

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	October 18, 2010
Action Required:	Authorize the City Manager to Sign the LOI
Presenter:	Aubrey Watts, COO/CFO
Staff Contacts:	Maurice Jones, Aubrey Watts, and Craig Brown
Title:	Jefferson School Letter of Intent (1 st of 1 reading)

Background and Discussion: Part of the transition of the property to the Jefferson School City Center involves the Partnership assembling documents for the approval of the Commercial Loan Package. This packages needs to include Letters of Intent from all of the proposed tenants.

The Carver Recreation Center has been an important part of the tenant mix and community programs associated with this project. The purpose of bringing this report and information to Council is to outline the general terms and conditions. This document is **not a lease**. The final lease document will be brought to Council at a future date when the Partnership is successful with securing financing and all of the prior Council terms are met.

Alternatives:

Budgetary Impact: Funds for the proposed rent payments necessary and any other operational cost will be included in the FY 2012 budget when Council considers the operating budget.

Recommendation: Approving the City Manager forwarding the signed Letter of Intent to the Partnership.

Attachments:

October 19, 2010

Jefferson School Community Partnership
c/o: Milestone Partners
attn: L.J. Lopez, Project Manager
300 2nd Street NE
Charlottesville, VA 22902

RE: JEFFERSON SCHOOL CITY CENTER
LETTER OF INTENT TO LEASE COMMERCIAL SPACE

Dear Mr. Lopez:

The City of Charlottesville (CITY) desires to lease space at the Jefferson School City Center (CENTER), located at 233 Fourth Street, NW, Charlottesville, Virginia for the City's Carver Recreation Center, following acquisition and redevelopment of the site by the Jefferson School Community Partnership (LANDLORD). The purpose of this letter is to set forth the lease terms and conditions that the City and the Partnership have discussed, which City staff is willing to recommend to the Charlottesville City Council for approval. This letter of intent does not constitute a lease agreement. The execution of a lease agreement for the property is contingent on formal approval of the lease by City Council.

AREA OF LEASE:

The interior areas of the building outlined in RED on Exhibit A-Space Plan City Lease (attached). More specifically, the following rooms and corridors as delineated on Exhibit A:

First Floor

Multi-Purpose	896 SF
Rec Room	612 SF
Office	188 SF
Office	179 SF
Skate Rink	4,387 SF

Second Floor

Fitness	901 SF
Fitness	888 SF
Fitness	879 SF
Mat Room	900 SF
Art	897 SF
Art	887 SF
Dance	897 SF
Movement & Yoga	1,156 SF
Gymnastics	1,597 SF
Gymnasium	5,892 SF

This space represents a footprint of 33,133 square feet (figure to be confirmed by architect) to be leased.

TERM:

The lease term will be for a period of one hundred eighty (180) months or fifteen (15) years commencing upon the receipt by the LANDLORD of a certificate of occupancy for the building. It is understood that the City's obligation to pay rent under the lease in any fiscal year subsequent to the year the lease is approved is strictly subject to the annual appropriation of funding by the governing body of the City of Charlottesville.

BASE RENT:

The initial monthly rent will be \$ 32,442.73 for an annual rent of \$ 389,312.75, which represents a rental rate of \$11.75 per square foot of leased area. Refer to Exhibit B -Rent Schedule (attached).

ANNUAL ESCALATION:

Annual rent escalation will be fixed at the lesser of an increase of three (3) percent, OR the change in the Consumer Price Index for Urban Earners and Clerical Workers, United States and Selected Areas, All Items (CPI-W) for the preceding 12 month period, as published by the Bureau of Labor Statistics, United States Department of Labor.

LEASE TYPE:

The lease will be a double net lease whereby the CITY will assume responsibility for the following maintenance activities on the exterior of the building for the entire parcel:

- Grounds Maintenance – to include turf, landscape and horticultural activities and maintenance in the park area of the parcel; and plantings in any biofilters located on the parcel
- Custodial maintenance on two level parking deck – including routine sweeping, trash and debris removal. The CITY shall not be responsible for any structural maintenance or repairs to the parking deck at any time during the duration of the lease.
- The CITY shall not be responsible for repairs or long-term maintenance of any other exterior infrastructure on the parcel, including paved areas outside the parking deck, any sanitary or stormwater lines or other conveyances.

