECOMMENDS APPROVAL.

This action supports the Broward County Board of County Commissioners' ("Board") Value of "Ensuring economic opportunities for Broward's diverse population and businesses" and the Goal to "Increase the economic strength and impact of revenue-generating County enterprises balancing economic, environmental, and community needs."

Since 1996, U.S. Customs and Border Protection's ("CBP") Anti-Terrorism Contraband Enforcement Team ("A-TCET") has occupied approximately 30,010 square feet of County-owned warehouse and office space in Buildings "A" and "E" in Foreign-Trade Zone No. 25's Site 1 at Port Everglades ("FTZ"). On October 6, 2015 (Item No. 11), the Board approved the most recent no-cost lease for CBP A-TCET space in the FTZ. Although this lease expired on September 30, 2017, the A-TCET has remained in the property on hold-over status while efforts to relocate the A-TCET were under development.

The A-TCET is responsible for the physical inspection of cargo entering and leaving Port Everglades. The A-TCET removes cargo from designated containers and inspects for contraband, improperly described merchandise, and goods not permitted entry into the United States. The A-TCET provides these services at no charge to the County, except for costs associated with locating the A-TCET at Port Everglades.

Per the Port Everglades Master/Vision Plan Update approved by the Board on June 16, 2020 (Item No. 70), the buildings in the FTZ will be demolished and a container yard built at the site. Therefore, the A-TCET needs to be relocated. Since learning of the need to relocate the A-TCET, Port staff has conducted cost/benefit analyses of various options. Port staff contemplated moving the A-TCET to Warehouse 30, a County-owned warehouse located on McIntosh Road opposite the existing FTZ. In 2015, CBP staff inspected Warehouse 30 and confirmed that it was acceptable. However, during subsequent planning meetings with CBP, it became evident that building would not meet CBP's current A-TCET's requirements without disrupting the operations of another Port Everglades tenant, Chiquita Fresh, which occupies approximately 51,868 square feet of warehouse space on the west side of Warehouse 30. Chiquita Fresh generates approximately \$1.7 million in yearly revenues for Port Everglades.

Port staff also reviewed the possibility of amending King Ocean Services Limited's ("King Ocean") Marine Terminal Lease and Operating Agreement to retain one of the existing buildings on the FTZ site for the A-TCET. This option was ruled out due to the estimated costs for building renovations and for providing King Ocean with replacement land to substitute for the area in King Ocean's future leasehold that would be displaced by the A-TCET. King Ocean is a Port Everglades' container terminal operator and the future tenant of the container yard that will be constructed at the existing FTZ site, with the County required to provide the new container terminal land by June 30, 2023. After multiple fact-finding meetings, Port staff identified the recently constructed Port Everglades International Logistics Center as the best location for the relocation of the A-TCET.

On March 20, 2018 (Item No. 56), the Board approved the Amended and Restated Lease Agreement by and between the County, as lessor, and Port Everglades International Logistics Center, LLC ("PE-ILC"), as lessee ("Primary Lease"). Pursuant to the Primary Lease, PE-ILC built the Port Everglades International Logistics Center at 3413 McIntosh Road, Hollywood, FL, in Port Everglades (see Exhibit 2). On April 9, 2019 (Item No. 39), the Board approved the assignment of the Primary Lease from the PE-ILC to CenterPoint Port Everglades, LLC ("CenterPoint"). CenterPoint has agreed to lease approximately 45,360 square feet of space in the Port Everglades International Logistics Center to

the County upon the terms set forth in substantially the form attached (see Exhibit 1), so that the County can relocate the A-TCET to that space ("CenterPoint Lease"). The County will also enter into a sublease agreement with the United States Government, acting by and through CBP, to relocate the A-TCET to such space ("GSA Lease"). CenterPoint has agreed, in concept, to the sublease, and CBP, acting on behalf of the United States Government, has also agreed, in concept, to this arrangement, all subject to the final agreements.

