



NEW HAVEN PUBLIC SCHOOLS

Thomas Lamb
Chief Operating Officer

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MEMORANDUM

To: The Finance & Operations Committee and
The Board of Education

From: Thomas Lamb, COO

Date: 11/5/2021

Re: NHPS Auxiliary Building Inventory

The New Haven public school district has 13 properties that are currently inventoried as auxiliary or leased space. All of these properties require a different level of support from district operations regardless of whether or not they are providing district program services.

These properties and programs are being evaluated as part of the long-term facilities study to determine long-term use as it relates to district enrolment, programming, and space needs of the school district. This study is currently in process.

	Program / Location Name	Address
1	Adult & Continuing Education Center <ul style="list-style-type: none"> Leased space of 40,000 sqft Lease renewal approved in Finance & Operations Currently looking for a permanent city-owned location 	580 Ella T Grasso BLVD
2	BRAMS Hall <ul style="list-style-type: none"> Hall space that is used by the district and rented to the community and organizations for small to medium gatherings and events. 	150 Kimberly Ave
3	Central Kitchen Facility	45 Barnes Avenue
4	Elm City Montessori (Early Learning Center) <ul style="list-style-type: none"> City Charter School—Separate LEA The school district provides operational support and is reimbursed for services 	495 Blake St
5	Facilities Department/ Warehouse <ul style="list-style-type: none"> Facilities department staff Central location for Facilities department vehicles Storage for Facilities supplies 	375 Quinnipiac Ave
6	Field House @ Hillhouse HS (Floyd Little Athletic Center)	480 Sherman Pkwy

7	Storage (New/Light) <ul style="list-style-type: none"> District-wide storage of furniture and supplies 	21 Wooster Pl
8	Storage (former "Strong School") <ul style="list-style-type: none"> The building has significant interest from the community for repurposing 	69 Grand Ave
9	former: Strong 21st c. Communications Magnet School <ul style="list-style-type: none"> YALE New Haven Health currently has a 1-year lease for COVID testing site in the parking lot. Cornell Scott Hill Health Center has a 2-year lease for use of the kitchen 	130 Orchard Street
10	The Shack <ul style="list-style-type: none"> Community program OIC Community program run by Alderwoman Honda Smith Neither program has an active lease with the City of New Haven or the School District Mike Pinto City Corporation Council has taken lead in working with the two programs. We will be moving to have this property removed from the school district property inventory and turned over to the city. 	333 Valley St
11	Board of Education Administration <ul style="list-style-type: none"> The NHPS owns 4 floors of this building The NHPS leases space on the first floor and the 8th floor NHPS leadership is working with the city to identify a space to relocate administrative offices. This will require significant planning to avoid disruption to services provided to the school district. No space has been identified yet. 	54 Meadow St.
12	Quinnipiac School (Closed) <ul style="list-style-type: none"> The school will be evaluated as part of the long-term Facilities Study. 	460 Lexington Street
13	West Rock School (Closed) <ul style="list-style-type: none"> The school will be evaluated as part of the long-term Facilities Study. 	311 Valley Street



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To: Finance and Operations Committee and the Board of Education

From: Thomas Lamb, Chief Operations Officer
New Haven Public Schools

Date: 11/5/2021

Re: Adult Education Program Lease at 540 Ella T Grasso Boulevard

The New Haven public schools have occupied space at 540 Ella T Grasso Boulevard in some way since 1995. The Adult Education program is the last remaining program for the New Haven Public Schools to occupy space at this location as well as one of the last remaining New Haven School District programs to occupy leased space other than our Central Office at 54 Meadow Street. The Adult Education program has thrived and has grown over the years to become one of if not the largest Adult Education program in the state of Connecticut. The school district has realized the need to shift from leased space to occupying city-owned or Board of Education owned properties to reduce monies being spent on lease rate increases and capital improvements that have no return back to the school district.

Under the best of circumstances to relocate the 40,000 square foot program to a space that is ready and meets program needs would have significant moving expenses with and require some level of planning and preparation to ensure minimal program disruption. Currently, there is not a city-owned or district-owned property that is move-in ready that can meet program needs. Program leadership is working with the City Engineer and his office as well as with myself and the district Facilities team to locate a suitable property and begin the planning process on how renovations and a program move would be funded. Identifying a and securing a property as well as going through the renovation process can take 18 months or more depending on the scope of the work needed. Until this can be done and a proper location made ready for the program we will still need a home for the program. To move the program to a virtual platform is not possible given some of the program testing requirements from the state.

The 40,000 square foot space at 540 Ella T Grasso Boulevard has served the program and the district well for many years. The ownership of this property has changed several times over the years and has changed hands again. The newest group of owners operates under SP EII LLC. The new ownership of the property has made it very clear what lease rate they expect for the long term and this rate is not sustainable to the district or the program. This new building ownership is difficult to work with. They are operating on a practice that they are unwilling to invest significantly into repairs of the property without some long-term lease commitment from the district. In our initial conversations, the landlord was looking for a 10-year commitment. A compromise to a lease term of 3 years and 10 months to keep the lease rate down was agreed. This provides the district with the time to identify and renovate a suitable space. Moving through the lease negotiations with the building owner we identified that an annual lease or shorter lease term will trigger a higher the lease rate from the landlord. In an effort to maintain flexibility in a longer lease term a 90 day option for lease termination will be included with written notification by either party.

