

CITY COUNCIL COMMUNICATION



MEETING DATE: January 11, 2022

ITEM NUMBER: 9.A

SECOND READING: January 25, 2022

{{customfields.ResoOrdNumber}}

TYPE OF ITEM: Consent

PRESENTED BY:

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SUBJECT/AGENDA TITLE:

A Bill For An Ordinance Authorizing The City Of Longmont To Execute A Lease Extension Of Real Property Known As 1140 Boston Avenue With Longmont WinAir Company

EXECUTIVE SUMMARY:

This item is for approval of the City of Longmont to extend the current lease agreement with Longmont WinAir Company, the tenant at 1140 Boston Avenue.

In November 2016, the City of Longmont purchased the property at 1140 Boston Avenue for land necessary for the Resilient St. Vrain Project (RSVP). As part of the purchase, the City accepted the transfer of the leases with the two existing tenants. The southern half of the building has been demolished for the RSVP. The northern half of the building remains occupied by Longmont WinAir Company, a local heating, ventilation, and air conditioning (HVAC) supply company.

The existing lease, which the City assumed as part of the purchase of the building, expired on February 28, 2019. The terms of the existing lease state that if the lease expires without being extended, that it will "be construed to be a tenancy from month to month" and the rent "shall be one and one half (1½) times the minimum rent for the last month." A one-year lease extension, First Amendment to Lease Agreement, was approved by City Council on February 14, 2019, and a subsequent two-year lease extension, Second Amendment to Lease Agreement, was approved by City Council on February 11, 2020. The current rent is \$9,182.57 per month for the lease term ending February 28, 2022.

Attached for City Council consideration is a two-year lease extension with Longmont WinAir Company. This Third Amendment to Lease Agreement will extend the lease term through February 28, 2024. The rent in this lease extension is increased 3% to \$9,458.05 per month in first year of the agreement; the annual rent for the second year of the agreement is increased another 3% to \$9,741.79 per month.

Council Goals:

Extension of the Longmont WinAir Company lease and support of the Resilient St. Vrain Project (RSVP) supports the following Council Goals:

- Goal B1: Have a diverse housing stock with higher densities, access to high quality public transportation, food and jobs is addressed by supporting an existing business and quality employment.
- Goal B2: Protect and respect our natural public amenities as part of the development process is addressed by supporting the Resilient St. Vrain Project.

COUNCIL OPTIONS:

1. Approve the Ordinance and two-year lease extension
2. Do not approve the Ordinance and two-year lease extension
3. Provide other direction to staff

RECOMMENDED OPTIONS:

Option 1

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

The proceeds from the lease of the property will be deposited into the City's Storm Drainage Fund.

BACKGROUND AND ISSUE ANALYSIS:

In November 2016, the City of Longmont purchased the property at 1140 Boston Avenue for land necessary for the Resilient St. Vrain Project (RSVP). The industrial property consisted of a 66,924 square foot lot located at the end of the Boston Avenue cul-de-sac adjacent to St. Vrain Creek and the BNSF Railroad. The lot contained one building (approximately 22,609 square feet) which had been constructed in two phases and was rented to two tenants. As part of the purchase, the City accepted the transfer of the leases with the two existing tenants.

Design of the Resilient St. Vrain Project (RSVP) required that the southern portion (approximately 11,400 square feet) of the existing building at 1140 Boston Avenue be demolished and the tenant in that portion of the building, Creative Learning, be relocated. The City followed the Federal Uniform Relocation Act procedures, which requires that all applicable moving expenses and any increase in rent for the next two years be paid to the party being relocated, in the relocation of Creative Learning to another location in Longmont. The cost for the Creative Learning relocation was approximately \$166,000.

Longmont WinAir Company, a local heating, ventilation, and air conditioning (HVAC) company, is the existing tenant in the northern portion of the building at 1140 Boston Avenue that remains. Longmont WinAir has been in that location since 2004. The northern

portion of the building has remained occupied throughout construction of the RSVP. There are no plans to remove the remaining building.

Following demolition of the southern half of the building in 2018, a re-plat of the lot was processed that divided the original 66,924 square foot lot into two parcels. Lot 1 is a 46,779 square foot lot and contains the remaining northern half of the building. Outlot A is a 20,145 square foot outlot that will become a portion of the creek channel and St. Vrain Greenway. The St. Vrain Industrial Park, Second Filing, Replat C is attached for reference.

The existing lease with Longmont WinAir expires on February 28, 2022. Unless a lease extension is executed, the conditions of the existing lease that the City assumed with the purchase of the property states if the lease expires, it shall "be construed to be a tenancy from month to month" and the rent "shall be one and one half (1 ½) times the minimum rent for the last month". The current rent is \$9,182.57 per month.

Longmont WinAir Company has expressed to staff their desire to potentially purchase Lot 1 when the City moves forward to sell the property. Longmont WinAir Company has also expressed a need to expand warehouse space for their business. Because of the amount of area in the remaining new lot that is retained for a blanket easement for utilities, access storm drainage and flood control, staff believes that while a minor expansion of the building might be possible, an expansion of the magnitude Longmont WinAir has described is likely not feasible. If Longmont WinAir were to select a new site and relocate of their own accord, they would still need at least a year to facilitate such a move. A two-year extension of the lease would allow time for both Longmont WinAir and the City to evaluate future plans for the site. If Longmont were to sell the property, the sale would be conditional upon the purchaser assuming any lease agreement that Longmont might choose to execute with Longmont WinAir. Attached for City Council consideration is a two-year lease extension with Longmont WinAir Company. The rent in this lease extension is increased 3% to \$9,458.05 per month in first year of the agreement; the annual rent for the second year of the agreement is increased another 3% to \$9,741.79 per month.

ATTACHMENTS:

- Att 1 – Ordinance
- Att 2 - Third Amendment to Lease Agreement
- Att 3 - Vicinity Map
- Att 4 - Second Amendment to Lease Agreement
- Att 5 - First Amendment to Lease Agreement
- Att 6 - Existing Lease
- Att 7 - St. Vrain Industrial Park, Second Filing, Replat C