

TO: Mayor and Council
FROM: John McDonough, City Manager
DATE: December 12, 2010
ITEM: Police Department Facilities Lease

Background:

The Lease between the City of Sandy Springs and Cousins Properties Incorporated for the Barfield Road Police Headquarters ends on June 30, 2011. The Department of Transportation Half-Diamond roadway project at Hammond Drive and Georgia 400 has altered the Barfield Road property reducing the distance between the facility and the adjacent roads. The reduced distance has negatively impacted the suitability of the property for the location of a public safety facility. Accordingly, in anticipation of the expiration of the Barfield Road Lease, the City has been exploring options for the location of the Police Department moving forward.

Discussion:

In exploring potential options for the location of the Police Department, the City has contacted the owners of the Morgan Falls Office Park in which City Hall is located. Currently, 35,567 square feet of space is available in Buildings 300 and 400.

Upon consultation with the Police Department, it appears that the Morgan Falls Office Park space would be desirable for police headquarters. Among the advantages would be the superior lease terms, adequate and well located parking, close proximity to City Hall, and the potential that additional space would be available for expansion in the future.

In addition, as part of the lease transaction for the Building 300 and 400 spaces, the Landlord has agreed to reduce the lease rate for the present City Hall facility commencing in July 2011.

Attached is a proposal letter from The Simpson Organization providing setting forth details of the proposed transaction. In addition, you will find attached a copy of a Lease Analysis providing a comparison regarding the costs under the current leases in place and proposed Lease Agreements.

Alternatives:

The Mayor and City Council can choose to approve or not approve the execution of the new leases and lease extension.

Financial Impact:

If approved, the new terms would provide an annual savings to the City in the amount of \$257,000/year.

*City
Manager*

Structure of Transaction:

If approved, the Leases regarding Buildings 300 and 400, and a Lease Extension regarding the current City Hall space in Building 500, would be executed between the Facilities Authority and the Landlord. The City would contemporaneously enter into Subleases with the Facilities Authority guarantying compliance with the Leases as well as the payment of all sums due under the Leases.

*City
Manager*

RESOLUTION NO. _____

STATE OF GEORGIA
COUNTY FULTON

**A RESOLUTION AUTHORIZING THE CITY TO ENTER INTO SUBLEASES AND A
LEASE EXTENSION WITH THE CITY OF SANDY SPRINGS PUBLIC FACILITIES
AUTHORITY FOR SPACE AT MORGAN FALLS OFFICE PARK**

WHEREAS, Morgan Falls Office Park currently has 35,567 square feet of space available in Buildings 300 and 400; and

WHEREAS, upon consultation with the Police Department, it appears that the Morgan Falls Office Park space would be desirable for police headquarters; and

WHEREAS, as part of the lease transaction for the Building 300 and 400 spaces, the Landlord has agreed to reduce the lease rate for the present City Hall facility commencing in July 2011; and

WHEREAS, the new terms would provide an annual savings to the City in the amount of \$257,000/year; and

NOW THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of Sandy Springs, Georgia while in regular session on _____, at 6:00 p.m. as follows:

1. The City Manager is authorized to enter into Subleases between the City of Sandy Springs and the City of Sandy Springs Public Facilities Authority for 35,567 square feet of space in Buildings 300 and 400 of the Morgan Falls Office Park subject to the review and approval of the Finance Department and the City Attorney's Office; and
2. The City Manager is authorized to enter into an extension of the Sublease between the City of Sandy Springs and the City of Sandy Springs Public Facilities Authority for Buildings 500 of the Morgan Falls Office Park subject to the review and approval of the Finance Department and the City Attorney's Office

APPROVED AND ADOPTED this ____ day of _____.

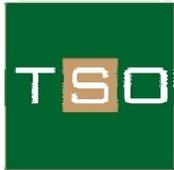
Approved: _____

Eva Galambos, Mayor

(Continued on Following Page)

Attest:

Michael Casey, City Clerk
(Seal)



~~Thursday, December 09, 2010~~ ~~Wednesday, December 08, 2010~~

David J. Rubenstein
Principal
The Miller Richmond Company
Two Ravinia Drive, Suite 1590
Atlanta, GA 30346

Re: Sandy Springs Police Department Proposal to lease space at
Morgan Falls Office Park

Dear David:

We thank you for your counter proposal to lease at Morgan Falls Office Park on behalf of
The City of Sandy Springs Police Department.

We are pleased to present to you, on behalf of the Owner, the following revised proposal
which sets forth the basic economic terms on which the Owner is willing to lease the
Premises.

