 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	April 9, 2018
	Agenda Item No.	61
	Roll Call No.	<u>18-629</u>
	Communication No.	<u>18-182</u>
	Submitted by:	Scott E. Sanders, City Manager

AGENDA HEADING:

Public hearing to discuss entering into an Amendment to Lease between the City of Des Moines and Capitol Center 2, LLC for the rental of office space at 400 East Court Avenue, Suites 114, 116, 118 and 200.

SYNOPSIS:

In accordance with Section 364.4(4) of the Iowa Code it is necessary for the City Council to hold a public hearing to discuss entering into a lease amendment with Capitol Center 2, LLC, Chris Curran, Senior Vice President, Realty Marketing Group as agent, 1225 Jordan Creek Parkway, Suite 200, West Des Moines, IA 50266, for the continued rental of office space at 400 East Court Avenue, suites 114, 116, 118, and 200, prior to holding a public hearing on the proposal to take final action to enter into the First Amendment to Lease, and further subject to the right to petition for election. The lease extension is necessary for the temporary relocation of Armory Facility employees.

FISCAL IMPACT:

Amount: The City shall pay an estimated total of \$2,114,350 in rent payments (principal) during the first renewal term of five (5) years, and an estimated total of \$2,380,686 in rent payments (principal) during the optional additional renewal term of five (5) years, if exercised. In addition to the rent costs, the City will be responsible for some minor tenant improvement costs and moving expenses.

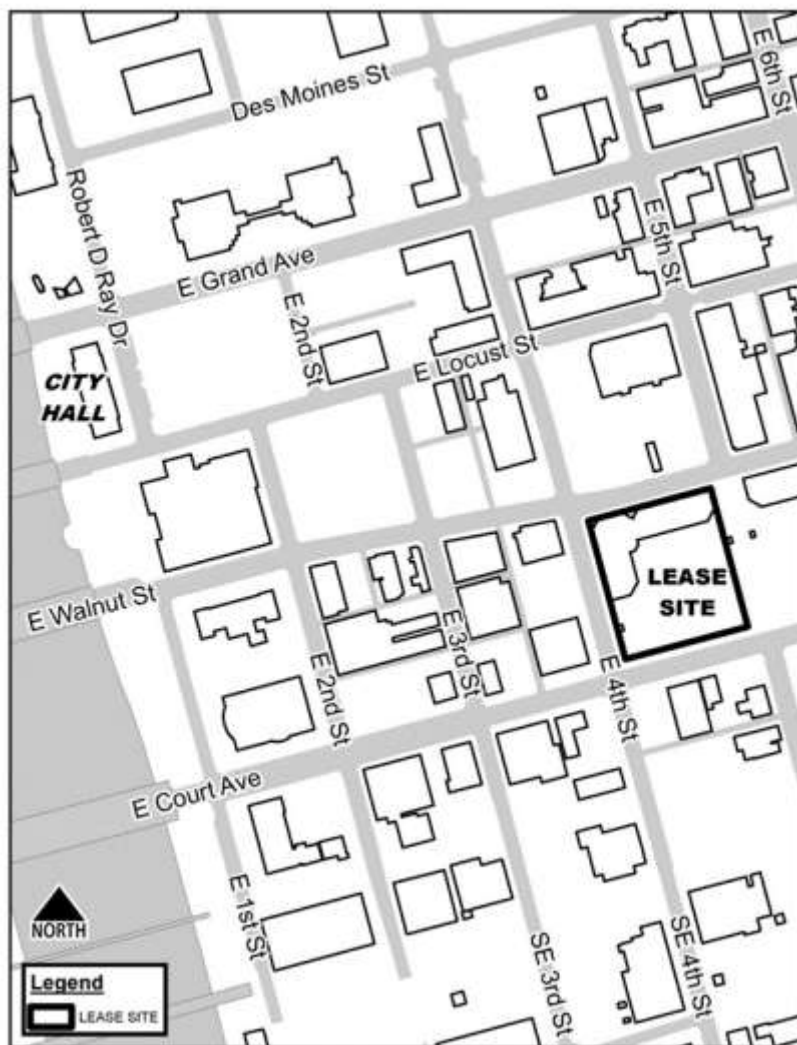
Funding Source: The Lease Agreement shall be payable solely out of the City’s General Fund.

ADDITIONAL INFORMATION:

- The City Manager’s Office provided an Armory Facility update at the November 27, 2017 work session and two (2) scenarios were presented at that time. Staff discussed an option for the potential upgrade and remodeling of the Armory Facility for continued City use and another option that reviewed steps to sell the Armory Facility for private use/redevelopment and permanently move staff to new locations. Both of these options require that the Armory Facility be vacated, and with the recent relocation of City staff back to City Hall, the leased space at 400 East Court Avenue is available for relocation of Armory Facility employees. Staff recommends extending the lease at 400 East Court Avenue to accommodate the relocation of staff from the Armory Facility for either of the above options.

- The substantive terms of a proposed First Amendment to Lease have been negotiated by and between the City and Capitol Center 2, LLC, pursuant to which the City would continue to lease said office space, and are set forth as follows:
 - A first renewal term of five (5) years, commencing on December 1, 2018, with an option to renew for an additional renewal term of five (5) years.
 - The premises contain a total of 23,089 square feet between Suites 114, 116, 118, and 200, which reflects the same space that is currently rented under the Lease.
 - The City shall pay an estimated total of \$2,114,350 in rent payments (principal) during the first renewal term of five (5) years, and an estimated total of \$2,380,686 in rent payments (principal) during the optional additional renewal term of five (5) years, if exercised.
 - If the optional additional renewal term is exercised, the City shall have the right to terminate the Lease Agreement early effective May 31, 2026 by giving 12 months advance written notice and payment of a termination fee equivalent to three (3) months of rent.

- The above terms represent the estimated fair market value of the lease amendment, as currently estimated by the City's Real Estate Division.



PREVIOUS COUNCIL ACTION(S):

Date: March 19, 2018

Roll Call Number: [18-0463](#)

Action: On discussion entering into and the proposal to take action on entering into an amendment to lease between the City of Des Moines and Capitol Center 2, LLC for the rental of office space at 400 E. Court Avenue, Suites 114, 116, 118 and 200, (4-9-18 and 5-21-18). Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- At the May 21, 2018, Council meeting, City Council will have the opportunity to end the lease or extend the lease by one (1) year to November 30, 2019, or the five (5) year option outlined above.
- Review of the Information Technology Feasibility Study.
- Review of recommendations from the Office of Economic Development on the Request for Interest for the Armory Building.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.