



City Council Report

Date: October 3, 2016
To: City Council
Through: Kari Kent, Assistant City Manager
From: Beth Huning, City Engineer
Rob Kidder, Assistant City Engineer
Subject: Lease Office Space at 1240 East Main Street to Stacy and Witbeck / Sundt
Council District #4

Strategic Initiatives



Purpose and Recommendation

The purpose of this report is to consider staff's recommendation to enter into a Lease Agreement with Stacy and Witbeck / Sundt for 30,673 square feet of office space and 74,575 square feet of outside parking lot area for a construction / holding yard at 1240 East Main Street.

Background

When construction of the Light Rail extension to Gilbert Road was approved, Stacy and Witbeck / Sundt began looking for office space within the extension area of the project. The office space that Valley Metro's currently occupies at 200 South Center is not convenient to oversee the next phase of construction as the light rail continues east from Mesa Drive to Gilbert Road.

Discussion

Stacy and Witbeck / Sundt looked at available office sites between Mesa Drive and Gilbert Roads. They became aware that the City had purchased the old Mervyn's building located at 1240 East Main Street, Stacy and Witbeck / Sundt asked the City about leasing space in this building. The location of this property is in the middle of the

next line extension and is vacant and not needed for the project. They will be responsible for all tenant improvements and/or alterations to the leased area. It is estimated that approximately \$61,290 of the tenant improvement expense will directly benefit the building and ultimately add value to the City-owned asset. This breaks down to Fire sprinkler repair, \$4,500; Plumbing, \$2,100; HVAC, \$27,800; and Electrical, \$26,890.

This expense that is directly attributable to the capital improvement of the building will be credited to the tenant in the form of rent abatement.

The lease will be between Mesa and Stacy and Witbeck / Sundt. However, personnel from Valley Metro will be relocated from 200 South Center Street and will have offices at this location.

Alternatives

Mesa could choose to not enter into a Lease Agreement with Stacy and Witbeck / Sundt. Choosing this alternative would result in Mesa not receiving rental income on this unused, vacant building.

Fiscal Impact

The initial lease is for a thirty-two month term at \$0.55 per square foot. Monthly rent is \$16,870.00. Over the thirty-two month term, \$539,840 less the Tenant Improvement rent abatement of \$61,290, total anticipated rental income is \$478,550.

Coordinated With

The City of Mesa's Engineering, Economic Development, and the City Manager's office concur with the recommendation.