



ELEMENTARY SCHOOL LEASE/PURCHASE

Hogan Prep's Elementary School is located at 2803 E. 51st Street, KCMO 64130. The building is owned by Swope Corridor Renaissance/Upper Room, Inc. HPA is leasing the building for 1 year with the option to renew for a second year. As part of the lease agreement, HPA completed a significant number of capital improvements on the building in order to make it suitable for occupation by our elementary school. As a result, HPA is paying no rent during year 1 of the lease. HPA also has an option to purchase the building at any time during the initial term or the renewal term. Here are some key elements of the lease:

- The lease term for year 1 runs from 5/1/19 – 4/03/20.
- A 3-month notice for renewal is required for year 2. This would be no later than 2/1/20.
- Rent for year 2 is \$12,500 per month, or \$150,000 for the year.
- The purchase price of the building is \$1,000,000.
- Exercising of the purchase option requires the following notice requirements
 - A sixty (60) day notice prior to the expiration of the year 1 lease, or
 - A ninety (90) day notice prior to the expiration of the year 2 lease.
- The Kansas City Public School District has the "Right of First Refusal" regarding the purchase option on the building.

It has been HPA's intent all along to purchase the building. We would like to exercise the option to purchase the building prior to the end of the year 1 lease term. In doing so, we 'save' the \$150,000 in rent we would have been charged in year 2 of the lease. It also allows us to include the purchase of the building with other capital improvement projects planned for all three of the HPA school buildings. We would like to complete these capital improvement projects over the summer, before the start of the 20-21 academic year.

The timeline for all of this is very tight, which is why we are bringing this discussion to the Board at this time.

Here's a quick run-down of the key action items:

- November – Dr. Strickland met with Dr. Bedell (KCPS) to discuss HPA's interest in purchasing the elementary school
- November 25 Board Meeting – Discussion of elementary school building purchase
- November/December – Dr. Strickland and Jamie to meet with funders regarding HPA's financing needs for this project
- December 16 Board Meeting – Board approval to purchase the elementary school building and discussion of capital improvement project
- January 2020
 - Secure funding to purchase the building
 - Provide notice to Landlord regarding intent to purchase
 - Landlord to provide KCPS with notice of "Right of First Refusal"; secures waiver
- Feb/Mar/April 2020
 - Finalize project scope
 - Finalize funding
 - Obtain Board approval
 - Execute contracts