



Request for City Council Committee Action From the Department of Finance and Property Services

Date: October 29, 2012

To: Honorable Betsy Hodges, Chair Ways & Means Committee

Subject: Lease Amendment – Canal Street Ltd. Partnership

Recommendation:

That the proper City officers be authorized to negotiate and execute an amendment to the current lease agreement (Contract # C9610431) with Canal Street Ltd. Partnership, for office space at the Crown Roller Mill building, located at 105 5th Avenue South. The proposed amendment would allow for the payment of minor (approximately \$75,000) in tenant improvements and deferred maintenance in City occupied space that are needed to accommodate the relocation of Community Planning and Neighborhood and Community Relations to the Crown Roller Mill building. The costs of these tenant improvements would be paid for out of the existing operating budgets of the representative departments: Community Planning & Economic Development, and Neighborhood & Community Relations

Previous Directives:

- June 29, 2012 – Authorized amendment to reduce Lease Obligation by 6652 square feet
- January of 2001 – Lease was amended to consolidated leased space in the Crown Roller Mill facility
- July of 1991 – Minneapolis Community Development Agency authorized a fifteen (15) year lease with Canal Street Ltd. Partnership

Prepared by: Greg Goeke, Director of Property Service, 673-2706

Approved by: _____
Kevin Carpenter, Chief Financial Officer, Finance & Property Services Dept.

Paul Aasen, City Coordinator

Presenters: Greg Goeke, Director of Property Services

Reviews:

Permanent Review Committee (PRC): Approval _NA Date _____

Civil Rights Approval Approval _NA Date _____

Policy Review Group (PRG): Approval _NA Date _____

Financial Impact

The costs for the tenant improvements and deferred maintenance will be paid for utilizing existing operating budgets.

Community Impact

Neighborhood Notification: NA
City Goals: A City that Works
Comprehensive Plan: NA
Zoning Code: NA

Background/Supporting Information

The City (originally through the former Minneapolis Community Development Agency) has leased space from Canal Street Ltd. Partnership since 1991. The City no longer needs to utilize all of the space that the City is obligated to pay for in the lease. Pockets of vacant space have the potential to be consolidated and freed up for subleasing or use by other City departments. The City recently reduced its lease obligation by freeing up 6652 square feet and Property Services staff has been working with Community Planning and Economic Development (CPED) and other departments on a better utilization of the remaining leased spaces in the building. The current lease has a termination date of August 31, 2016.

The Director of CPED and the Director of Neighborhood and Community Relations (NCR) have approached Property Services to develop a plan to relocate the Planning division of CPED (currently located in the Public Service Center) and NCR (currently located in leased space in the Tri-tech building, with a lease expiration date of 12/31/2012) to underutilized spaces within the Crown Roller Mill building. Both directors indicated functional business improvements would be achieved by the move and their request was supported by the City's Facilities, Space and Asset (FSAM) committee in July. Adjustments to the 2013 Operating Budget requests, for all affected departments, will be made as final decisions are made. Adjustments include allocations of internal costs, lease savings, and lease cost allocations.

In order to accommodate the planned move, several small tenant improvements such as removing walls, security modifications, and electrical modifications will be needed to accommodate programmed space needs. Other spaces need minor maintenance such as carpet replacement and painting. All tenant improvement and deferred maintenance will be properly scoped to be appropriate to the 4 years of remaining term of the lease.

Recommendation

Staff requests the authority to complete the needed work and to streamline work activities. The goal is to have NCR moved by the end of 2012 when the current lease expires.

Therefore, the staff requests authority to negotiate and execute an amendment to the current lease with Canal Street Ltd Partnerships to complete tenant improvements and deferred maintenance as needed and directed by Property Services on behalf of CPED and NCR in the Crown Roller Mill building.

Cc: Jeremy Hanson Willis, CPED
David Rubedor, NCR
Gary Winter, City Attorney