



Legislation Text

File #: 150626., Version: 1

Power District Catalyst Project Lease Term Modifications (B)

This is a request for City Commission approval to modify a Power District Catalyst Project Lease.
****ESTIMATED STAFF PRESENTATION 20 MINUTES****

In November 2011, the City received a letter of intent from Prioria Robotics expressing interest in the Catalyst Project warehouse site to house its operations. In response to this request, in December 2011, the Catalyst Project site was, per statutory requirement, advertised publicly to invite all interested parties to apply for the lease and/or purchase of an approximately 22,000 square foot building with loading docks and associated property for commercial, office, warehouse and/or light industrial uses in the Power District. The closing date for candidates' application submittal was January 25, 2012. The City received one proposal, from Prioria Robotics. Evaluation of the candidate submittal was based on the following factors/criteria: intended use for the site and its suitability for furthering Power District redevelopment goals, and the candidate's legal and financial ability to enter into a long term lease or purchase agreement. Based on these criteria, the City Commission requested staff move forward with negotiations with Prioria Robotics to occupy the project site. Negotiations were successful, and the City reached an agreement with Prioria to enter into a long-term lease for the project site. Building improvements required by the terms of the lease were completed in early February 2013 and Prioria moved into the building on February 7, 2013 on the lease commencement date.

As negotiated, the lease with Prioria included: a single tenant lease; a seven year lease term; \$13.75/ft² - \$16.42/ft² triple net rental rate (Prioria is responsible for paying sales tax on the rental rate, property taxes, insurance, maintenance and utilities separately); and right of first refusal for purchase of the site. In 2013, the lease was amended to allow Prioria the ability to sublet up to 10,000 sq ft of the building for commercial, office, light industrial or clean technology uses consistent with the targeted vision for the Power District and consistent with the land use and zoning designations for the premises.

Prioria has approached the City requesting adjustments to the current lease due to short term financial difficulties that the company is facing. They have taken significant and immediate steps to reduce cash expenditures; however the company's largest expense is its building lease.

Prioria is currently using approximately half of the space and could significantly consolidate its space to reduce its rental expenses. Due to the difficulties it is facing, Prioria has fallen behind in its rental payments and is requesting that the City develop an appropriate agreement for the repayment of this amount over 3 years. Prioria is working hard to restructure its balance sheet, grow operations and become profitable. Prioria is asking for the City's assistance to achieve these goals and is committed to working with the City to repay past due amounts. City staff will present further details of Prioria's request and discuss potential solutions for the Commission's consideration.

Staff has been showing the space to prospective tenants and was approached by local company SharpSpring, LLC, which has requested to lease the upstairs floor of the building and to share common areas with Prioria. SharpSpring, was the first tenant at the CRA office building. After outgrowing the space they moved to the

Firestone Building and now are in a position to need a larger location to accommodate their growing workforce which currently employs 80. They are requesting to occupy the building immediately.

Prioria's past due rental balance is \$179,307.72 as of December 1, 2015.

City Manager to City Commission: 1) authorize City Manager to negotiate and execute a modification to the lease agreement, reducing the rental area to approximately 11,000 sq ft for the remainder of the lease term, subject to approval as to form and legality by the City Attorney; 2) authorize City Manager to negotiate and execute an agreement for repayment of the back due rental amount, subject to approval as to form and legality by the City Attorney; and 3) authorize City Manager to negotiate and execute a lease agreement with SharpSpring, LLC, subject to approval as to form and legality by the City Attorney .