The CITY shall assume responsibility for the following maintenance activities on the interior of the building ONLY within the area of the building leased by the CITY:

- Routine custodial maintenance
- General maintenance
- Utilities – electric, water & gas
- Mechanical system maintenance
- General repairs
- Building insurance

PARKING:

Parking within the spaces located at the CENTER shall be at no cost to the CITY or the CITY's customers at the Carver Recreation Center. Parking will not be reserved for any tenants of the CENTER. Projections indicate the need for sixty-three (63) parking spaces for the Carver Recreation Center.

SIGNAGE:

The CITY will have the right to display suitable signage approved by the LANDLORD, the Virginia Department of Historic Resources, the City Board of Architectural Review, and the City's Department of Neighborhood Development Services. Approved signage can be placed in locations visible from the street, the parking areas and in the interior portions of the building leased by the CITY.

TENANT IMPROVEMENTS:

LANDLORD will provide a build out for the CITY portion of the CENTER that will include all improvements and provisions as shown in the final construction drawings produced by Bushman-Dreyfus Architects for this project. Final specifications for improvements to the CITY portion of the CENTER shall be approved by the CITY. All costs for these improvements must be included in the base budget for the project as executed by the LANDLORD. Proper construction contingencies must also be included in the base budget for the project. Provisions will be made by the LANDLORD for potential change orders during construction within these contingencies.

OPTION TO RENEW:

The CITY shall have and is hereby granted the Option to Extend the Lease for an additional five (5) year term under the same terms and conditions of the lease and at the Annual Escalation terms proposed in this letter of intent; by providing the LANDLORD written notice of such election not less than ninety (90) days prior to the expiration of the then existing term.

LEASE GUARANTEE:

The CITY shall not provide a personal or corporate guarantee. However, the CITY understands the bank may require additional security, or financial documentation. Upon request the CITY shall provide copies of the last three (3) years of comprehensive annual financial reports or financial statements as necessary, and hereby authorizes LANDLORD to conduct a credit check, if necessary.

CONSTRUCTION SCHEDULE:

The LANDLORD will provide the CITY with finished space upon Lease commencement. The CITY shall not unduly delay the process of providing the LANDLORD with approved final plans for the project. Prior to the issuance of final approved plans, the CITY and the LANDLORD shall work cooperatively with the LANDLORD'S architect, construction contractor and project manager to develop plans and specifications. The responsibility for securing necessary approvals from the Virginia Department of Historic Resources and the National Park Service resides with the LANDLORD. In the event that the CITY finishes in the project qualify for historic tax credits, the LANDLORD intends to pass through the financial benefits to the CITY, less any costs associated with the sale or administration of the tax credits.

If these terms and conditions are acceptable to the Jefferson School Community Partnership please have an authorized representative of the Partnership sign and return this one copy of this letter to Acting City Manager Maurice Jones.

