



MEMORANDUM

Comfort Lake-Forest Lake Watershed District

Date: July 24, 2023
To: CLFLWD Board of Managers
From: Building Work Group & Mike Kinney, District
Administrator
Subject: 44 Lake Street Lease Extension



District Wide

Background/Discussion

The District continues to work on reviewing its facilities and office needs. The Board authorized Managers Anderson and Bakke to work on issues related to the lease at 44 Lake Street. While the District continues to pursue a different permanent facility, the Board needs to ensure that the District has a stable lease agreement for office space.

The purpose of this agenda item is for the Board to consider leasing the additional, currently vacant second floor offices at 44 Lake Street in Forest Lake as well as the proposal of a 3- or 4-year lease for both office spaces.

The lease contract will be developed once the Board agrees in principle to the office spaces to be leased, base rent numbers, and 3- or 4-year lease option.

Leasing the vacant second floor offices would provide an additional 1,275 square feet of office and meeting space for the District. It is, however, **not** ADA accessible space. Board meetings and public programming would continue to be held in the current lower level space.

Monthly rental expenses are divided into the base rent and the common area maintenance (CAM) cost. CAM costs are reconciled every year based on bids and actual expenses. It is a charge per square foot and generally not a component of lease negotiations. The District may wish to discuss CAM charges further with the property management company based on office usage. CAM charges are currently \$5.87 per square foot. For the current office, this is \$1,303 per month. The CAM charges for the additional office space would be \$623 per month. The new monthly total for both spaces' CAM charges would be \$1,926 or \$23,112 per year in both the three- and four-year leases.

The base rent proposed for a four-year lease of the current space and the vacant second floor offices would maintain the District's current base rent of \$8.49/sq foot for one year after signing the new lease. There would be a two percent base rent increase each year after.



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Base rent for the current space is \$1,885 per month and rent for the additional second floor offices would be \$902 for a monthly total of \$2,787 base rent. The current space with CAM is \$3,188 and the additional space is \$1,525.75 with CAM for the first year of the lease. Total annual rent plus CAM for both office spaces in the first year of a four-year lease would be \$56,568.

The base rent proposed for a three-year lease of the current space and the vacant second floor offices would be \$8.49/sq foot for the current space and \$10.05 / sq foot for the second-floor offices for the first year. There would be a two percent (2%) base rent increase each year after. Base rent for the current space would remain \$1,885 per month and rent for the additional second floor offices would be \$1,068 for a monthly total of \$2,953 base rent (\$4,880 with CAM) in the first year. Total annual rent plus CAM for both office spaces in the first year of a three-year lease would be \$58,560.

If the District leases the vacant second floor offices, the landlord has agreed to re-carpet, patch walls, and repaint. A draft lease agreement has not been presented yet at this time so details about an early release are not specified if the District was to build or purchase a new space before the end of this proposed 4 year timeframe.

Recommended Action

Proposed Motion: Manager _____ moves to have Managers Anderson and Bakke continue discussions with the building owner as to lease extension terms, on the basis of the addition of the presently vacant second-floor office space and a four-year renewal term. Seconded by Manager _____.

Attached: Base Rent & CAM Proposal from Metro East Commercial Real Estate Services

44 Lake Street (Forest Lake)



4 YEAR LEASE OPTION TENANT	USABLE SQFT	LEASABLE SQFT	BASE RENT		MONTHLY BASE		CAM/TAX		MONTHLY BASE+CAM	ANNUAL BASE+CAM
			SQFT	\$	RENT	\$	MONTHLY	\$		
Comfort Lake Watershed	2,664	2,664	8.49	\$8.49	\$1,885.16	\$5.87	\$1,303.14	\$3,188.30	\$38,259.57	
Vacant 2nd Floor Office	1,275	1,275	8.49	\$8.49	\$902.06	\$5.87	\$623.69	\$1,525.75	\$18,309.00	
Total	3,939	3,939			\$2,787.22		\$1,926.83	\$4,714.05	\$56,568.57	
3 YEAR LEASE OPTION TENANT	USABLE SQFT	LEASABLE SQFT	BASE RENT		MONTHLY BASE		CAM/TAX		MONTHLY BASE+CAM	ANNUAL BASE+CAM
			SQFT	\$	RENT	\$	MONTHLY	\$		
Comfort Lake Watershed	2,664	2,664	8.49	\$8.49	\$1,885.16	\$5.87	\$1,303.14	\$3,188.30	\$38,259.57	
Vacant 2nd Floor Office	1,275	1,275	10.05	\$10.05	\$1,068.06	\$5.87	\$623.69	\$1,691.75	\$20,301.00	
Total	3,939	3,939			\$2,953.22		\$1,926.83	\$4,880.05	\$58,560.57	

1. Landlord will furnish carpet at Landlords expense
2. Landlord will patch walls and repaint at Landlords expense
3. Landlord will waive the \$700 plumbing bill previously submitted
4. Base rent will have 2% Annual increases on anniversary date
5. CAM/Tax will continue to be reconciled annually