



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

Date: March 30, 2015

To: Honorable John Quincy, Chair Ways & Means Committee

Subject: **Contract Amendment – Office Space Lease at the Flour Exchange Building
- 310 Fourth Avenue South**

Recommendation:

That the proper City officers be authorized to negotiate and execute a Lease Contract Amendment with Larson Properties, LLC (Contract Number 26108) to rent the 6th floor of the Flour Exchange Building at 310 Fourth Avenue South, in Minneapolis.

Previous Directives:

- 7/25/08 – Council approval of lease with Larson Properties for 4th floor of Flour Exchange Building (City Contract No. 26108)

Prepared by: Rebecca Law, Project Manager, Property Services, 673-5064

Approved by:

Kevin Carpenter, Chief Financial Officer, Finance and Property Services Dept.

Spencer Cronk, City Coordinator

Presenters: Greg Goeke, Director of Property Services

Reviews

Permanent Review Committee (PRC):	Approval _NA
Civil Rights Approval	Approval _NA
Policy Review Group (PRG):	Approval _NA

Financial Impact

Action is within current department budget for 2015. Rent is to be paid from IT Fund 06400, Department 8800110, Account 508001. Council Resolution 2015R-059 approved IT using its net position to fund the transition costs of the managed services contract implementation. For 2016 and beyond, lease payments will need to be included in the IT Department's appropriated operating budget.

Community Impact

City Goals: A City that works: City government runs well and connects to the community it serves

Background/Supporting Information

Since 2009, the City has leased the 4th floor of the Flour Exchange Building for temporary offices while City Hall spaces were being re-stacked. The addition of the 6th floor (to the current lease) provides space for the Information Technology Department "in-source" functions from previously contracted resource providers to City staff requiring additional leased space. The 6th floor of the Flour Exchange Building is vacant and fits the City's criteria for price and location. The owner is offering one month of free rent as an incentive.

Larson Properties, LLC, the building owner, has proposed a three (3) year lease of 6th floor office space, starting June 1, 2015 with two 1 year renewal options. This new lease for the 6th floor can be implemented through an Addendum to the existing lease for the 4th floor.

The 6th floor space contains 7,545 square feet and would house 37-40 employees. The Base Rent of \$7.50 plus Operating Expenses of \$7.17 per square foot results in an anticipated total cost of \$110,685 for the first year. Yearly rate adjustments would reflect any increases in operating expenses and market value. As part of the contract negotiations, the owner will complete tenant improvements to arrange and improve the space for the City's needs. The City will reimburse Larson Properties, LLC for those expenses.

Recommendation

Finance and Property Services recommends that the proper City officers be authorized to negotiate and execute a Lease Amendment to City Contract No. 26108 to add the Flour Exchange Building's 6th floor office space to the City's existing lease with Larson Properties, LLC.

CC: Robert Arko
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