

 Council Communication Office of the City Manager	Date	September 22, 2008
	Agenda Item No. 32 Roll Call No. <u>08-</u> Communication No. <u>08-585</u> Submitted by: Larry D. Hulse, Community Development Director	

AGENDA HEADING:

Approval of proposed Lease Agreement between Neighborhood Development Corporation and City of Des Moines (Community Development Department) for property located at 1618 6th Avenue.

SYNOPSIS:

Recommend approval of proposed Lease Agreement between Neighborhood Development Corporation, 601 Forest Avenue, Des Moines, Iowa, 50314-2828, and City of Des Moines (Community Development Department) for property located at 1618 6th Avenue. This is a five-year Lease Agreement for 4,560 square feet of office space to be used for relocation of the Forest Avenue Community Services Site office.

FISCAL IMPACT:

Amount: \$52,258 each year of the five-year lease.

Funding Source: 2008-09 Operating Budget, Community Development Block Grants, Page 106, SP020, CDD049900, CDBG2008025.

ADDITIONAL INFORMATION:

The City of Des Moines currently leases 4,620 square feet of office space at 2009-2011 Forest Avenue for the Forest Avenue Community Services Site office with a yearly cost of \$53,904 or \$11.67 per square foot. This lease rate does not include utilities, which add approximately \$2.00 per square foot making the cost for this site \$13.17 per square foot (\$60,845 annually). The lease for the Forest Avenue Site office has expired and it has been determined by the Community Development Department that the office should be relocated to a more efficient space and location for lower monthly rent.

After performing an extensive search for a suitable location for relocation of the Forest Avenue Site office, the Engineering Department's Real Estate Division, on behalf of the Community Development Department, has negotiated a Lease Agreement for a five-year term from October 1, 2008, until September 30, 2013, for a monthly rental fee of \$4,355 (\$52,258 annually; including property taxes, insurance, property maintenance and utilities) for property owned by Neighborhood Development Corporation at 1618 6th Avenue. The negotiated Lease Agreement also includes the City's option for two five-year renewal terms as follows: (1) October 1, 2013 – September 30, 2018, for a monthly rental fee of \$4,790.32, (2) October 1, 2018 – September 30, 2023, for a monthly rental fee of \$5,269.37; and the Lease Agreement includes the option for the City to terminate the Lease Agreement if needed, upon sixty days written notice.

The negotiated lease rate is \$11.46 per square foot, including utilities. This lease rate is \$2 to \$3 less than other available spaces in the area where the Community Services Site office needs to be located. This lease rate including utilities is approximately \$8,500 a year less than the current rate paid for the Forest Avenue Site office, and will save the City approximately \$42,445 over the five-year term of the lease.

The property at 1618 6th Avenue is a newly constructed retail building consisting of approximately 4560 square feet. It is more accessible from an ADA standpoint and is located in a high traffic area with more bus routes, making it convenient for clients. The landlord will install heating and air conditioning units, electrical wiring, dropped ceiling with lighting, bathrooms and exterior walls. The tenant will be responsible for any interior walls, window treatments, and computer and phone wiring.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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