

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 19

DATE: June 1, 2004

STAFF: Darin Atteberry

SUBJECT

Resolution 2004-069 Authorizing the Lease of City-Owned Property at 200 West Mountain Avenue, Suite C.

RECOMMENDATION

Staff recommends the adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

Rent collected from this lease will vary year to year depending on how many tenants occupy the space and what year the tenants are in their lease term. For projection purposes, with a low occupancy of only 25% of the building leased and with these tenants being in their first year of the lease term (\$7/SF), it is estimated that the City will be paying building costs of \$13,680. However, if 100% of the building is leased and the tenants are in their second year of their lease term (\$8/SF), the lease will generate approximately \$14,695 in Miscellaneous Revenue - General Fund.

EXECUTIVE SUMMARY

With support from the City of Fort Collins, Colorado State University, and Fort Collins Inc., the Fort Collins Virtual Business Incubator was created in 1998. The program was charged with providing critical business assistance to the most promising high tech startup companies in the community. To date the Incubator has assisted 15 companies. In the aggregate these firms have created 65 full time jobs with an average annual salary of \$70,420 and they have raised in excess of \$32 million in equity capital. The "bottom line" of this program is the creation of good paying jobs from within the community. The program achieves its success through services such as entrepreneurial advisory boards, discounted professional service providers, access to a multitude of CSU resources, internal resource sharing, counseling, training and networking.

In concert with the High Tech Network, the Fort Collins Business Incubator would like to bring the current level of service to their client companies up significantly by offering below market lease space. An "Incubator with Walls" program would not only help to mitigate the very tight cash flow situation encountered by most startups, but it would also provide a synergistic, collaborative environment in which the talented young companies could thrive. Key issues of the proposal follow:

1. Offer lease space to qualified candidates on a sliding scale depending on their year in the incubator. For example, companies in their first year in the incubator will pay \$7/SF with a \$1/SF increase in the second year of their lease. The rent charged will be a gross lease meaning that all expenses are included in the lease payment. Tenants will only be responsible for their own janitorial services and communication expenses.
2. Office space for the director of the Fort Collins Business Incubator and a conference room will be provided at no cost.
3. The Fort Collins Business Incubator will run the incubation program identically to the existing virtual project, including selection, business assistance, annual review, etc. The City's Real Estate Services staff will provide property management duties, including lease execution, rent collection, and addressing any concerns with the facility.

Due to the nature of leasing the facility to many different tenants at different lease rates, it is difficult to accurately project City revenue or City expenses on a yearly basis. The costs to be paid by the City include: taxes (these will be due and payable once the facility is leased to a private business); janitorial for common areas; utilities; maintenance; snow removal and trash services, and ensuring that internet access is available to the building. Some of these expenses are on-going regardless of whether this space is leased to Fort Collins Business Incubator and their participants. Suites A and B of this facility are currently occupied by the City's Human Rights Office and Neighborhood Resources Office. The following chart offers a look at several lease possibilities and the resulting cost or revenue to the City:

City's Annual Profit and/or Subsidy (deducting on-going City expense) Based on Occupancy and Rent/SF:

	<u>\$7/SF</u>	<u>\$8/SF</u>
100% of net building area leased (4,540 SF)	\$ 10,155	\$ 14,695
75% of net building area leased (3,405 SF)	\$ 2,210	\$ 5,615
50% of net building area leased (2,270 SF)	\$ -5,735	\$ - 3,465
25% of net building area leased (1,135 SF)	\$-13,680	\$-12,545

Staff recommends leasing 200 West Mountain Avenue to the Fort Collins Business Incubator and its client companies. Potential benefits to the City include: replacement of primary jobs lost over the past several years, increased economic robustness, especially in the downtown area, better retention of the City's highly talented professional workforce, and an enhanced sales tax base.

Results of an informal survey conducted by the High Tech Network shows enthusiastic community interest in the Incubator with Walls program. Seven startups expressed an immediate interest in applying to the program and an additional six within the year. Their space requirements are more than double the amount available at 200 West Mountain Avenue.

In addition, the creation of the Incubator with Walls program is consistent with and in support of strategic recommendations soon to be released by the Economic Vitality and Sustainability Action Group.

RESOLUTION 2004-069
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING THE LEASE OF CITY-OWNED PROPERTY AT
200 WEST MOUNTAIN AVENUE, SUITE C

WHEREAS, the City of Fort Collins is the owner of the property legally described as a portion of Lot 2, Replat Lots 1-49, Block 31, Fort Collins, Colorado and also known as 200 West Mountain Avenue, Suite C (the "Property"); and

WHEREAS, the City purchased the Property for the Civic Center Master Plan and has not yet finalized specific plans for the Property; and

WHEREAS, since 1998, the City has supported the efforts of the Fort Collins Virtual Business Incubator Program and this program has provided critical business assistance to high tech startup companies in the Fort Collins community; and

WHEREAS, the City has received a proposal from the Fort Collins Virtual Business Incubator Program to increase its service by offering below market lease space to its client companies; and

WHEREAS, this "Incubator with Walls" program will benefit the City by replacing primary jobs lost by citizens, thereby increasing the economy in the downtown area and enhancing the sales tax base; and

WHEREAS, the City desires to lease a portion of the Property to Fort Collins Virtual Business Incubator for office space for its director for a term of one year, with the option to renew for an additional year, at no cost to the Fort Collins Virtual Business Incubator; and

WHEREAS, the City desires to lease other portions of the Property to clients selected by the Fort Collins Virtual Business Incubator for a term of one year, with the option to renew for an additional year, at a cost for the first year of \$7/per square foot and for the second year at a cost of \$8/per square foot; and

WHEREAS, under Section 23-114 of the Code of the City of Fort Collins, the Council is authorized to lease any and all interests in real property owned in the name of the City, provided that Council first finds that the lease is in the best interests of the City.

