

City of Minneapolis
Request for Committee Action

To: Ways & Means
Date: 3/28/2016
From: Finance & Property Services
Prepared by: Rebecca Law
Presented by: Rebecca Law
File type: Action
Subcategory: Contracts & Agreements

Subject:

Lease with HD Partners, LLC for use by Regulatory Services and Emergency Management

Description:

1. Authorizing a 62 month lease, including an option to extend for an additional five years, at 1499 West River Road N with HD Partners, LLC for Regulatory Services office space and Emergency Management storage space for \$239,775 per year.
2. Authorizing leases for parking spaces with the adjacent owner (North River Road Industrial Condominium Association, Inc.) of the 1400 block of West River Road, not to exceed \$36,000 per year.

Previous Actions:

None

Ward/Address:

Ward 5
1499 West River Road N

Background/Analysis:

The proposed lease for 20,850 square feet is a combination of office space and warehouse space and includes 27 parking stalls next to the building. The negotiated gross rent (including operating costs) is \$11.50 per square foot for an annual total of \$239,775. The landlord agreed to provide two months of free rent and \$40,000 in tenant improvements as incentives.

This lease will allow the consolidation of several Regulatory Services workgroups. The Housing Inspectors are currently located at Hamilton School (4131 Dupont Ave. N) and Fire Station 21 (3209 East 38th Street). Regulatory Services currently occupies classroom space within Hamilton School which the Police department needs to expand current service training needs. The need to relocate the Hamilton Housing Inspectors provided the opportunity to co-locate them with the Fire Station Housing Inspectors and the Problem Properties Unit to facilitate better communications and efficiency.

Finding a new location for the consolidated Regulatory Services group has been very challenging because:

- 1) Currently there is not a City-owned facility and site that can accommodate this co-location; and

- 2) The need for secured parking for the 50 City-issued vehicles, which few Minneapolis properties can accommodate; and
- 3) The desire for a central location with easy access to major traffic routes since employees travel daily throughout the city.

The long-term vision for this group is that it will be located at a City facility to be built in the next few years. Therefore, Finance & Property Services staff recommends a five year term lease with an option for an additional five years. The parking requirement will be met in the short-term by leasing from the adjacent owner of the 1400 block of West River Road N., North River Road Industrial Condominium Association, Inc.

Concurrent with this lease request, staff has also submitted a Request for Council Action to authorize negotiations for the purchase of 1501 West River Road N. If successful, the Regulatory Services fleet will be parked on the 1501 property, eliminating the need to lease parking from other owners.

The proposed lease also includes approximately 10,000 square feet of warehouse storage which will contain Office of Emergency Management (OEM) storage. The storage is currently at the Grain Belt Annex (74 14th Ave. NE) in northeast Minneapolis. The Community Planning and Economic Development (CPED) department will be issuing a Request for Proposals in 2016 to redevelop this property. Therefore, the relocation of Emergency Management storage is supporting that effort.

This consolidation and relocation of Regulatory Services work groups has been reviewed and recommended by the Facilities Space and Asset Management (FSAM) committee.

Lease costs for Regulatory Services to be paid from Fund 00100 Department 8351000 and Emergency Management lease costs to be paid from Fund 00100 Department 8440100.

Cost associated with parking will be paid from Emergency Management Fund 00100 Department 8351000.

Financial Review:

Additional appropriation required.

Regulatory Services is requesting a roll-over to accommodate their relocation, (as part of the City-wide roll over process), and has their 2016 rent planned for in their operating budget. Rents for both departments have been accommodated for in the 2017 proposed operating budget.

Emergency Management's relocation expenses and 2016 rent are currently not budgeted for.