

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 18

DATE: April 21, 2009

STAFF: Patrick Rowe

SUBJECT

First Reading of Ordinance No. 042, 2009, Authorizing the Lease of City-Owned Property at 214 North Howes Street, Along with Related Parking Rights at 220 North Howes Street, for up to Five Years.

RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

The City will receive a minimum of \$9 per square foot annually in gross rent, which will be used to cover operation expenses and the balance shall go to the general fund.

EXECUTIVE SUMMARY

City Council adopted Ordinance No. 098, 2007, authorizing the lease of City-owned property at 214 North Howes Street, along with the use of parking spaces at 220 North Howes Street for up to five years. The Ordinance specified a minimum annual lease amount of no less than \$61,036, which was based on an annual price of \$10.50 per square foot.

This Ordinance modifies the authorization from an aggregate annual amount to a per square foot rate and reduces the minimum lease rate from \$10.50 to \$9 per square foot.

BACKGROUND

In September 2007, in anticipation of the relocation of Recreation Department staff from 214 North Howes to the new Northside Aztlan Community Center, City Council authorized the lease of 214 North Howes (along with nine parking spaces). The terms of the Ordinance specified a minimum annual lease amount of no less than \$61,036, which was based on an annual price of \$10.50 per square foot.

In recognition of the current economic climate and the business hardships of the City's existing tenant, the City wishes to modify the terms of its current lease to take back, or "shut down" a portion of the existing tenant's space (the lease rate of \$10.50 per square foot will remain the same). This

portion of space will either be re-leased to another entity or utilized by the City. To accommodate this lease change, Ordinance No. 042, 2009 is necessary in order to modify the authorization from an aggregate annual amount to a per square foot rate. In addition to this amendment, staff proposes reducing the minimum lease rate from \$10.50 to \$9 per square foot to give City staff future latitude in negotiating with the existing tenant or other interested parties. City staff is not currently pursuing a lease rate reduction with the existing tenant, but this modification will allow for future adjustments as necessitated by the market.

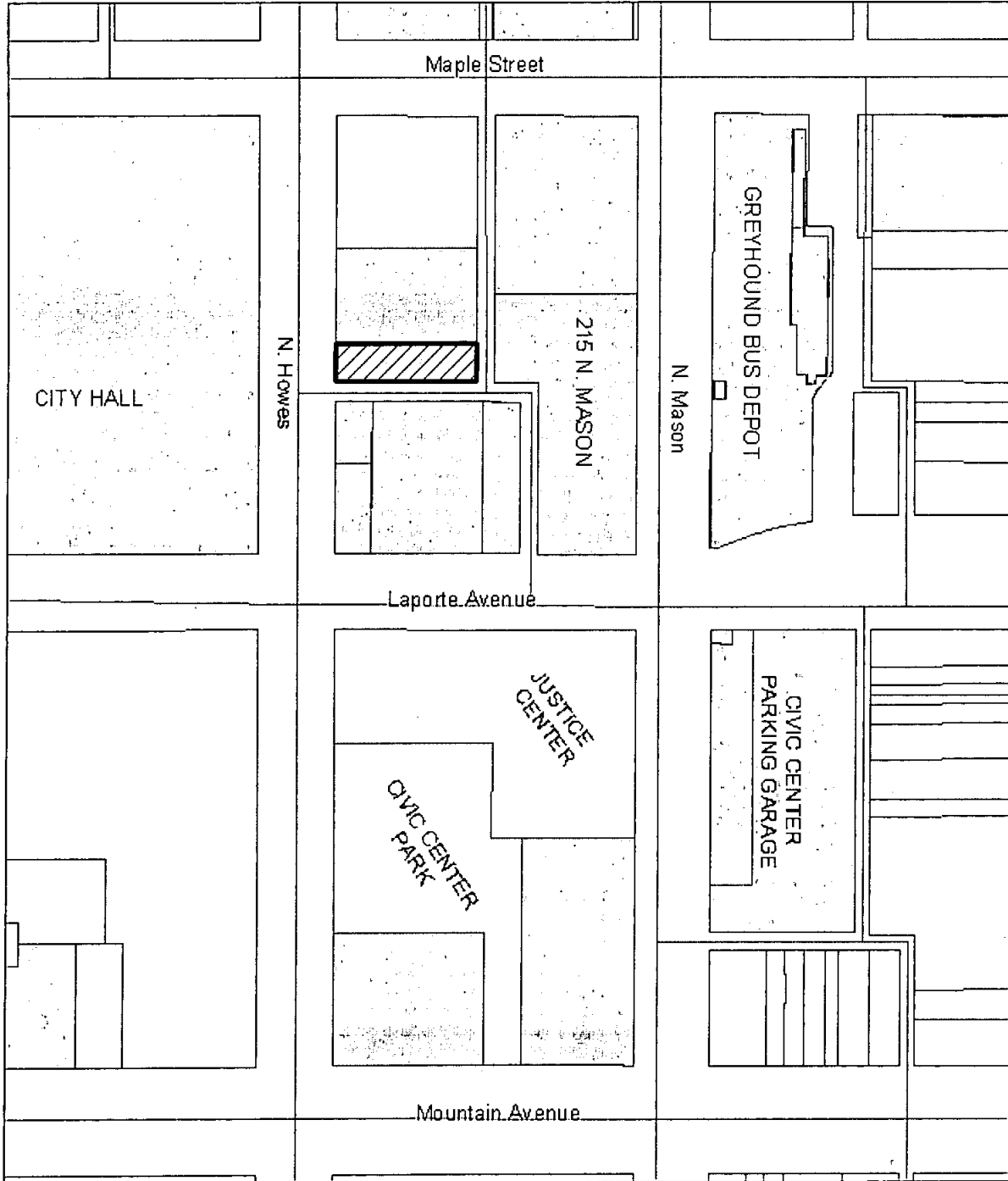
The property at 214 North Howes Street is located on Block 32 along with the City's main building. It is anticipated that this property will be included in future facility plans; however, the City has no immediate or short term planned use for the property.