The primary business terms of the CenterPoint Lease are as follows:

- The premises contain approximately 45,360 square feet and is commonly known as Suite C.
- The term is for ten years. A buy-out provision allows the County to terminate the CenterPoint Lease, effective on the first day of lease years 6 or 8, through the payment of \$1,516,527 or \$1,013,812, respectively.
- The CenterPoint Lease is structured as a triple-net lease. As such, the gross rent is comprised of a base rent and the addition of several passthrough costs. The base rent for the first year is \$8.75 per square foot ("PSF"), or \$396,900, with annual increases of 3% per year starting at the end of the first year. Common area maintenance charges are estimated at an additional \$0.71 PSF, or \$32,319 per year. CenterPoint will also provide various maintenance and janitorial services on a reimbursable basis to allow the County to comply with its obligations under the GSA Lease as further described below. The estimated cost of these services is \$1.36 PSF, or \$61,500 per year. The sum of the above expenses is \$10.82 PSF, or \$490,719 per year. Other expenses will also be passed through.
- CenterPoint is responsible for construction of the tenant improvements required by the GSA Lease. While the design is not final (only concept plans are attached to the CenterPoint Lease), the construction company responsible for the tenant improvements provided a "rough-order-of-magnitude" estimated cost of \$3,000,000 for the improvements, including allowances and contingencies. The CenterPoint Lease provides a tenant improvement allowance of \$900,000. The County will reimburse CenterPoint \$500,000 for the tenant improvement allowance: \$200,000 at the beginning of the lease's second year and third year and \$100,000 at the beginning of the lease's fourth year. The County will be responsible for payment of the cost of tenant improvements above the \$900,000 funded by CenterPoint.
- As a condition precedent, the CenterPoint Lease will not be effective until both the CenterPoint Lease and the GSA Lease are executed. If these conditions are not met by June 30, 2021, the CenterPoint Lease shall be of no effect unless CenterPoint and the County agree otherwise.

The CenterPoint Lease is not on a standard County form. Article XXI, Remedies, sets forth the remedies afforded to CenterPoint in the event of a default by the County. In the event of a default by CenterPoint, the County may seek an injunction or provide the required services and seek reimbursement, but may not terminate the CenterPoint Lease. Article XXIV, Claims and Waiver, states that the County shall be responsible for all loss, cost, damage, expense and liability, including, without limitation, reasonable attorneys' fees incurred in connection with or arising from the use of the property by the County or CBP and any default. Such article also requires the County to waive certain claims. The lease also requires the County to insure against the acts of CBP and states the premises are being leased to the County subject to the obligations imposed on CenterPoint pursuant to the Primary Lease.

The primary business terms of the GSA Lease, which is still being negotiated, are expected to be as

follows:

- Same premises as the CenterPoint Lease.
- The term will be for one year, with nine one-year renewals. CBP will have the ability to terminate. Therefore, although the risk is minimal based on long-standing relationships between the County and CBP, there is risk that the GSA Lease can terminate before the CenterPoint Lease.
- The lease will be at no cost to CBP.
- CBP will require tenant improvements to the premises, which will be performed by CenterPoint pursuant to the CenterPoint Lease (and partially paid for by the County as explained above).
- The lease will require the County to perform all maintenance. Such maintenance will be performed by CenterPoint through the CenterPoint Lease.
- The lease will require the County to make any alterations requested by CBP.
- The lease will require the County to enter into a Memorandum of Agreement to Reimburse CBP ("RMOA") and a Cost Sign-Off Document ("CSO") for costs related to furniture, appliances, and computer equipment required by CBP to occupy the premises.

The GSA lease will be on GSA's standard form, modified to account for the CenterPoint Lease.

The CenterPoint Lease is in substantially the form attached (see Exhibit 1) because the GSA Lease is not fully negotiated and minor modifications may be necessary to the CenterPoint Lease before execution. Port staff is also waiting for the concept plans to be further developed before executing the CenterPoint Lease. Once executed by both parties, the CenterPoint Lease will be attached as an exhibit to the GSA Lease. CBP staff expects to provide the GSA Lease for signature by mid-June. Once fully executed, CBP will provide the County with the RMOA and CSO. Both documents require authorization by the Board, and will be the subject of a separate agenda item at a future date.

Source of Additional Information

Jonathan T. Daniels, Chief Executive and Port Director, Port Everglades Department, (954) 468-3516
Jorge A. Hernández, Director, Business Administration Division, Port Everglades Department, (954) 468-3501

Fiscal Impact

Fiscal Impact/Cost Summary

During the Commercial Tenant Lease's 10-year term, the County will pay CenterPoint an estimated \$5,488,000 in rent, which includes the base rent, common area maintenance expenses, and reimbursable maintenance and janitorial expenses. Additionally, the County will reimburse CenterPoint an estimated \$2,600,000 for tenant improvement costs related to providing federally-mandated improvements required by CBP for the performance of the federal inspection services associated with the A-TCET.