

City of Ramsey
POLICY FOR LEASING CITY OWNED PROPERTY

BACKGROUND

The City of Ramsey owns an inventory of real property. A number of City owned properties hold economic value and provide the City with an opportunity for leasing properties to the private sector.

The community benefits by leasing City owned properties to the private sector as the local property tax base is increased. Increasing the overall tax capacity of a community by leasing City owned properties lowers the tax burden for City residents.

PURPOSE

The purpose of this policy is to guide the process of developing and negotiating leases for the use of City owned properties. Specifically, this policy outlines standards City Staff shall follow as they negotiate with prospect lessees.

The desired outcome of this policy is to develop a clear, consistent, transparent and fair process the Council, prospective lessees and Staff can rely on in lease negotiations.

LEASE TERMS

The City Council shall make the final decision on all lease agreements. Lease terms identified below are particularly important in lease negotiations. Additional lease terms may be included in City owned land leases on a case-by-case basis.

1. *Lease Length*

Negotiable. Where appropriate, leases shall include an early termination clause, at the City's discretion, in order to facilitate City need for higher priority uses; such as, right of way or other public purposes.

2. *Rental Rate*

Rental rates shall be structured as follows:

- a. The tenant shall be responsible for base rent. Base rent shall be determined by market value rent. Staff shall solicit recommendations from creditable real estate professionals for a market rental rate. The average rate of said recommendations shall be the City's target rental rate. The City shall not lease City owned property for less than 80% of said market rate.

- b. The tenant shall be responsible for purchasing public liability insurance in addition to base rent. See section three below for details.
- c. The tenant shall be responsible for all CAM (common area maintenance) charges and all routine property maintenance in addition to base rent.
- d. The tenant shall be responsible for paying property taxes in addition to base rent. City Staff shall calculate property taxes separate from base rent; then, will charge tenant a premium to cover the said costs. The City maintains the responsibility of physically sending a payment to Anoka County for property taxes.
- e. At a minimum, lease agreements must cover all City costs associated with a particular property.

3. *Insurance*

Lessee is responsible for providing public liability insurance on leased City owned property. The City must be listed as an additional insured on lessee's insurance policy. The City Attorney shall make a recommendation for minimum policy value. \$1,000,000 shall serve as a minimum and \$2,000,000 as a baseline.

The use of a property shall be a factor in determining the appropriate public liability insurance policy.

POLICY STATEMENT

In an effort to avoid undercutting the private market, the Ramsey City Council desires to keep rates for leasing City owned property as close to market rates as possible. The City does not want to unfairly compete with private landowners. See Lease Terms Section, paragraph 2A.