City of Charlottesville

Jefferson School Community Partnership

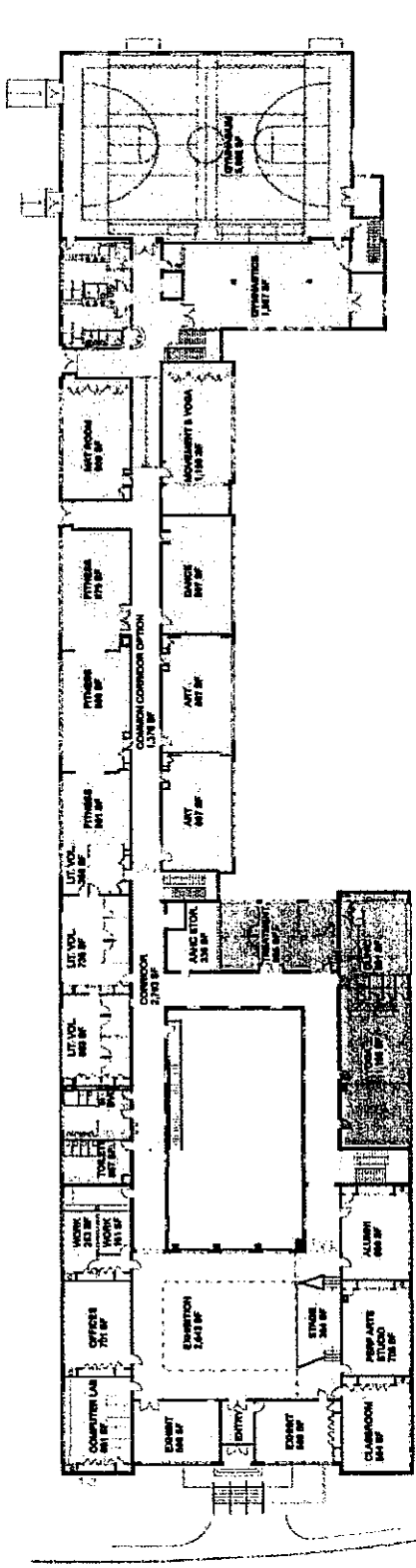
Attachments:

