

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

MEMO

To: Finance Committee
From: Katha Kissman, President & CEO
Re: HBOIF Office Move
Date: April 11, 2019

As all will recall, on Monday, January 8, 2018, without any advance notice, FAU Vice President of Research Dan Flynn ordered the Foundation to move its offices within 3-4 days. Subsequent emails were exchanged with the last email from Dr. Flynn arriving on March 22, 2018 to which the Foundation did not respond. Emails available.

As you are also aware, since that time, FAU has tried to mandate a budget other than that adopted by the Foundation Board, eliminating the Foundation's CEO, eliminating the Foundation's independent legal counsel, and uses of Foundation funds, including grantmaking directives.

The uncertainty of whether or not FAU will again attempt to mandate that we move without notice has been unnerving and has prompted us to vet the pros and cons of proactively moving. We have now concluded that it is time to move off campus.

As a reminder, the 2007 Memorandum of Understanding (MOU) called for FAU to provide the Foundation with temporary office space until such time that the Foundation would move into a permanent home.

Ever since Dr. Flynn's email mandate, I have been actively looking at possible off campus space. I did explore a serious possibility to lease a temporary "sales office" module to put on our Channel property on the HBOI campus. However, I have concluded that the time and expense that it would take to ensure that there was water sewer and electricity to any such space combined with the need to get both HBOI's and FAU's cooperation in making that happen would at best be highly burdensome and time consuming.

I concentrated on space availability in Vero Beach rather than Fort Pierce. Two of the three current employees live in Vero Beach. We would have better access to our attorney and board members who live in Vero. In addition, if we determine at any point in the future to build the Foundation's efforts in development, Vero provides a strong base from which to cultivate such relationships.

Subject to the Finance Committee's recommendation of the FY19 Operating Budget impact and the FY20 Operating Budget as well as approvals of capital expenditures to the Board at the April 25 Board Meeting, we can move forward with leasing a space almost immediately. Following is a breakdown of budget impact.

Because the time it would take to build a building, we have the ability and the means to enter into a long term lease to get the most competitive price. Therefore, we recommending leasing the offsite upstairs office space located at 70 Royal Palm Pointe, Vero Beach, FL 32960, with the intention to begin the process to design and build a permanent Foundation home on the "Channel" property owned by the Foundation on the HBOI campus.

We have not yet entered into substantive negotiations, but below is the information we currently have at hand. I would also like the Finance Committee's thoughts about using a possible negotiating tool to reduce the cost of the lease by paying one year (\$90,000 if the proposed rate is not negotiated) up front. This would only affect our P&L as the month's rent is expensed. The rest would sit on our balance sheet as prepaid rent.

Background

When BDO became our auditors in 2016, they asked us to book an in-kind value for rent and utilities. Patrick Boles calculated that to be \$23,052 per annum for 787.5 square feet dedicated space or \$29.27 per square foot. This does not include our use of the Johnson Ed Center Board Room nor any other meeting spaces that we have typically used. In addition, FAU has provided us with furniture. The Foundation owns its own telephone system (internet based), computer server, individual computers per staff member, 3 office chairs, small refrigerator, small equipment and supplies (including a large amount of SLP marketing swag).

Recommended Available Office Space

Research indicates that the estimated base Median Rate is \$24 /square foot per year over time in Vero Beach not including CAM. CAM or Common Area Maintenance charges are one of the net charges billed to tenants in a commercial triple net (NNN) lease paid by tenants to the property owner of a commercial property. CAM appears to vary widely in Vero Beach by property, influenced most by location, onsite and nearby amenities, and age of a building.

Following is the information on the available property we recommend.

Location: 70 Royal Palm Pointe
Vero Beach, FL 32960

Space: 2nd Floor
Approximately 2,400 square feet
Only 3 other tenants in the building. East of US1, water channel access.

Building was constructed in 1984 but available space has been renovated.

Rent: \$7,500/Month including CAM or \$37.50/SF

Office Layout:

- See attached floor plan and photos
Includes reception area, large conference room space, 4 offices, 1 workroom/storage room, small kitchen area (common restrooms on 1st floor)

The Upside:

- Premium location accessible and attractive to both the beachside community and Vero Beach proper
- No improvements necessary. Move in readiness
- Available as early as middle of May
- Additional space not necessarily needed but would allow for board meetings and some events to be held on-site
- Space for audit team when performing the annual audit
- Free parking (we currently pay for parking at HBOI)

Space Changes Needed:

- Entry doors need to have new locking mechanism
- Glass walls removed in first office to open up conference area space
- Some small cosmetic changes (e.g., a construction mural on one wall) that could be made over time.

Furniture Needs:

Some of the furniture currently in the available space is available for purchase (see photos). We are requesting estimates from the tenant to purchase the following:

- 4 desks
- 4 office chairs
- 2 credenzas
- 2 hutches

The following additional pieces will need to be purchased:

- 6 4-drawer File cabinets
- 4 large bookshelves
- 2-4 Storage cabinets
- 1 Conference table and 26 conference chairs
- 1 Small conference table and 4-8 side chairs
- 2 Work tables

Estimated Budget Impact:

Actual Rent Paid	\$90,000/annum; additional "net" over current inkind --\$66,948/annum
Furniture Purchase:	\$30-35,000
IT Set up:	\$1,500
Moving Costs:	\$1,500

It should go without saying that we would have Bill Stewart review any lease prior to signing. Bill has extensive real estate experience in the Vero Beach area.

Office A – Extra work station



Office B – possible Permenter Office



Office C – Possible Kissman Office



Office D – Possible Dutton Office



Comparable Data:



\$18.00/SF + \$8.85 CAM

985 sf Office Space In Modern One Building -- 2101 Indian River Blvd, Vero Beach

NO LONGER AVAILABLE



4,608 sf, quoted as \$8,640/mo
9010 20th St, Vero Beach (retail)



1600 sf, quoted at \$3,667 /mo
3096 Cardinal Dr, Vero Beach (Beachside)



\$22.00/psf & CAM ??
3,331 sf at 2145 Indian River Blvd, Vero Beach



\$23.50/psf + \$7.35 CAM NNN
1,200 - 2,400 sf in Publix Plaza at 9625 US Highway 1, (Between Vero Beach & Sebastian)



\$32.00/psf – CAM?
2,150 sf at 3545 Ocean Drive, Vero Beach (Beachside)



\$22.00/psf – CAM?
1,180 sf at 3055 Cardinal Drive, Vero Beach



\$23.00/psf – CAM?
1,730 sf at 1701 Florida A1A, Vero Beach