






Inter-Office Communication

Date: September 27, 2017

To: Honorable Mayor and City Commissioners

From: Erik A. Bredfeldt, Economic Development and Innovation Director 

VIA: Anthony Lyons, City Manager 
 Carrie Bush, Strategic Initiatives Director 

Subject: Catalyst Building Status

As you are aware, the Power District ITN is currently being pursued by the CRA, of which the Catalyst Building is part of the disposition for development. The Catalyst Building was intended to be just that - a tangible, purposeful "catalyst" for further development in the Power District. We wanted to make the Commission aware that pending the activities of the building's current tenant, Prioria Robotics, the city may have an imminent opportunity to market the Catalyst Building as two separate spaces, or potentially utilize the space for a public purpose such as a Smart Cities Lab. Over the past several months staff has had ongoing conversations with Prioria related to their utilization of the property. The following is a summary of the utilization of the Catalyst Building and the city's relationship with Prioria.

At the December 17, 2015 City Commission meeting, the Commission authorized the City Manager to negotiate and execute a modification to the lease agreement with Prioria Robotics, Inc. for approximately 11,000 square feet for the remainder of the original lease term at the Catalyst Building and to negotiate a repayment of back rent. The remainder of the Catalyst Building space (an additional 11,000 square feet) was to be the subject of a negotiated lease with SharpSpring, LLC (negotiations on this front were not successful and this company is currently located in an office space on 6th Street).

This recommendation was made by CRA staff to the City Commission due to the fact that Prioria Robotics, Inc. was confronting financial difficulties at the time and needed some relief in terms of their lease expenditures.

In March, 2016, City staff executed an Amended and Restated Lease Agreement with Prioria Robotics, Inc. that provided for payment of monthly rent for approximately 12,000 square feet at approximately \$15 per square foot (or approximately \$15,000 monthly and \$17,000 inclusive of property and sales tax) now located exclusively on the 1st Floor of the Catalyst Building as well

as quarterly payment of the back rent (Tenant Debt) in the amount of approximately \$16,000 (inclusive of principal and interest) or approximately \$179,000 in total.

Prioria Robotics, Inc. has been timely in their monthly lease payment through June, 2017, however, they have not made monthly lease payments over the last quarter totaling approximately \$55,261.05 in owed rent (exclusive of penalties). Similarly, the company has not been able to make a quarterly Tenant Debt Payment in calendar year 2017 now totaling approximately \$47,794.44 in owed Tenant Debt.

Staff has attempted to work with Prioria Robotics, Inc. over the past several months on a resolution to this situation with the understanding that the company had several federal contracting opportunities as well as private investment opportunities pending however since Labor Day it has been indicated by the company that these opportunities are not likely to materialize.

During this period, staff has communicated to the company verbally that they are in default of the Amended and Restated Lease Agreement however recently, based upon company communication, a letter of default and termination inclusive of a definitive cure period has been sent indicating that the City is ready to terminate the Agreement and exercise its rights and remedies under the terms of the Agreement.

In the event that Prioria Robotics, Inc. leaves the Catalyst Building, it may afford the City an opportunity to market the property to a private entity either via the existing Power District ITN process, or separately as a stand-alone entity (the 2nd floor has been on the market for the past year with some interest and City staff is working with Front Street on disposition) or potentially utilize the space for a defined public interest such as for furthering the City's Smart City efforts.