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Title: COMMON AREA MAINTENANCE

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Attachments: 1. BACKGROUND: CHEVY CHASE SUMMARY, 2. BACKGROUND: ACE PLAZA SUMMARY, 3. BACKGROUND: OTHER

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TO: Margate CRA Chair and Members of the Board

FROM: Cale Curtis, CRA Executive Director

DATE: February 10, 2021

COMMON AREA MAINTENANCE

BACKGROUND: The MCRA has owned and operated two shopping centers since 2007: Margate Shopping Center aka Ace Plaza; and Chevy Chase Plaza. The shopping centers were envisioned to be part of a future mixed-use redevelopment project planned for the downtown Margate area. The MCRA has actively leased the plazas and maintained their physical condition over the years while pursuing redevelopment interests. Lease terms have been limited to three years (few exceptions) and lease rates have not been increased during that time.

The MCRA recently invested \$700,000 in the renovation of Ace Plaza, and it is currently in the process of prioritizing planned improvements for the Chevy Chase Plaza. The capital improvements to the plazas has resurrected prior discussions between MCRA staff and the Board about the implementation of Common Area Maintenance (CAM) charges to help offset current and future plaza expenses.

Jim Nardi, property manager, has assisted MCRA staff with analyses of the financial impact of implementing CAM charges to cover current fixed operating expenses which include property taxes, property insurance, plaza landscaping, utilities (outdoor lights, common areas, and vacant units), waste management, outdoor pest control, and property management. Overhead and property repairs are not included. Attached are summary reports for each plaza that show current tenant rent and square footage and one proposed scenario for implementing CAM to cover current fixed operating expenses. Also attached is summary report of average rent and CAM charges for neighboring plazas for comparison purposes.

In addition to the option reflected in the attached summaries (implementing full CAM), there are several other options for

Board consideration:

- Implement CAM charges gradually, i.e., \$1 year one; \$2 year two, etc. until full CAM achieved
- Implement CAM for new tenants only as of a specific date; grandfather all current tenants.
- Implement only a portion of the CAM, i.e., 50%
- Do not implement CAM. Aside from overhead and capital expenses, plaza revenues exceed both plazas operating expenses.
- Implement an annual rent increase (% TBD) rather than a CAM charge

RECOMMENDATION: For Board discussion and direction.

FISCAL IMPACT: To be determined

CONTACT PERSON: Cale Curtis, CRA Executive Director