To allow for future City use, any lease of the property at 214 North Howes Street will be subject to a 90-day termination provision, as is currently the case.

ATTACHMENTS

1. Location map.

214 N. HOWES LEASE LOCATION MAP



 Lease Property Location



ORDINANCE NO. 042, 2009
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING THE LEASE OF CITY-OWNED PROPERTY AT
214 NORTH HOWES STREET, ALONG WITH RELATED PARKING RIGHTS
AT 220 NORTH HOWES STREET, FOR UP TO FIVE YEARS

WHEREAS, the City is the owner of the property legally described as Lots 34 and 35, Block 32, City of Fort Collins, Colorado, commonly known as 214 North Howes Street, and Lot 33, Block 32, City of Fort Collins, Colorado, a portion of the property commonly known as 220 North Howes Street (collectively, the "Property"); and

WHEREAS, on September 4, 2007, the City Council approved Ordinance No. 098, 2007, authorizing the lease of office space in the building at 214 North Howes and the use of nine parking spaces in the lot at 220 North Howes (the "Lease Premises") for up to five years at a minimum annual rental of \$61,036, based on \$10.50 per square foot; and

WHEREAS, due to the current economic situation, the tenant in the Lease Premises wishes to reduce its costs by modifying its lease to make its portion of the Lease Premises smaller; and

WHEREAS, although the current tenant intends to continue paying rent based on \$10.50 per square foot, City staff would like the option of charging a minimum rent of \$9 per square foot for the Lease Premises; and

WHEREAS, staff is asking for the City Council's approval of these new lease terms for the Lease Premises because reducing the tenant's leased space or the amount of rent charged would reduce the minimum annual rental for the Lease Premises below the level that the City Council previously authorized; and

WHEREAS, the remaining portion of the Lease Premises not being used by the current tenant could be used by the City or leased to another party; and

WHEREAS, the other terms and conditions of leasing the Lease Premises would remain as described in Ordinance No. 098, 2007; and

WHEREAS, under Section 23-111(a) of the City Code, the City Council is authorized to sell, convey or otherwise dispose of any and all interests in real property owned in the name of the City, provided that the City Council first finds, by ordinance, that such disposition is in the best interests of the City.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That leasing the Lease Premises located at 214 and 220 North Howes Street as provided herein is in the best interests of the City.

Section 2. That the City Manager is hereby authorized to execute a lease agreement or amendment to the existing lease agreement for the Lease Premises, consistent with the terms of this Ordinance, together with such additional terms and conditions as the City Manager, in consultation with the City Attorney, deems necessary and appropriate to protect the interests of the City or to effectuate the purposes of this Ordinance, including, but not limited to, any necessary changes to the legal description of the Lease Premises, so long as such changes do not materially increase the size or change the character of the property to be leased.

Introduced, considered favorably on first reading, and ordered published this 21st day of April, A.D. 2009, and to be presented for final passage on the 5th day of May, A.D. 2009.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 5th day of May, A.D. 2009.

Mayor

ATTEST:

City Clerk