Exhibit A – Space Plan City Lease Area

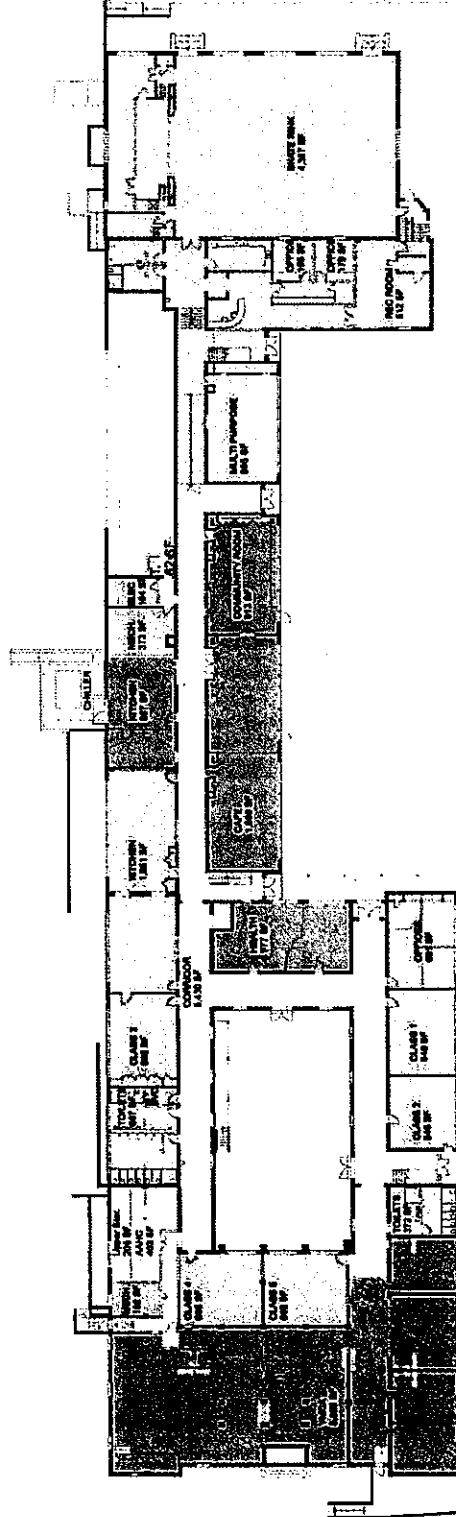
Exhibit B – Rent Schedule

Exhibit C – Parking Calculations

Exhibit A - Space Plan

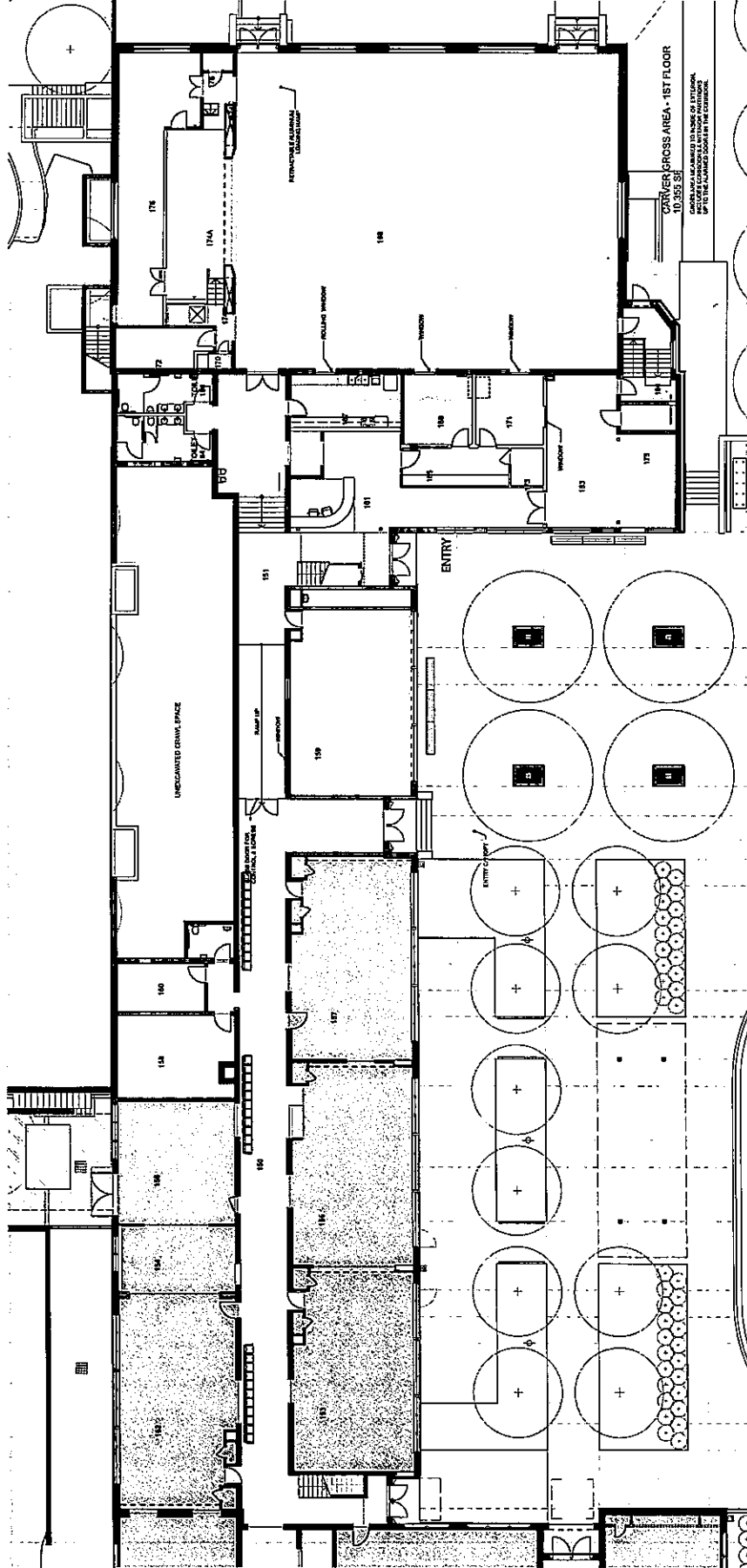


UPPER FLOOR PLAN



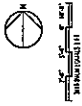
LOWER FLOOR PLAN

TENANT	AREA PROVIDED
AASC	10,114
CLAWER	2,775
COMMON CIRCULAR	2,771
JMSA	4,428
LITERACY VOLUNTEERS	1,734
PHCC	5,830
YMCA	8,894
COMMON CIRCULATION	8,870
COMMON RESTROOM	1,734
COMMON SERVICE	840
	78,779 SF