This letter is not intended to be a binding contract, a lease or an offer to lease but is
intended only to provide the basis for negotiation of a lease between the Owner and
Tenant.

- OWNER: TSO Morgan Falls Entities
Property managed by The Simpson Organization, Inc.
- TENANT: City of Sandy Springs Police Department (Legal entity name
TDB)
- PREMISES: Morgan Falls Office Park
7840 Roswell Road,
Building 300 suites 301 (~~16,918-15,836~~ RSF*)
Building 400 suite 401 (19,731 RSF)
Sandy Springs, GA 30350

Approximately ~~35,567~~36,649 RSF as shown in
attached Exhibits "A" & "B"
*correction of plan, no changes to planned Premises
- DEPOSITS & PREPAID RENT: None.

<u>TOTAL AREA:</u>	Approximately 35,567 ^{36,649} rentable square feet (“RSF”) as shown on the attached Exhibits “A” & “B”.
<u>USE OF PREMISES:</u>	General office use for the City of Sandy Springs Police Department including evidence storage and weapons storage, pursuant to applicable laws and regulations.
<u>POSSESSION OF COMPLETED PREMISES:</u>	July 1, 2011.
<u>ABATED RENT AND CAM:</u>	Rent and CAM shall be abated for three (3) months.
<u>LEASE TERM:</u>	Through June 30, 2015 Tenant shall have the right to renew Lease Term for four (4) 90-day renewal terms at then escalated rents without any additional concessions or build-out allowances. Tenant shall give Landlord 60-day notice of its intent to extend.
<u>RENTAL RATE:</u>	Suite 301: \$11.45 / SF escalated at 2.0% per year. Suite 401: \$12.50/SF escalated at 2% per year.
<u>TENANT IMPROVEMENT ALLOWANCE:</u>	Landlord will turnkey improvements to the Premises pursuant, to recently completed pricing plans and with similar finish quality to that of the existing suite 320 in building 300. Existing doors, blinds and hardware may be reused if in good appearance and working condition. Landlord shall also install/repair (to good working condition) suitable HVAC systems in Premises.
<u>CODE COMPLIANCE</u>	Landlord shall repair (at its expense) any aspects of the building or the Premises not compliant with current building codes including ADA.
<u>TAXES AND INSURANCE:</u>	Tenant shall pay its proportionate share of property tax (currently \$1.15/SF) and insurance (currently \$.23/SF) increases above the 2011 base year.
<u>COMMON AREA MAINTENANCE (CAM):</u>	Tenant shall pay its proportionate share of CAM estimated to be \$2.55 per S.F. (2011).
<u>UTILITIES AND JANITORIAL:</u>	Tenant shall also pay its own utility expenses and janitorial expenses as it may require.
<u>HVAC</u>	Tenant shall maintain (at its cost) during the Lease

REPAIR/MAINTENANCE:

Term a service contract (reasonably approved by Landlord) for regular maintenance of the HVAC servicing the Premises. Should any of the HVAC units servicing Premises require replacement, Landlord shall perform said replacement at its expense.

RIGHT OF FIRST REFUSAL:

The Lease shall include a Right of First Refusal for suites 319 and 330 within Building 300 representing approximately 5,545 RSF and 2,284 RSF respectively (“Expansion Area”). Landlord shall present all bona fide third party offers to lease all or part of the Expansion Area to Tenant prior to accepting same. Tenant shall have 10 days from receipt of a third party offer to match or reject said offer. If said offer is matched, both Landlord and Tenant shall work in good faith to amend the Lease to reflect the additional space leased under the same terms the offer (including, but not limited to rent, free rent, expenses, tenant improvements and other concessions). If the offer is rejected or Tenant does not respond within the prescribed 10-day period, Landlord shall be free to lease the space described in the offer on comparable terms and conditions described in the offer. In the event the bona fide offer results in a term that is not coterminous with the expiration of the term of the Lease, then Tenant shall have the option of extending the shorter term (for either the current space or the Expansion Area, whichever is shorter) to make it coterminous with the longer term. The rent for the extended term shall be the same as the rent for the final year of said term escalated at the same percentage rate escalated in prior years.

SIGNAGE, ETC.

Tenant (at its own expense) shall have the right to install two (2) flag poles and entrance monument signage at the front of Suite 301 in a size, design and manner that meets all applicable codes. Tenant shall also have the right to add “Sandy Springs Police Department” to the monument sign currently on Roswell Road used to identify The City of Sandy Springs.

SUITE 301 EXTERIOR ENTRY
UPGRADE

Landlord shall re-landscape the area surrounding the exterior entry to Suite 301 to mutually acceptable standards and install proper walkways and signage for visitor parking as necessary.

