

RESOLUTION 18-224

A RESOLUTION TO AUTHORIZE AN ADDITIONAL TWO-YEAR OPTION LEASE AGREEMENT FOR OFFICE SPACE FOR THE SPRING HILL POLICE DEPARTMENT

WHEREAS, the City of Spring Hill entered into a Lease Agreement with Fred H. Gillham, Sr. (“Owner”) on February 1, 2012 to lease office space located at 3636-A Royal Park Boulevard in Spring Hill, Tennessee, for a two-year period that was later extended for two (2) successive two-year periods scheduled to expire on January 31, 2019; and

WHEREAS, the leased office space has been utilized by the Spring Hill Police Department during the entire lease period; and

WHEREAS, the landowner has offered to the City of Spring Hill to extend the lease term for one additional two-year term at a lease rate of \$4,500 per month or should the City desire a lease term less than two years at a lease rate of \$4,750 per month; and

WHEREAS, the City of Spring Hill anticipates a period of eighteen to twenty months will be needed to conclude design and construction of a new Police Headquarters facility at Northfield; and

WHEREAS, the City of Spring Hill desires to enter into a twenty-month extended lease term at a rate of \$4,750 per month; and

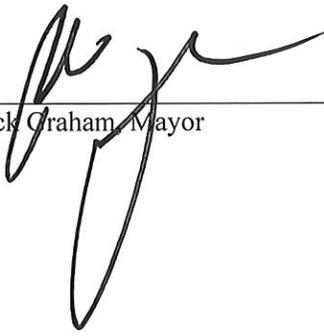
WHEREAS, should the City of Spring Hill need an additional time period in addition to the twenty-month period that with proper written notification to the Owner a month-to-month lease period will be provided by the Owner at a rate of \$4,750 per month.

WHEREAS, all the other terms of the original Lease Agreement as later amended by Resolution 15-38 and the subsequent execution of the Lease Modification and Extension Agreement in May 2015 between the City of Spring Hill and Fred H. Gillham, Sr. shall continue as expressly reaffirmed by both parties.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Mayor and Aldermen:

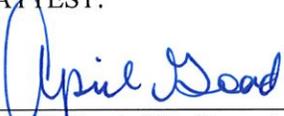
1. Authorize the Mayor to execute the Lease Modification and Extension Agreement attached hereto as Exhibit “A” providing for a twenty-month extension to the original Lease Agreement, as subsequently amended, at a lease rate of \$4,750 per month.
2. Should the City of Spring Hill desire an additional time period in addition to the twenty-month period, the City shall provide ninety (90) day written notification to the Owner for a month-to-month lease period to be provided by the Owner at a rate of \$4,750 per month.
3. All other terms of the original Lease Agreement, as later amended, are hereby reaffirmed by both the City of Spring Hill and Fred H. Gillham, Sr.

Passed and adopted by the Board of Mayor and Aldermen of the City of Spring Hill, Tennessee,
on the 17th day of December, 2018.



Rick Graham, Mayor

ATTEST:



April Goad, City Recorder

LEGAL FORM APPROVED:



Patrick M. Carter, City Attorney

EXHIBIT "A"

LEASE MODIFICATION AND EXTENSION AGREEMENT



REQUEST: Resolution 18-224 Resolution Authorizing Extension to Lease Agreement for Office Space for Spring Hill Police Department

SUBMITTED BY: Don Brite, Chief of Police and Chuck Downham, Assistant City Administrator

DATE: December 17, 2018

RE: Resolution 18-224 Resolution Authorizing Extension to Lease Agreement for Office Space for Spring Hill Police Department

ATTACHMENTS: Resolution 18-224 and supporting documentation

PURPOSE:

To approve Resolution 18-224 to approve an amendment to the lease agreement to extend the lease period for office space for the Spring Hill Police Department.

BACKGROUND:

The City of Spring Hill entered into a lease agreement with Fred H. Gillham Sr. (Owner) on February 1, 2012 to lease office space located at 3636-A Royal Park Boulevard in Spring Hill for a two-year period that was later extended for two (2) consecutive two-year periods with the current lease extension scheduled to expire on January 31, 2019. The Police Department currently occupies the office space and will need to continue to do so while design and construction are completed for the new headquarters facility at Northfield. Based upon the current and anticipated schedule for completion of design and construction, a period of 18 months will be needed.

The City of Spring Hill contacted the Owner regarding interest in extending the current lease term. The Owner replied that if the City desired to extend the lease period a minimum of 2 years that the current lease rate of \$4,500 per month would continue to apply. However, if the City desired a lease period less than 2 years the lease rate would be adjusted to \$4,750 per month. The current lease agreement also contains an early termination penalty provision whereby if the City were to terminate the lease before the end of the 2-year lease period the City would be required to pay 50% of the remaining lease payment owed through the end of the 2-year lease period.