There are also several other notable changes in the new lease agreement. In the past there was no escalation this was a point that the new landlord would not move on. They are firm at a 3% per year escalation in the lease. The three percent is below a Consumer Pricing Index increases (CPI) or also known as the rate of inflation and is common for lease agreements beyond one year. The expense of property taxes was also in the previous lease agreement as a pass-through expense meaning that even though the responsibility was with the landlord the school district was paying this expense each year. The property tax of last year was \$125,000 or an additional \$3.13 per square foot. Another expense that the previous land lord was controlling but passing on to the school district was that of custodial services. The landlord controlled the contract and what services were provided and the district paid the landlord for these services. Custodial services were an additional \$100,022.88 per year or an additional \$2.50 per square foot of cost. In the new lease the shool district will have full control of this service and will be able to make service adjustments to reduce costs.

The final agreed upon lease rate with the new landlord begins at a rate of \$16.50 and escalates at 3% each year as stated above. The previous lease was held at \$9.75 and previous years between \$10.00 and \$13.00 depending upon how much square footage with in the complex the district had. This rate has not increased with inflation since the school district began occupying the space in 1995. The costs to the district are outlined in the table below. Some assumptions that are made in this comparison. The first is that the property tax rate will not change during this time. This wold have an impact on the over all costs. The second assumption is that the lease rate of \$9.75 does not chage with inflation. It is not reasonable to assume this would not change. The third assumption is that the district is not able to reduce building cleaning costs over the term of the lease.

The landlord has committed to base repairs to the buiding at the landlord expense that include the HVAC systems will be upgraded and fully functional. The roof and exterior leaks will be fixed. All damaged ceiling tiles replaced throughout. Damaged Carpeting replaced throughout. Repair or replacement of damaged or leaking windows. Landlord reserves the right to self-perform any work that is in their capability.

There has also been a TIA or tenant improvement allowance of \$100,000 that will be credited back to the school district. A Lease term sheet has been agreed upon with the landlord and follows this document.

	1st Year	2nd Year	3rd Year	4th Year
Lease Rate	\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75
Total Annual	\$ 390,000.00	\$ 390,000.00	\$ 390,000.00	\$ 390,000.00
Custodial Services	\$ 100,022.88	\$ 100,022.88	\$ 100,022.88	\$ 100,022.88
Taxes	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
Total Cost	\$ 615,022.88	\$ 615,022.88	\$ 615,022.88	\$ 615,022.88
New Lease Rate	\$ 16.50	\$ 17.00	\$ 17.51	\$ 18.03
Total annual	\$ 660,000.00	\$ 680,000.00	\$ 700,400.00	\$ 721,200.00
Custodial Services	\$ 100,022.88	\$ 100,022.88	\$ 100,022.88	\$ 100,022.88
Total Cost	\$ 760,022.88	\$ 780,022.88	\$ 800,422.88	\$ 821,222.88
Difference	\$ 145,000.00	\$ 165,000.00	\$ 185,400.00	\$ 206,200.00
% increase	23.58%	26.83%	30.15%	33.53%

Lease Term Sheet

Tenant	City of New Haven Board of Education
Landlord:	SP Ella LLC
Premises:	580 Ella Grasso Boulevard
Square Feet:	40,000
Rental Rate PRSF Gross:	\$16.50 Oct 2021 to June 2022 \$17.00 July 2022 to June 2023 \$17.51 July 2023 to June 2024 \$18.03 July 2024 to June 2025
Escalation	3%
Term:	3 Years 9 Months
Lease Termination	90 Days Written Notice for any reason
Annual increases:	As per rental rate chart
Renewal Option:	1 Option for renewal
Renewal Rent:	At the previous rent plus 3% increase per year,
Base Building Work:	HVAC will be upgraded and fully functional at Landlord Expense. Roof and exterior leaks to be fixed. All damaged ceiling tiles replaced throughout. Damaged Carpeting replaced throughout. Repair or replacement of damaged or leaking windows. All Base building work expense is paid by landlord and is outside of the tenant allowance and tenant improvement work. Landlord reserves the right to self-perform any work that is in their capability.
Tenant Improvement Allowance:	TIA or tenant improvement allowance \$100,000 to be credited to the Tennant in the form reduction from the base rent for work compleated.

Tenant Improvement Work: TIA work will be completed by Tenant with the use of appropriate contractors. All work to be approved by the Landlord.

Tenant Expenses: Cleaning, Electric, Gas, Garbage, Water and Sewer, and HVAC filter maintenance. Tenant will contract and pay for its own cleaning services.

Landlord Expenses: All other expenses including property taxes, insurance, repairs and maintenance, property management, snow removal and administrative expenses.

Cleaning: To be directly contracted and paid for by Tenant.

Parking: Included at no extra charge