NO.	ROOM NAME	AREA
139	CORRIDOR	1,917
140	HALLWAY	1,897
141	POWELL ROOM	1,309
142	HALLWAY	1,312
143	WOMEN'S	1,148
144	WOMEN'S	1,148
145	WOMEN'S	1,148
146	WOMEN'S	1,148
147	WOMEN'S	1,148
148	OFFICE	1,148
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TOTAL NET TOTAL 1ST FLOOR		
10,352 SF		

ALL ROOMS SHOWN TO BE OF EXISTING CONSTRUCTION UNLESS NOTED OTHERWISE.
SEE SHEET FOR GENERAL NOTES AND SPECIFICATIONS.
SEE SHEET FOR CONTRACT DOCUMENTS AND SPECIFICATIONS.
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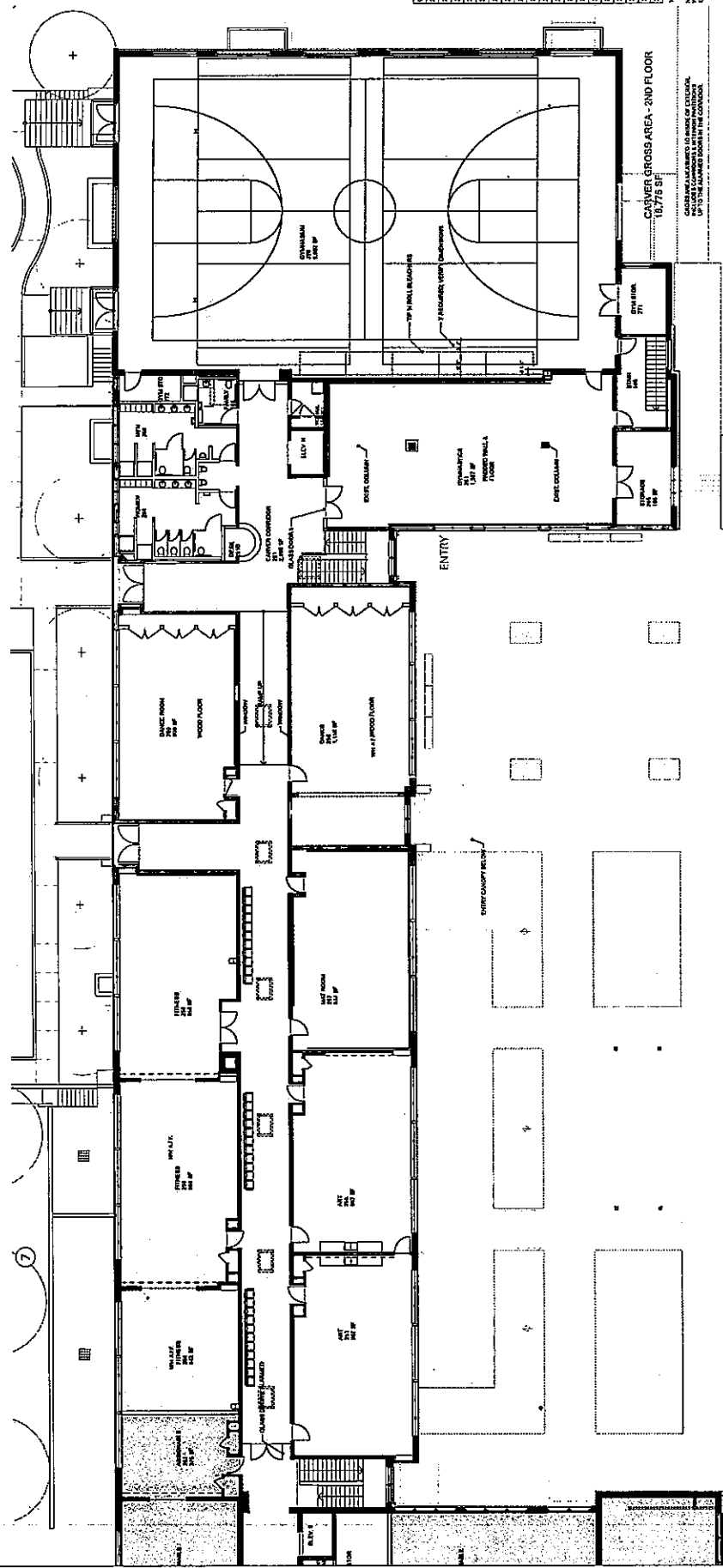