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

Section 1. That the Council hereby finds that leasing the Property under the terms listed above is in the best interests for the City of Fort Collins.

Section 2. That the City Manager is hereby authorized to execute such lease agreements for the Property, consistent with the terms of this Resolution, together with such additional terms and conditions as the City Manager, in consultation with the City Attorney, determines to be necessary and appropriate to protect the interests of the City.

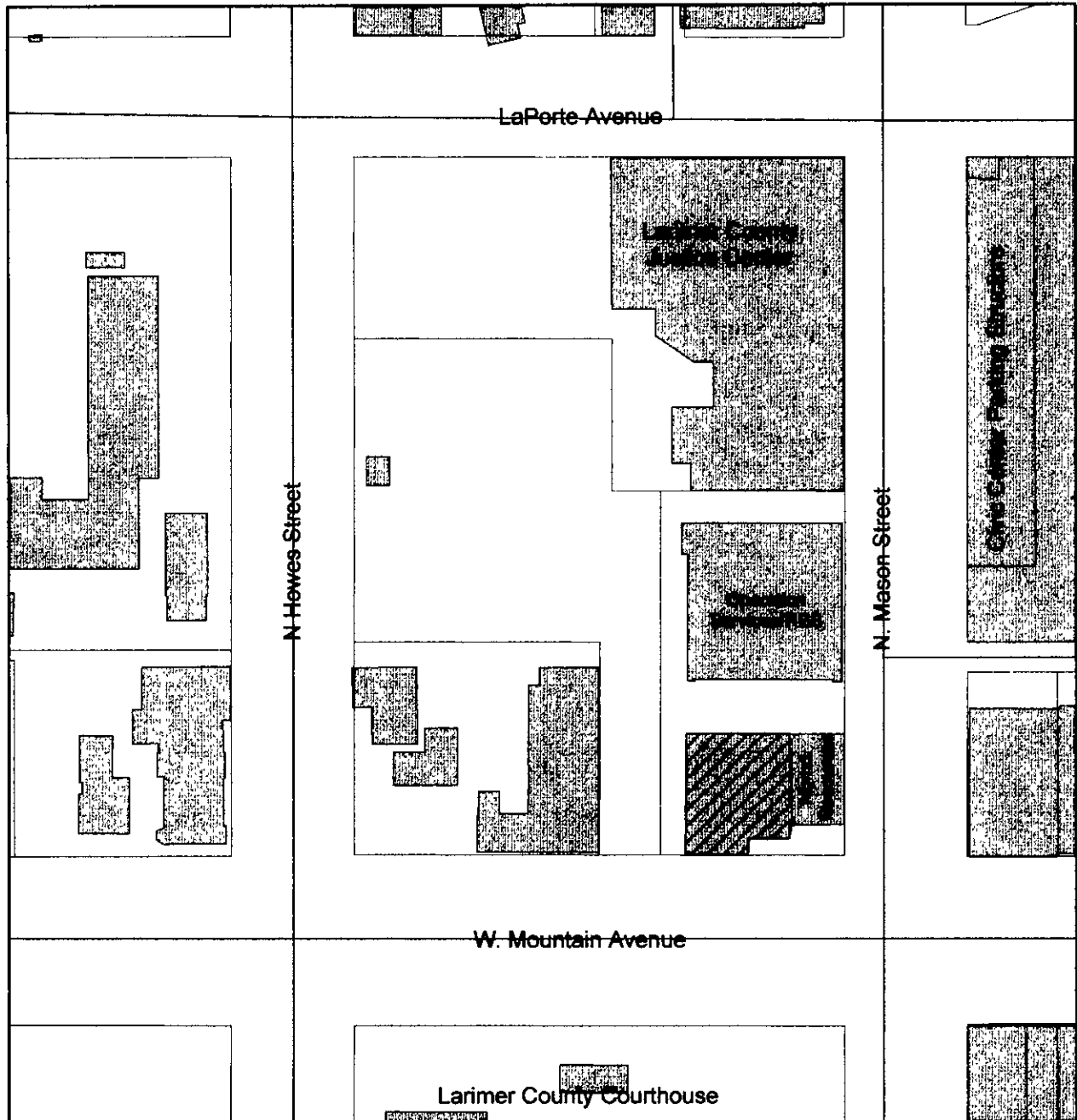
Passed and adopted at a regular meeting of the City Council held this 1st day of June, A.D. 2004.

Mayor

ATTEST:

City Clerk

200 W. Mountain Avenue Suite C Location Map



200 W. Mountain Suite C Site

