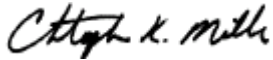


ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 8/27/12
Item No.: 12.g

Department Approval



City Manager Approval



Item Description: Approve a 4-Year Lease Extension for the Roseville License Center

BACKGROUND

Since 1999, the Roseville License Center has been located in the Lexington Shopping Center just north of the City Hall Main Campus. The current lease includes 3,332 square feet and expires on January 31, 2013.

Over the past few months, City Staff has been in negotiations with the shopping center to extend the lease for an additional term. With these negotiations, it was recognized that although it is in the City's best long-term interest to have the License Center in a City-owned facility, it is unlikely that such a facility will be available in the next several years. There does not appear to be any community momentum to build new facilities beyond the current construction of a new fire station and planned park improvements.

Based on transaction volume projections, it is recommended that the License Center retain the same amount of leased space. However, in the event the City loses the ability to issue passports – currently a mild concern, the City would have the opportunity to terminate the leased area for that service.

Based on the negotiations, the Lexington Shopping Center has agreed to the following lease terms:

Year	Rate / S.F.	% Increase
2013	\$17.52	3.0 %
2014	18.05	3.0 %
2015	18.59	3.0 %
2016	19.14	3.0 %

As shown in the above table, the annual lease rate includes a 3.0% annual escalator. The previous lease had a 3.5% escalator.

It should be noted that the rates shown above include what is known as common area maintenance (CAM) charges. This is an important distinction when considering comparable lease rates in the marketplace which typically do not include CAM charges. For 2013, the proposed lease rate for the License Center without CAM charges would be about \$9 per square foot.

26 For comparison purposes, Staff looked at other commercial lease space in the area and found the following
27 rates (without CAM charges) published online:
28
29

Facility	Location	Rate / S.F.
Lexington Plaza	1688 Lexington	\$ 15.00
Tower Glenn	2216 County Road D	15.00
2115 Snelling Building #1	2115 Snelling Avenue North	20.00
Crossroads	1655 Co. Road B2	20.00

30

31 **POLICY OBJECTIVE**

32 Not applicable.

33 **FINANCIAL IMPACTS**

34 Based on the terms presented above, the annual lease amounts are as follows:
35

- 36 ❖ 2013 - \$58,378
- 37 ❖ 2014 - \$60,129
- 38 ❖ 2015 - \$91,933
- 39 ❖ 2016 - \$63,791

40

41 Based on projected transaction volumes, the License Center's revenues will be more than sufficient to pay
42 the increased rents.

43 **STAFF RECOMMENDATION**

44 Staff recommends the Council authorize City Staff to approve a new 4-year lease extension with the owners
45 of the Lexington Shopping Center as detailed above.

46 **REQUESTED COUNCIL ACTION**

47 Motion to authorize City Staff to approve a 4-year lease extension with the Lexington Shopping Center
48 for purposes of operating the City's License Center.
49

49

Prepared by: Chris Miller, Finance Director
Attachments: A: Original Lease Agreement with Addendum

50

Lease Addendum Five

This Addendum Five shall amend the Retail Lease Agreement ("Lease") dated December 30, 1999 between Roseville Center Limited Partnership (the "Landlord"), and City of Roseville (the "Tenant").

In consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that said Lease shall be and hereby is amended to include the following:

1. Tenant hereby wishes to renew its lease; the lease termination date shall be extended to January 31, 2017.
2. Tenants Leased Premises consists of approximately 3,332 rsf.
3. The Gross Rental Rate shall be amended as follows:
 - a. 2/1/13 – 1/31/14 \$4,864.82 per month
 - b. 2/1/14 – 1/31/15 \$5,010.77 per month
 - c. 2/1/15 – 1/31/16 \$5,161.10 per month
 - d. 2/1/16 – 1/31/17 \$5,315.93 per month
4. Right to Terminate "Passport Services Space". Only under the following conditions will the Tenant have the right to terminate the Passport Services Space with the address of 2735 Lexington Ave, Roseville MN. If Tenant loses its funding resources to operate its passport business, Tenant shall have the right, to give back a portion of lease space known as the Passport Services Space consisting of approximately 1,017sf. Tenant shall give 180 days written notice to Landlord. Tenant shall give back portion of lease space in leasable condition including separating the space from this current lease space at its own expense.

All other terms and conditions set forth in the lease, riders and addendums thereto shall remain as provided herein.

LANDLORD

**Lexington Shoppes Limited
Partnership,
a Minnesota limited partnership**

Its: _____

Agreed: _____

Date: _____

TENANT

City of Roseville

Its: _____

Agreed: _____

Date: _____