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DUBUQUE
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TO: Michael C. Van Milligen, City Manager

FROM: Steve Sampson Brown, Project Manager

SUBJECT: Lease Agreement for Hodge Company

DATE: June 1, 2016

INTRODUCTION

This memorandum provides for City Council consideration of a Lease Agreement for Hodge Company at the June 20, 2016 City Council meeting.

BACKGROUND

Currently Hodge Transit Warehouse leases 8.72 acres of City owned property located at 1111 Purina Drive (also known as the 12th Street Peninsula). The current lease is set to expire in October 31, 2018. The terms of the currently active lease are:

(a) This lease started in 1969 with a five year term and the option to renew for nine additional periods of five years each (50 years total).
(b) The rent was based on $500 an acre, and beginning in 1973 the rent was compounded annually at (1%) percent per year.
(c) In November 2015 Hodge paid $6,418.86 for the upcoming year's rent.

DISCUSSION

Over the past few several years the City has been promoting new market rate leases of City owned properties along the Mississippi River for industrial uses. Recent new market rate leases in the 12th Peninsula area include Dubuque Terminals Dove Harbor 2013, Gavilon Grain Salt Site in 2013, Gavilon Grain Dove Harbor 2013, and Flint Hills Resources 2014 (see attached map).

In the attached lease, Hodge Company is proposing to lease 8.89 acres. The key elements of this proposed lease agreement include the following:

1. The term of the lease is 25 years beginning on November 1, 2018 and ending on October 31, 2043.

2. The area of the site that is usable is 8.89 acres. The initial annual lease rent rate is set at $40,906.00 per usable acre for 8.47 acres, however a Consumer Price Index adjustment in years 2016, 2017, 2018 will be applied before the 2018 rent payment is calculated. Rent will also be paid at $20,453.00 per acre for .42 acres for the area marked as Easement B on Exhibit A which can be used by the City for roadway purposes and provides access to the flood levee.
3. Per the terms of this agreement Hodge Company will pay the City upon execution of the lease $1,000.00 per month commencing on the 1st day of April, 2016, and on the first day of each month thereafter until November 1, 2018, the last payment being due October 1, 2018.
4. Hodge will be responsible for property taxes and all other fees (including by not limited to storm water fees).
5. All property maintenance costs will be the responsibility of Hodge Company. When the lease expires in 2043 all of the improvements (buildings) located on the lease site will become property of the City.

Additional terms and conditions of the lease are included within the attached Lease Agreement.

BUDGET IMPACT

In FY17 and FY18 lease revenues will increase $12,000 per year annually as a result of this agreement. Starting in FY19 annual lease revenues will increase by $355,064.00.

ACTION TO BE TAKEN

I recommend that the City Council approve the attached resolution to set a public hearing on the proposed riverfront lease for Hodge Company for June 20, 2016.

cc: Barry Lindahl, City Attorney
Jenny Larson, Budget Director
Gus Psihoyos, City Engineer
Jean Nachtman, Finance Director
Encs.