

AGENDA ITEM SUMMARY
FORT COLLINS CITY COUNCIL

ITEM NUMBER: 12

DATE: June 6, 2006

STAFF: Helen Matson

SUBJECT

Second Reading of Ordinance No. 080, 2006, Authorizing the Lease of City-Owned Property at 200 West Mountain Avenue, Suite C, For Up to Five Years.

RECOMMENDATION

Staff recommends the adoption of the Ordinance on Second Reading.

EXECUTIVE SUMMARY

The Fort Collins Technology Incubator (FCTI) provides critical business assistance to the most promising high tech startup companies in the community. As part of its service, FCTI offers below market lease space to its client companies. In 2004, the Council approved Resolution 2004-069, which authorized the lease of City-owned property at 200 West Mountain, Suite C, to FCTI and its clients. This Ordinance, unanimously adopted on First Reading on May 16, 2006, allows the lease to FCTI and its participants to continue for up to five years.

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 15

DATE: May 16, 2006

STAFF: Helen Matson

SUBJECT

First Reading of Ordinance No. 080, 2006, Authorizing the Lease of City-Owned Property at 200 West Mountain Avenue, Suite C, For Up to Five Years.

RECOMMENDATION

Staff recommends the adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

Rent collected from this lease has and will continue to vary year to year depending upon how many tenants occupied the space and what year the tenants were in the lease term. Currently, 100% of the building is leased and the tenants are in their second year of the lease term (\$8/SF). The lease generates approximately \$37,008 in Miscellaneous Revenue - General Fund.

EXECUTIVE SUMMARY

The Fort Collins Technology Incubator (FCTI) provides critical business assistance to the most promising high tech startup companies in the community. As part of its service, FCTI offers below market lease space to its client companies. In 2004, the Council approved Resolution 2004-069, which authorized the lease of City-owned property at 200 West Mountain, Suite C, to FCTI and its clients. This Ordinance would allow the lease to FCTI and its participants to continue for up to five years.

BACKGROUND

With support from the City of Fort Collins, Colorado State University, and the Northern Colorado Economic Development Corporation, the Fort Collins Technology Incubator ("FCTI"), formerly known as "Fort Collins Virtual Business Incubator", was created in 1998. To date, the Incubator has assisted 20 companies. In the aggregate these firms have created 109 full time jobs with an average annual salary of \$65,570 and they have raised in excess of \$40 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.

The FCTI has significantly enhanced the level of service to its client companies by offering below market lease space. In this way, the FCTI not only helps to mitigate the very tight cash flow situation encountered by most startups, but it also provides a synergistic, collaborative environment

in which the talented young companies can thrive. Key operational aspects of the program are as follows:

- Provides lease space to qualified candidates on a sliding scale depending on their year in the incubator. Companies in the first year of the program will pay \$7/SF, \$8/SF in the second year of the lease, and \$9/SF for the third and final year. The rent charged will be a gross lease, meaning that all expenses are included in the lease payment. Tenants are responsible for janitorial services and communication expenses.
- Office space for the director of the FCTI program and two small conference rooms will be provided at no cost.
- The FCTI is responsible for the incubation program including selection, business assistance, annual review, graduation, etc. The City's Real Estate Services staff provides property management duties, including lease execution, rent collection, and addressing any concerns with the facility.

Due to the nature of leasing the facility to several 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, janitorial services for common areas, utilities, maintenance, snow removal, and trash services. Some of these expenses are on-going whether this space is leased to FCTI and its participants or not. Suites A and B of this facility are currently occupied by the City's Natural Resources Office. The following chart offers a look at several lease possibilities and the resulting cost or revenue to the City:

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

	\$7/SF	\$8/SF	\$9/SF
100 % of net building area leased - 4,626 SF	\$ 11,412	\$ 16,038	\$ 20,664
75% of net building area leased - 3,470 SF	\$ 3,320	\$ 6,790	\$ 10,260
50% of net building area leased - 2,313 SF	\$ (4,779)	\$ (2,466)	\$ (153)
25% of net building area leased - 1,157 SF	\$ (12,870)	\$ (11,714)	\$ (10,557)

Staff recommends leasing 200 West Mountain Avenue, Suite C, to the FCTI and its client companies. Benefits to the City include:

- replacement of primary jobs lost over the past several years,
- increased economic robustness, especially in the downtown area,
- retention of the City's highly talented professional workforce,
- an enhanced sales tax base.

In addition, the Program is consistent with and in support of strategic recommendations released by the Economic Vitality and Sustainability Action Group.

ORDINANCE NO. 080, 2006
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING THE LEASE OF CITY-OWNED PROPERTY AT
200 WEST MOUNTAIN AVENUE, SUITE C, FOR UP TO FIVE YEARS

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 this 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 Technology Incubator (FCTI), formerly known as "Fort Collins Virtual Business Incubator Program," which has provided critical business assistance to high tech startup companies in the Fort Collins community; and

WHEREAS, the City received a proposal from the FCTI in March 2004 to increase its services by working with the City to offer below market lease space to its client companies; and

WHEREAS, on June 1, 2004, the Council approved Resolution 2004-069, which authorized the lease of the Property to FCTI and its clients for up to two years; and

WHEREAS, the FCTI will benefit the City by replacing primary jobs lost by citizens, 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 FCTI for its Director for a term of up to five years at no cost to the Fort Collins Technology Incubator; and

WHEREAS, the City desires to lease other portions of the Property to clients selected by the FCTI for a term of one year, with the option to renew for up to two additional years at a lease rate of \$7/square foot for the first year, \$8/square foot for the second year, and \$9/square foot for the third year; and

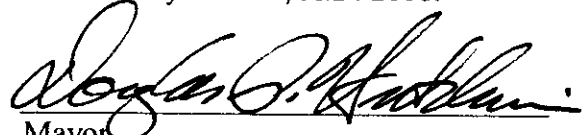
WHEREAS, under Section 23-114(a) of the Code of the City of Fort Collins, the Council is authorized to lease for a term of up to five years any and all interests in real property owned in the name of the City, provided that Council first finds that the lease is in the best interests of the City.

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 at 200 West Mountain Avenue, Suite C, under the terms listed above is in the best interests for the City of Fort Collins.

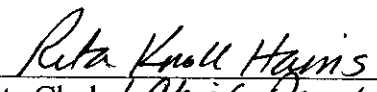
Section 2. That the City Manager is authorized to execute such lease agreements consistent with the terms of this Ordinance, together with such additional terms and conditions as the City Manager, in consultation with the City Attorney, determines to be necessary and appropriate to protect the interests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

Introduced, considered favorably on first reading, and ordered published this 16th day of May, A.D. 2006, and to be presented for final passage on the 6th day of June, A.D. 2006.



Mayor

ATTEST:



City Clerk / Chief Deputy

Passed and adopted on final reading on the 6th day of June, A.D. 2006.

Mayor

ATTEST:

City Clerk