

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 CONDITIONS

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

1. Lease Term

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. Tenant shall be responsible for all routine property maintenance in addition to base rent. Examples include, replacing light bulbs, removing trash, snowplowing, lawn maintenance, landscaping, etc.
- 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. Examples included: finance, administration, legal, taxes, property maintenance account, real estate fees, insurance, etc.

Leases are intended to be net-net-net (triple net); such that, the lessee pays all expenses.

3. Insurance

- a. 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.
- b. Lessee is responsible for providing hazard insurance for the insurable value of the property.

4. Security Deposit

Lessee is responsible for providing a security deposit in the amount of one month base rent upon entering a lease with the City.

5. Late Fee

Lessee shall pay a late fee to Landlord of \$50.00 each time the rent is not paid by the 1st day of each month when due plus \$10.00 per day after the 1st day of the month the rent is not paid up to a maximum late fee of \$100.00 per month.

6. Utilities

a. Municipal Utilities

Municipal utility bills shall not be considered a fixed cost for the Landlord; and shall not be included in the calculation of base rent. The Tenant shall be responsible for payment of all applicable municipal utility bills in addition to base rent. Examples include: Stormwater, sewer, water, etc.

b. Service Utilities

Service utility bills shall not be considered a fixed cost for the Landlord; and shall not be included in the calculation of base rent. The Tenant shall be responsible for payment of all applicable service utility bills in addition to base rent. Examples include: electricity, natural gas, cable, internet, garbage, etc.

7. Political Signage

Lessee shall under no circumstance be allowed to post any political signage or marketing materials on City owned property.

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.