



Legislation Text

File #: 21-0286, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all necessary documents for a Termination and Release Agreement for the Lease with KBA6845, LLC, for City-owned property at 6845 Atlantic Avenue. (District 9)

On February 5, 2019, the City Council authorized the acquisition of property located at 6845 Atlantic Avenue (Subject Property) for development of a state-of-the art village-style campus for homeless services, beginning with the establishment of a year-round shelter (Attachment A). As part of the transaction, the City assumed a Lease with KBA6845, LLC (Tenant), for use of the warehouse building on the Subject Property, which measures approximately 20,000 square feet. The Lease provides the Tenant with an initial three-year term, commencing July 1, 2017, and two additional three-year renewal options, which the Tenant exercised prior to the City's ownership. The Tenant maintains lease rights through June 30, 2026.

Following acquisition, the City and Tenant began good faith negotiations to terminate the Lease in preparation for the long-term development of the Subject Property. While in negotiations, the Tenant ceased rent payments until such time as an agreement could be reached. Further, at the onset of the local health emergency due to the COVID-19 pandemic, negotiations stalled as resources and staff time were directed toward response to the pandemic. In the interest of finalizing the negotiations, both parties agree to terminate the Lease effective March 31, 2021. The City agrees to release the Tenant from any outstanding rent due, less the security deposit on file, which totals approximately \$560,000 and, in exchange, the Tenant terminates the remaining 63 months left in the Lease term. The termination of the Lease will provide the City a site free of any encumbrances and allow the development of a village-style homeless services campus to move forward.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on March 15, 2021 and by Budget Management Officer Rhutu Amin Gharib on March 17, 2021.

City Council action is requested on April 6, 2021, to execute the Termination and Release Agreement in a timely manner.

Approval of the Termination and Release Agreement for the Subject Property will result in the loss of uncollected rent due, less the security deposit on file, in the amount of approximately \$560,000. These unbudgeted revenues would have accrued in the General Fund Group in the Economic Development Department while negotiations to terminate the lease were ongoing. Accordingly, this action has no fiscal impact on the General Fund Group for FY 21 than the loss of unbudgeted revenue. This recommendation has no staffing impact beyond

the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER