

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> November 8, 2010
	<b>Agenda Item No.</b> 38 <b>Roll Call No.</b> <u>10-1854</u> <b>Communication No.</b> <u>10-669</u> <b>Submitted by:</b> <b>Jeb E. Brewer, P.E.</b> <b>City Engineer</b>

**AGENDA HEADING:**

Resolution approving amendment to Embassy Suites parking lot lease agreement.

**SYNOPSIS:**

Recommend approval of amendment to Embassy Suites parking lot lease agreement. On May 1, 1989, the City of Des Moines entered into a 30-year parking lot lease agreement with the owners of the Embassy Suites Hotel, currently owned by Atrium Finance III, L.P., Joe Morrissey, Assistant Secretary, 300 John Q. Hammons Parkway, Suite 900, Springfield, MO 65806, for lease of City-owned property located at 100 East Locust Street.

The original lease provided an annual rent schedule for each five-year period for years 1 thru 20 of the lease term, and the annual rent for years 21 thru 25 and years 26 thru 30 shall be based on current fair market lease rates. This action is necessary to amend the fair market rent for years 21 through 25 of said lease and to set forth the terms for establishing annual rental amounts for lease years 26 through 30 based on reevaluation by the City’s Real Estate Division Manager.

**FISCAL IMPACT:**

Amount: \$370,500 (Revenue of \$74,100 per year for years 21 through 25 of lease agreement)

Funding Source: 2010-11 Operating Budget, Economic Development Enterprise, SP743, CMO980717, Page 56

**ADDITIONAL INFORMATION:**

The City’s Real Estate Division has negotiated an Amendment to Lease Agreement between the City and Atrium Finance III, L.P. for lease of the property at 100 East Locust Street. This property is currently used as a parking lot by the Embassy Suites Hotel. The Amendment has been approved and executed by Atrium Finance III, L.P. and establishes the annual rental amount at \$74,100 per year for lease years 21 through 25 of the lease term, which represents an increase of over 9 percent, or \$6,900 per year above the previous annual rent amount of \$67,200. The new rent amount is based on current estimated fair market rental rates for the leased property, as determined by the City’s Real Estate Division.

In addition to the above rent payments, the tenant is also responsible for paying the annual real estate taxes levied against the property, which is currently \$34,390, and must pay all maintenance costs associated with use of the property during the term of the lease. The Amendment further sets forth the

terms for establishing annual rental amounts for lease years 26 through 30 based on reevaluation by the City's Real Estate Division Manager.

**PREVIOUS COUNCIL ACTION(S):**

Date: May 1, 1989

Roll Call Number: 89-1882

Action: Approval and acceptance of Lease Agreement with John Q. Hammons for 160 parking space to be used by the Embassy Suites Hotel.

Date: August 20, 1990

Roll Call Number: 90-3683

Action: Consenting to Amendment to Lease Agreement reducing parking to 149 spaces.

Date: February 20, 2006

Roll Call Number: 06-360

Action: Resolution approving assignment of lease to Atrium Finance III, L.P.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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