

LCC/LCCDS Lease Agreement Informational Update Meeting

-January 13, 2019-

Overview of Lease Agreement

-Building Assets Involved-

- Refurbishing of Three LCC Buildings for Pre-School Use:
 - Braid Building
 - 2-Story Education Building
 - Old Sanctuary/Youth Center
 - Together, the Lease “Property”
- Conversion of LCC Music Office and Choir Room to a New Youth Center.
- Common Area (e.g., Parking Areas and Sidewalks) Modifications to Accommodate Security Gates.
- Leasehold Improvement Project Work by LCCDS Estimated at \$1.2 Million - \$1.3 Million.

Overview of Lease Agreement -Financing-

- Project Is Financed Primarily by Bank Loan to LCCDS, Supplemented with Equity Fundraising by LCCDS.
- No Capital Requirements from LCC.
- 30-Year Lease Term, with Aug. 1, 2019, Commencement Date Anticipated, But No Later Than Dec. 31, 2019.
- Potential for up to Two Five-Year Lease Extensions (i.e., Past 2049) Upon Mutual Agreement After 30 Years.
- Lease Contingent Upon LCCDS Being Able To Obtain Bank Loan; Bank Loan Is Contingent Upon Lease.

Overview of Lease Agreement

-Rent and Operating Costs-

- LCCDS Will Pay Any and All Operating Costs Associated with Operating the Lease Property Throughout the Lease Term:
 - Utilities, Telecom, Insurance, Maintenance.
 - Currently, Equivalent to ~\$55,000 Per Year.
 - Effectively Displaces the Occupancy Fee Currently Paid by LCCDS to LCC.
- LCCDS Will Pay Rent of \$100 Per Month, or \$1,200 Per Year, Escalated by CPI, Over the First 20 Years of the Lease Term.
- LCCDS Will Pay Rent of \$5,100 Per Month, or \$61,200 Per Year, Following Year 20 of the Lease Term.
- The \$5,000 Per Month Rent Offset During the First 20 Years Is Designed To Facilitate LCCDS Bank Loan Amortization.
- Not Intended To Be a Market-Based, Arm's Length Lease Agreement; Minimal Rent to LCC for 20 Years in Recognition of Joint Interests and Ministry Relationship.

Overview of Lease Agreement

-Other Considerations-

- Mutual Full Shared Use of Facilities by LCC and LCCDS:
 - Includes All Church and School Facilities.
 - No Charges Other Than for Cleaning/Restoration.
 - Each Party Has Priority in Its Own Areas.
 - Subject to Mutually Acceptable Scheduling.
 - Activities By For-Profit Third-Parties on Behalf of LCCDS in LCC Facilities Will Require Separate Congregational Council approval.
- Naming of Any Property Building or Building Part Is Subject to LCC Congregational Council approval.
- LCC Obligations for Near/Intermediate-Term Capital Needs of Property Buildings, Which Total \$100,000+, Are Eliminated.
- Potential for Other LCC Capital Work To Dovetail Economically – e.g., LCC Roofs, New Youth Center Enhancements, Parking Lot (Note: Not Specifically Addressed by Lease).

Overview of Lease Agreement -Operating Cost Allocations to LCCDS-

	% Allocation to LCCDS	Comment(s)
ELECTRICITY		
Old Sanctuary with Classrooms, Braid Building	100%	Separately metered service.
Two-Story Education Building	100%	Separately metered service.
CITY SERVICES		
	66%	Based on apportionment of individual service components between LCC and LCCDS within City of St. Petersburg utilities monthly billing for LCC site.
GAS		
	0%	No gas consumption within the Property to be leased.
TELECOMMUNICATIONS		
	50%	LCC telephone and internet monthly service bill split 50:50; subject to change in the event LCC and/or LCCDS opts for VoIP service.
FLOOD INSURANCE		
Old Sanctuary with Classrooms	100%	Separate building policy.
Two-Story Education Building	100%	Separate building policy.
Braid Building	100%	Separate building policy.
COMMERCIAL PROPERTY INSURANCE		
Old Sanctuary with Classrooms	100%	Currently a component within LCC site policy; may be covered later by LCCDS insurance policy.
Two-Story Education Building	100%	Currently a component within LCC site policy; may be covered later by LCCDS insurance policy.
Braid Building	100%	Currently a component within LCC site policy; may be covered later by LCCDS insurance policy.
Aggregate Total	30%	Current allocation percentage to LCC site policy covering all buildings; subject to potential increase following completion of leasehold improvements.
SITE MAINTENANCE - GROUNDS		
	20%	Based on apportionment of LCC site maintenance billings for lawn/foilage trimming and maintenance, landscape pesticide treatments.
SITE MAINTENANCE - GENERAL		
Labor Services	40%	Based on apportionment of LCC site operations maintenance salaries and overheads, after deducting for direct allocation to LCCDS West Campus.
General Maintenance	40%	Apportionment of LCC site operations general maintenance expenses.
General Repairs	40%	Apportionment of LCC site operations general repairs expenses.