

ORD. 2021-081

1410 Ingram Avenue Lease

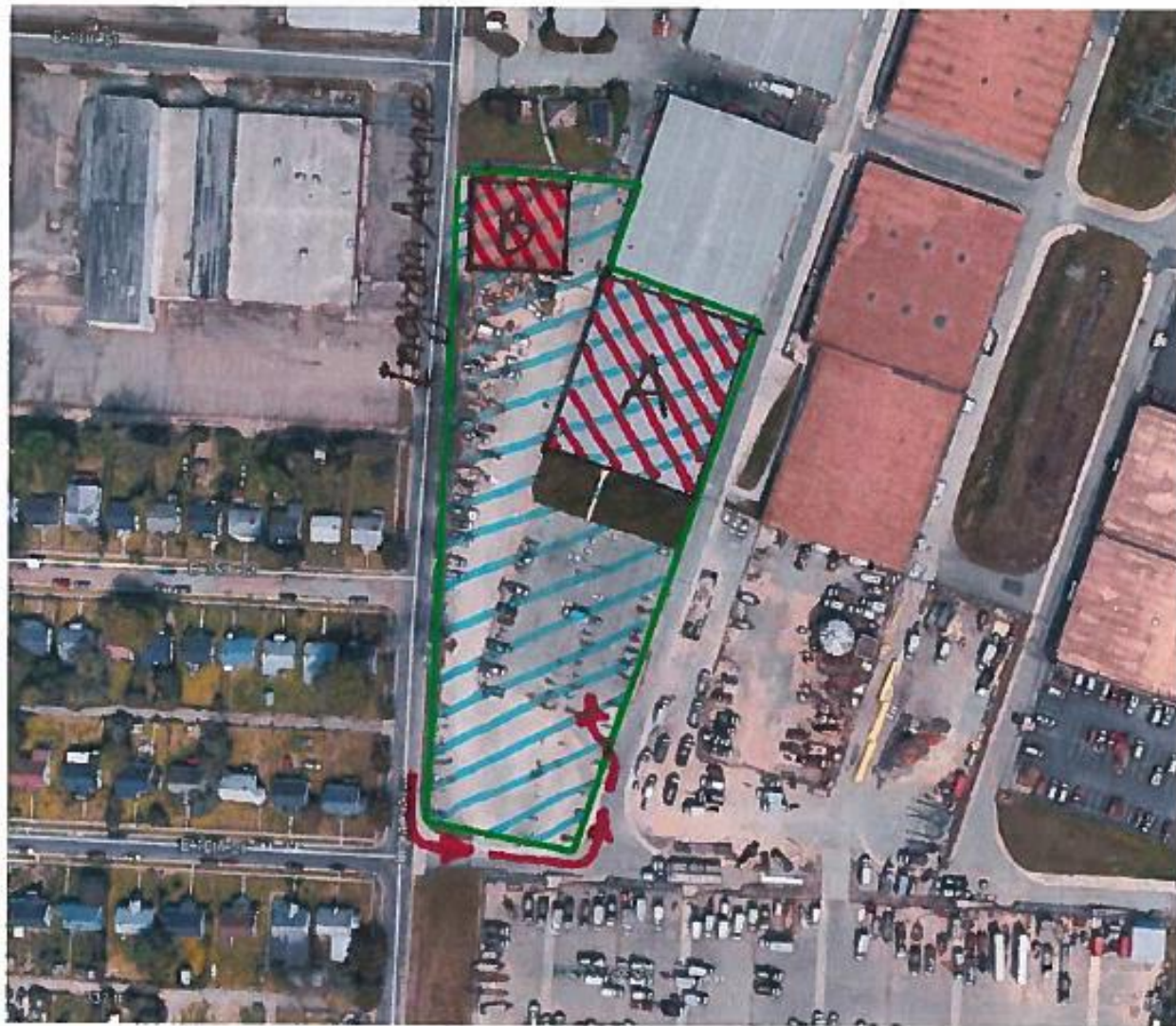
Presentation 4-5-2021

- The DPW Facility Services' functions are currently housed in the basement of the Public Safety Building and in the parking lot at 500 N. 10th Street. They currently occupy approximately 30,000 square feet in the basement of the deteriorating Public Safety Building and they have equipment stored in the parking lot and at various other sites around the City.
- DPW Facility Services is a centralized facilities field office that includes staff offices, several maintenance shops, stocks of materials supporting over 80 City facilities, specialty/snow removal equipment and fleet vehicles.