CONDITION OF PROPOSAL:

This proposal is conditioned upon a simultaneous lease extension to June 30, 2015 on an as-is basis (no TI Allowance) renewal with rents commencing at \$11.20/RSF ~~January~~ July 1, 2011 and escalating at 2% annually for Building 500 (61,059 RSF) between City

of Sandy Springs Public Facilities Authority, a political subdivision of the State of Georgia and Morgan Falls Realty, LP, which will be coterminous with the City of Sandy Springs Police Department lease agreement. Tenant will continue to repay unamortized Tenant Improvements of \$1.69/RSF per annum through January 31, 2011 per the Third Amendment, clause 2. Tenant shall have the right to renew Lease Term for four (4) 90-day renewal terms at then escalated rents without any additional concessions or build-out allowances. Tenant shall give Landlord 60-day notice of its intent to extend. All other terms of the lease are otherwise unchanged from the existing agreement.

PARKING:

Subject to required handicap parking, Tenant shall have reserved rights to spaces shown in attached Exhibit "C", including the right to mark as reserved (approximately 147 spaces or approximately 4 per thousand square feet). **Additional unmarked parking will also be available on a first come first served basis for tenant use and subject to condominium association approval as necessary.**

CONDITION PRECEDENT:

The Simpson Organization, Inc. represents the Landlords in this transaction and will be paid pursuant to a separate agreement. The Miller Richmond Company represents the Tenant in this transaction and will be paid by Landlords pursuant to a separate agreement. This request for proposal is not intended to be a legally binding agreement, and it is the intent of the parties that no such legally binding agreement shall exist unless and until a formal and definitive lease has been negotiated, drafted, approved by the respective parties and executed and delivered by such parties.

This proposal is submitted for your review and consideration and is subject to final review and approval of all terms and conditions of the lease, financial and credit information and related documents. Nothing in this proposal is binding on either party unless and until all necessary lease documentation is fully executed and delivered. This proposal is subject to prior leasing and may be withdrawn by Landlord.

Please indicate your acceptance of these terms by executing the signature block below and returning a copy to.



Sincerely,

Clayton Gunter
Director of Leasing

Agreed and Accepted this ____ day of _____, 2010,
By: _____
Print Name: _____
Title: _____

Exhibit "A"
Building 300 of Proposed Premises [19,202 RSF](#)

Premises: Suite 301 ([15,836](#) ~~16,918~~ RSF)
Shown highlighted in yellow below

Right of First Refusal Suite 319 (5,545 RSF) and Suite 330 (2,284 RSF)
Shown highlighted in blue below