Carver Rec Renovation Upper Level

10/12/10

CARVER REC 2ND AREA	
211	CONCRETE CONCRETE
212	CONCRETE CONCRETE
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214	CONCRETE CONCRETE
215	CONCRETE CONCRETE
216	CONCRETE CONCRETE
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ALL AREAS SHOWN TO BE WORK OF OUTSIDE CONTRACTOR TO BE RECONSTRUCTED UP TO THE FINISHED FLOOR IN THE CONDOOR.



CARVER GROSS AREA - 2ND FLOOR
18,775 SF

JEFFERSON SCHOOL CITY CENTER

MUSKAM OLIVIER ARCHITECTS INC
200-B EAST BOULEVARD
JEFFERSON CITY, MO 64501
314-352-0000



EXHIBIT B - Rent Schedule

CARVER RECREATION CENTER

Year	% Escalator	Base Rent per Square Foot	Annual Rent	Monthly Rent
1	0%	\$ 11.75	\$ 389,312.75	\$ 32,442.73
2	3%	\$ 12.10	\$ 400,992.13	\$ 33,416.01
3	3%	\$ 12.47	\$ 413,021.90	\$ 34,418.49
4	3%	\$ 12.84	\$ 425,412.55	\$ 35,451.05
5	3%	\$ 13.22	\$ 438,174.93	\$ 36,514.58
6	3%	\$ 13.62	\$ 451,320.18	\$ 37,610.01
7	3%	\$ 14.03	\$ 464,859.78	\$ 38,738.32
8	3%	\$ 14.45	\$ 478,805.58	\$ 39,900.46
9	3%	\$ 14.88	\$ 493,169.74	\$ 41,097.48
10	3%	\$ 15.33	\$ 507,964.84	\$ 42,330.40
11	3%	\$ 15.79	\$ 523,203.78	\$ 43,600.32
12	3%	\$ 16.26	\$ 538,899.89	\$ 44,908.32
13	3%	\$ 16.75	\$ 555,066.89	\$ 46,255.57
14	3%	\$ 17.26	\$ 571,718.90	\$ 47,643.24
15	3%	\$ 17.77	\$ 588,870.47	\$ 49,072.54

Useable Square Footage	27,765
Allocated Common Area	5,368
TOTAL Leasable Space	33,133

PARKING CALCULATIONS
 Blue Moon Tenants
 4/22/10

	MONDAY - FRIDAY							SAT					SUN	
	AM	PM		AM			PM	AM		PM		AM		
ROOM	6-9	9-12	12-3	3-5	5-7	7-10	9-12	12-3	3-5	5-7	7-10	10-2	9-12	NOTES
AAHC		15	15	15	15	35	15	15	15	35	35			School buses will stop by with school groups
Carver	63	105	80	80	175	190						253	12	
Comm Ground	15	17	17	26	34	34	27	16						Will look for space off site since needs are so high
PVCC		121	121			121								
CATEC	3	3	3				3	3						
JABA	18	23	29				27	27						
Lit Volunteers	5	15	7	10	19	5	4	4	4	4	4	2	2	Parking down to about 11 spaces or less from 5-6. None needed after 6.
YMCA	29	20	30	20	29									
TOTALS	133	319	302	151	272	385	76	65	19	39	39	255	14	

General Notes

- 1) 220 spaces will be available in the parking garage. This includes 4 ADA spaces located on the upper deck closest to the building.
- 2) 9 additional spaces are planned at the rear of the building.

BUSHMAN DREYFUS ARCHITECTS
 820-B East High Street
 Charlottesville, VA 22902

Exhibit C