

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #131 (2007-2008)

January 14, 2008

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: APPROVAL OF AMENDMENT NO. 1 TO MENTAL HEALTH
TRUST LEASE

ASD Goal: Establish and maintain a supportive and effective learning environment by providing safe, caring, barrier-free schools. Ensure public accountability through effective consultation with community to ensure wise use of financial resources and responsible construction and maintenance of facilities, and effective communication with students, staff, parents, community and government at all levels.

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to amend the existing lease agreement with the Mental Health Land Trust (MHT) for space within its facility at 3745 Community Park Loop to include:

1. an additional space of approximately 7,415 square feet, an annual increase of \$149,487;
2. janitorial services to begin August 1, 2008, at an increase of \$12,320 for Fiscal Year 2008-2009 and an annual increase of \$13,441 thereafter;
3. tenant improvement costs of the new space in an amount not to exceed \$400,000 with an eight percent interest rate if paid by installments at an annual increase of \$86,400 for the current and next four (4) years only; and
4. extend the initial term through June 30, 2012 with annual renewals through June 30, 2020 for a total increase of \$235,887 in Fiscal Year 2007-2008 and an increase of \$248,207 in Fiscal Year 2008/2009 and an annual increase not to exceed \$325,634 through June 30, 2012 and an annual amount of \$239,253 beginning July 1, 2012 with annual Consumer Price Index (CPI) adjustments thereafter.

In addition, it is recommended that the School Board approve and authorize the Superintendent to process a budget transfer in the ACE/ACT budget (where this lease is budgeted) from salary and benefits to rentals in the amount of \$91,288 to cover the additional expenditure.

PERTINENT FACTS:

The District entered into a lease agreement with the Mental Health Trust Authority in September, 2005 to house the District's ACT program. The lease was for 3,785 rentable square feet at \$1.65/sf with annual CPI increases through June 30, 2010 with five (5) annual renewal terms. The current space cost is \$1.68/sf. The MHT building is directly across the street from the Whaley Center.

The proposed lease amendment will add approximately 7,415 sf of rentable space, extend the initial term through June 30, 2012 with annual renewal options thereafter through June 30, 2020, provide tenant improvements in an amount not to exceed \$400,000 amortized over five years, and add janitorial services.

The District's ACE program is currently housed at the King Career Center (KCC). Due to the expanding curriculum at KCC, it has become necessary to move the ACE program into another facility to allow for the physical expansion of KCC's programs. The purpose of the ACE/ACT programs is to increase student participation in the community by providing instruction for functioning in a variety of settings. The curriculum concentrates on work maturity skills, self help skills, communication skills, social skills and recreation/leisure skills; all with the goal of giving the students as much independence as possible in their adult lives. This instruction is best provided in a community-based setting rather than a school setting. The MHT facility is in close proximity to other agencies that support our students and is located near access to public transportation. A space large enough to house the ACE program became available at the MHT building this previous spring. The space will include classrooms and staff offices as well as small meeting rooms. The addition of this space will increase the square footage of the lease to approximately 11,201 sf.

The initial term of this lease was September, 2005 through June 30, 2010 with five (5) annual renewal options through June 30, 2015. The proposed amendment will extend the lease through June 30, 2012 allowing for the amortization of the tenant improvements to be over a five (5) year period and extend the annual renewal options through 2020. The annual renewal options will be consistent with the current extension options in the District's Education Center lease agreement allowing for the District's maximum flexibility in program location.

The available space at the MHT building is currently not in a configuration that optimizes the programmatic needs of ACE/ACT. Accordingly, the Facilities Department has been working with the Special Education Department program to identify their needs and space requirements. The space requirements have been presented to the MHT Authority to provide a cost estimate. The proposed amendment allows for tenant improvements in an amount not to exceed \$400,000. The District has the option to pay for these improvements upon completion or by installments with an eight (8%) percent interest to be amortized over the initial term of the lease. If paid by installment, the improvements will add an annual increase of \$86,400 to the lease cost. The District believes that the actual improvements will be lower than the estimate provided herein. Upon completion of the tenant improvements, the payment for the improvements will be adjusted to the actual improvement costs. Upon final payment of the tenant improvements, the monthly payment will drop to the lease rate only as adjusted by CPI. The MHT Authority will provide a turnkey improvement to the space.

The tenant improvements will necessitate a budget transfer of \$91,228 within the ACE/ACT budget to cover the additional expenditure for the current year. Instructional positions will be transferred from the General Fund budget to the Title VI-B grant budget, so that the funds will be available in the General Fund to transfer into the rental line of the budget without increasing the General Fund budget. These changes will be incorporated into the proposed budget for FY 2008-2009 and future years, so that there is no increase in the General Fund over the term of the lease.

Both the ACT and ACE programs provide community based instruction within the life skills curriculum, supporting the transition into adulthood for our students 18-22 years of age. The Individual Education Plan of the Individuals with Disabilities Education Act (IDEA) requires this type of instruction. Accordingly, when the ACT program moved to the MHT building, no janitorial service was included in their lease. The Operations Department has provided janitorial service as well as quarterly cleaning services in the ACT space of the building. Although the students provided the janitorial services as part of their training, it has been determined that more thorough janitorial services should be provided for deep cleaning, sterilization and quarterly services. The proposed amendment will include janitorial services three days per week beginning August 1, 2008 at an additional cost of \$.10/sf.

Upon review of current District and charter school leases as well as a market review of E-1 space in Anchorage, District staff members have concluded that the proposed lease amendment provides a good value to the District. Current leases range from \$1.30 - \$2.00/sf while the current market rate of E-1 space is approximately \$2.15 - \$2.50/sf. The proposed amendment will allow the

program manager and staff of the adult Special Education programs to be at the same location with their programs providing operational efficiencies as well as to better serve the public.

CERTIFICATION OF FUNDS:

Fund Description:

(01) General Fund (FY 2007-2008)
(166705) ACE/ACT Program
(3200) Rental – Land & Buildings

<u>Fund Source:</u>	<u>Fund</u>	<u>Funding</u>	<u>Account Code</u>	<u>Amount</u>
ACE/ACT Program	01	166705	166705-3200	<u>\$312,193</u>
			Total	<u>\$312,193</u>

CC/GV/PC

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