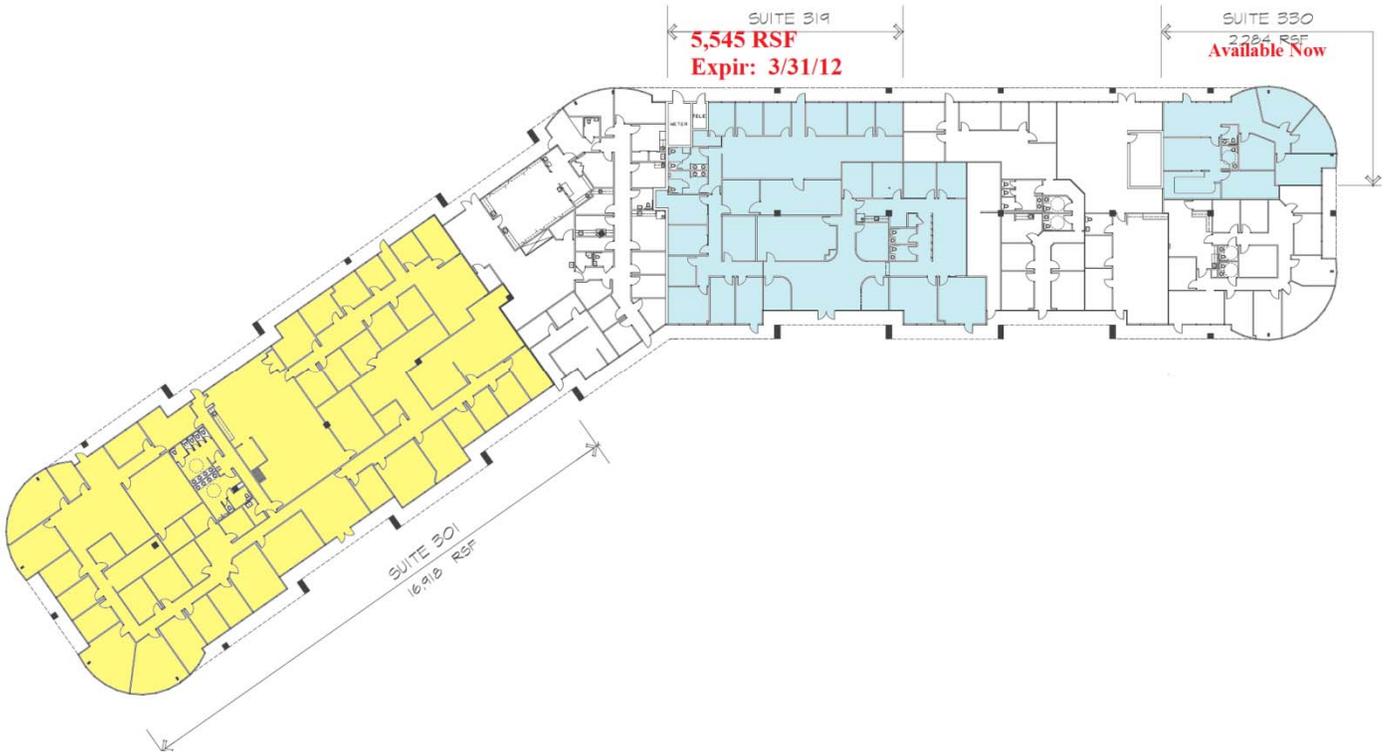


Exhibit "B"
Building 400 of Proposed Premises

Premises: Suite 401(19,731 RSF)
Shown highlighted yellow below

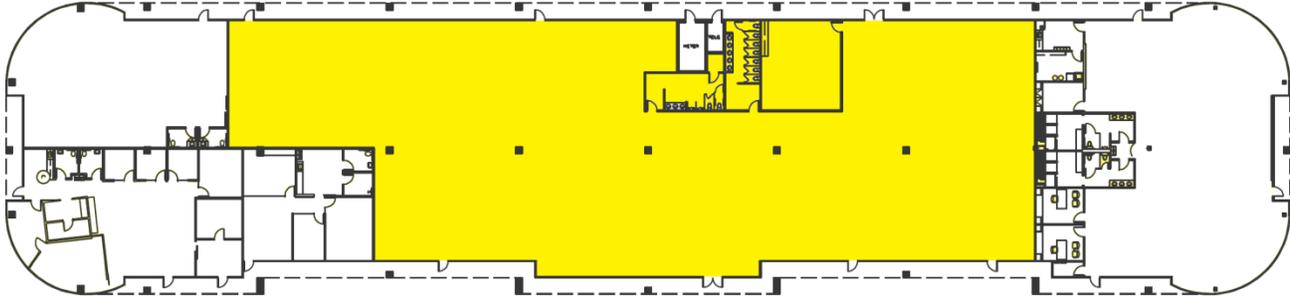
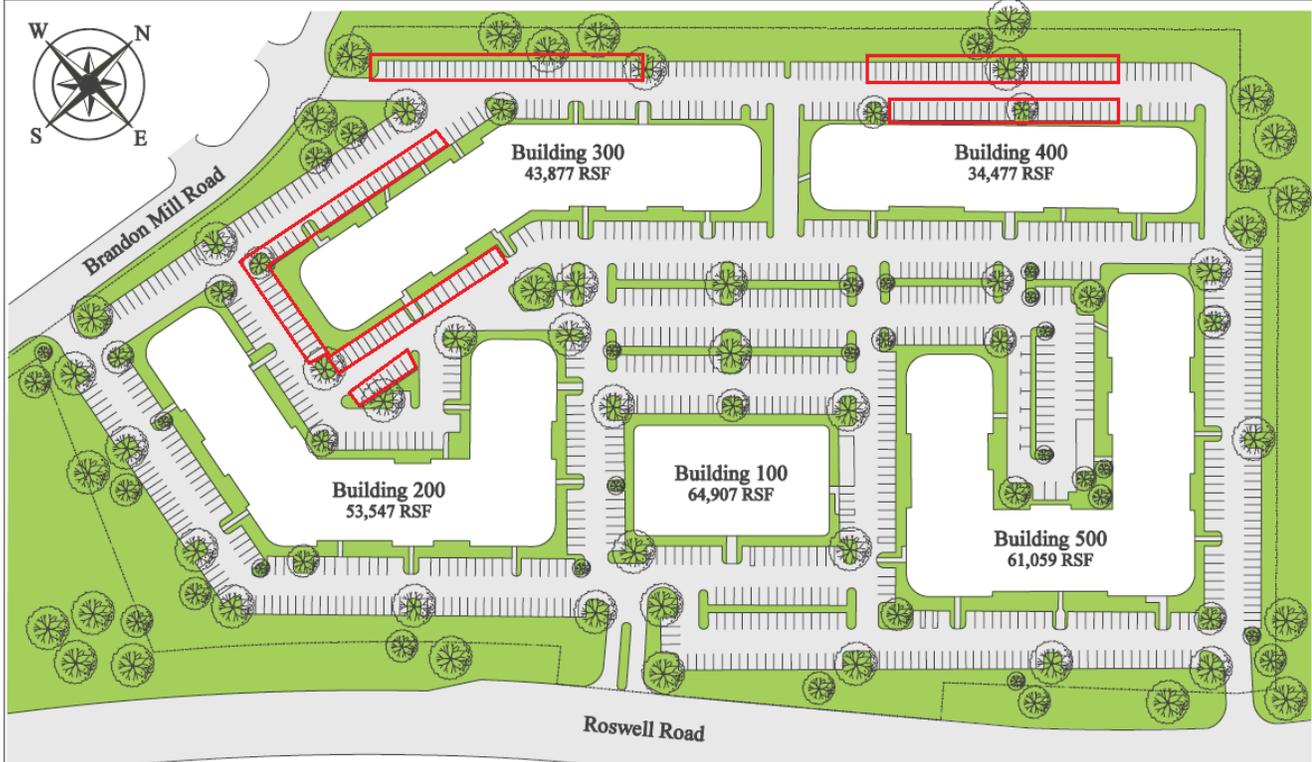