City staff evaluated the options presented by the Owner based upon the current terms of the lease agreement. If the City were to commit to a 2-year lease term extension at the current lease rate of \$4,500/month, the total cost of the lease would be \$108,000. Assuming the City

agreed to a 2-year lease term and also assuming a 20-month period to complete design and construction of the new facilities, the City would be obligated for twenty (20) monthly lease payments of \$4,500/month for a total cost of \$90,000 plus the requirement to pay an early termination penalty of 50% of the remaining lease term (4 months at \$4,500/mo) of \$9,000 for a total cost of \$99,000. However, if the City were to negotiate a 20-month lease at a rate of \$4,750 per month, the total lease cost for the 20-month period would be \$95,000 resulting in an overall savings to the City compared to the 24-month lease term and rate. The lease terms from the original lease, as later amended, would continue to apply during the 20-month lease term. These lease terms were presented to the Owner and they have signified their agreement with the lease terms as presented. The final terms as agreed upon between the City and the Owner are reflected in the Resolution and the Lease Modification and Extension Agreement for review and approval by the Board of Mayor and Aldermen.

FINANCIAL IMPACT:

A 20-month lease period at a rate of \$4,750 per month would result in a total lease cost of \$95,000. In the event the lease needed to be terminated prior to the end of the 20-month period, the City would be responsible for payment of the early termination provision which is 50% of the remaining lease payment owed. The terms as negotiated also provide the opportunity for the City to extend the lease period beyond 20-months at a rate of \$4,750 per month in order to complete design and construction of the new Police facility at Northfield.

STAFF RECOMMENDATION:

City staff recommends the Board of Mayor and Aldermen approve Resolution 18-224 to approve the Lease Modification and Extension Agreement and to authorize the Mayor to execute the Agreement as prepared for an extension of 20-months to the current lease agreement effective February 1, 2019 through September 30, 2020 at a rate of \$4,750 per month.

LEASE MODIFICATION AND EXTENSION AGREEMENT

This Lease modification and Extension Agreement (the "Agreement") dated December ____, 2018, is made by and between the City of Spring Hill, Tennessee (the "City" or alternatively "Lessee") and Fred H. Gillham, Sr. (the "Lessor").

WITNESSETH:

WHEREAS, the City first leased a portion of a building owned by the Lessor located at 3636-A Royal Park Boulevard in Spring Hill, Tennessee for use by the City's Police Department for office and clerical space pursuant to a Lease dated February 1, 2012, and attached hereto as Exhibit A (the "Original Lease"), which was extended for two consecutive two-year periods beginning on February 1, 2015 and ending January 31, 2017, and beginning February 1, 2017 and ending January 31, 2019, respectively; and

WHEREAS, it is the intention of the Lessor to grant the City an additional option to extend the Original Lease.

NOW, THEREFORE, in consideration of the premises and recitals hereinabove set forth, which are incorporated herein by reference, other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and the mutual covenants contained herein, the Parties hereto agree as follows:

1. The parties agree to extend the existing Original Lease, already extended for two consecutive two-year periods, for an additional twenty-month period beginning February 1, 2019, and ending September 30, 2020. The rental rate for the extension of the Original Lease is \$4,750 per month.
2. In the event the Lessee needs to extend the lease period beyond the twenty-month period, the City shall provide ninety (90) days' written notice to Lessor indicating the number of additional months desired and the rental rate for each such month shall be \$4,750 per month.
3. All other terms of the Original Lease, as subsequently amended, not modified herein are expressly reaffirmed by the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their respective names as of the day first written above.

LESSOR

FRED H. GILLHAM, SR.

LESSEE



Mayor Rick Graham
CITY OF SPRING HILL, TENNESSEE

LEASE MODIFICATION AND EXTENSION AGREEMENT

This Lease modification and Extension Agreement (the "Agreement") dated December 17, 2018, is made by and between the City of Spring Hill, Tennessee (the "City" or alternatively "Lessee") and Fred H. Gillham, Sr. (the "Lessor").

WITNESSETH:

WHEREAS, the City first leased a portion of a building owned by the Lessor located at 3636-A Royal Park Boulevard in Spring Hill, Tennessee for use by the City's Police Department for office and clerical space pursuant to a Lease dated February 1, 2012, and attached hereto as Exhibit A (the "Original Lease"), which was extended for two consecutive two-year periods beginning on February 1, 2015 and ending January 31, 2017, and beginning February 1, 2017 and ending January 31, 2019, respectively; and

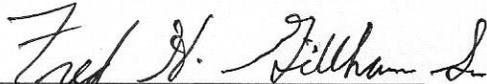
WHEREAS, it is the intention of the Lessor to grant the City an additional option to extend the Original Lease.

NOW, THEREFORE, in consideration of the premises and recitals hereinabove set forth, which are incorporated herein by reference, other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and the mutual covenants contained herein, the Parties hereto agree as follows:

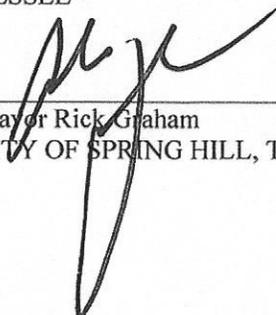
1. The parties agree to extend the existing Original Lease, already extended for two consecutive two-year periods, for an additional twenty-month period beginning February 1, 2019, and ending September 30, 2020. The rental rate for the extension of the Original Lease is \$4,750 per month.
2. In the event the Lessee needs to extend the lease period beyond the twenty-month period, the City shall provide ninety (90) days' written notice to Lessor indicating the number of additional months desired and the rental rate for each such month shall be \$4,750 per month.
3. All other terms of the Original Lease, as subsequently amended, not modified herein are expressly reaffirmed by the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their respective names as of the day first written above.

LESSOR


FRED H. GILLHAM, SR.

LESSEE


Mayor Rick Graham
CITY OF SPRING HILL, TENNESSEE