- DPW currently spends approximately \$274,179 annually for maintenance and operating expenses at the Public Safety Building.
- The leased space needed to support this function is described as Flex Industrial Space which is combination of office and warehouse space and which commands a higher rent than pure Warehouse Space. The Asking Rent for Flex Space per Colliers 2nd Q 2020 Industrial Market Report was an average of \$8.44/sf NNN for Flex Space in SE Richmond and an average of \$8.93/sf for Flex Space for the entire Richmond region (at the time we negotiated the terms of this lease in Fall 2020).

- Property searches for Flex Space were conducted based on DPW's identified program requirements in the Summer and Fall of 2020 and the 1410 Ingram Avenue was selected as the site that best meets DPW's office, warehouse and outdoor storage needs. The 1410 Ingram Ave. is the only site that we toured that had adequate outdoor storage space to meet DPW's vehicle and equipment storage needs. The site is located in an area along Commerce Road where we have recently been consolidating other public services including the RPS Facility Services site and the City's Police Evidence site at 1240 Ingram Ave., the DPW Fleet Maintenance facility at 1638-1700 Commerce Rd. and the DPU stormwater/wastewater facility at 1801 Commerce Rd.

- On March 1, 2021 City Council approved an ordinance authorizing the sale of the Public Safety Building. Per the terms of the sale the City must vacate the Public Safety Building within 150 days of the closing on the sale of the property. The latest estimated closing date is between April 9th and April 30, 2021.
- The Landlord for 1410 Ingram Ave. is City Central, LLC.
- 1410 Ingram Ave. Site Description: 2.128 acres for parking and outdoor storage including 33,555 sf of office/warehouse space in 2 buildings (Building A: 9,613 sf office space/15,752 sf warehouse space and Building B: 8,200 sf warehouse/vehicle maintenance space).
- The existing zoning for the site is M-1 Light Industrial.



1410 Ingram Avenue



2.128 acre site area



Buildings A & B



Main Entry from Ingram Avenue

- The term of this Lease is 10 years. The rent for this Lease is expected to commence around August 1, 2021 once the Landlord completes the required site improvement work. We previously asked the owner if they would consider selling the site but they were not willing to consider a sale.
- The projected Lease expenses include Base Rent for 33,555 sf of office/warehouse space totaling \$246,964.80/year (\$7.36/sf) or \$20,580.40/month. Base Rent will escalate 2.5% per year. The Lease is a modified NNN lease for Flex Space and the Base Rent excludes operating expenses, utilities, and janitorial service which the Tenant will contract for separately and which are estimated to cost \$60,000 annually. The total estimated annual Lease expenses for rent and operating expenses is \$306,964.80 and those projected lease expenses were included in the Economic Impact Analysis that was submitted with the Ordinances authorizing the sale of the Public Safety Building.

- Additional estimated one-time costs associated with the Lease total \$203,540 in FY2021/22 funds that will be spent on moving expenses, DIT phone/data wiring, security improvements, office carpeting, painting and some furniture.
- The Lease includes a \$150,000 Landlord Work Allowance for site improvements that the Landlord will complete within 60 to 90 days of lease execution. Those improvements include site lighting improvements, security fence improvements and asphalt resurfacing of the existing parking lot.
- The property was previously leased by a construction contractor who used it as office/warehouse space and outdoor storage.

- The estimated move date is August 1, 2021 following the Landlord's completion of the site improvements.
- Other Leases Provisions:
 - The Lease is subject to annual appropriation of funds.
 - The Lease includes one 5 year renewal option provided that the Tenant provides the Landlord at least a 180 day written notice prior to the Lease expiration date