Exhibit "C"
Reserved Parking Conditioned on the final Premises being that proposed herein



LEASE ANALYSIS

PROPOSED NEW LEASE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	
							<u>12 months</u>	<u>12 months</u>	<u>12 months</u>	<u>12 months</u>	
Base Rent - Bldgs 300 (with insurance and taxes)							181,322.20	184,948.64	188,647.62	192,420.57	
Less Free Rent							(45,330.55)				
Base Rent - Bldgs 400 (with insurance and taxes)							246,637.50	251,570.25	256,601.66	261,733.69	
Less Free Rent							(61,659.38)				
Maintenance							90,695.85	93,416.73	96,219.23	99,105.80	
Moving Costs						100,000.00					
Build-out Costs											
						100,000.00	411,665.63	529,935.62	541,468.50	553,260.06	-
							<u>5 months</u>	<u>12 months</u>	<u>12 months</u>	<u>12 months</u>	
City Hall Base Rent (including taxes and insurance)							683,860.80	697,538.02	711,488.78	725,718.55	
Maintenance							155,700.45	160,371.46	165,182.61	170,138.09	
							839,561.25	857,909.48	876,671.38	895,856.64	
CURRENT LEASE	<u>1 month</u>	<u>12 months</u>									
City Hall Base	57,497.23	700,346.73	721,412.09	743,088.04	765,374.57	790,103.46					
Maintenance	5,597.08	67,164.90	138,603.93	149,594.55	155,700.45	160,371.46					
	63,094.30	767,511.63	860,016.02	892,682.59	921,075.02	950,474.92					-
	<u>6 months</u>	<u>12 months</u>	<u>12 months</u>	<u>12 months</u>	<u>12 months</u>	<u>12 months</u>					
Police Lease	234,171.42	482,393.13	496,864.93	511,770.87	527,124.00	542,820.00					
Maintenance	59,553.40	119,106.80	119,106.80	119,106.80	119,106.80	122,360.00					
	293,724.82	601,499.93	615,971.72	630,877.67	646,230.80	665,180.00					
POLICE LEASES	293,724.82	601,499.93	615,971.72	630,877.67	646,230.80	765,180.00	411,665.63	529,935.62	541,468.50	553,260.06	-
CITY HALL LEASES	63,094.30	767,511.63	860,016.02	892,682.59	921,075.02	950,474.92	839,561.25	857,909.48	876,671.38	895,856.64	
TOTAL BOTH LEASES	356,819.12	1,369,011.56	1,475,987.74	1,523,560.26	1,567,305.82	1,715,654.92	1,251,226.88	1,387,845.10	1,418,139.88	1,449,116.70	-

City Hall Old	\$79,206.24	/month
City Hall New	\$69,963.44	/month
Intital Savings of	\$110,913.67	/year
SSPD Old	\$55,431.67	/month
SSPD New	\$43,221.30	/month
Intital Savings of	\$146,524.45	/year
ignores relocation costs of	\$100,000.00	
ignores free rent savings of	\$106,989.93	