



Legislation Text

File #: RES 20-0035, **Version:** 1

ITEM TITLE:

Resolution #20-35 Authorizing a Lease Agreement with the Valdez Medical Clinic, LLC for a 4,137 Square Foot Portion of the Mary Kevin Gilson Medical Center

SUBMITTED BY: Mark Detter, City Manager

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

Approve Resolution #20-35 Authorizing a Lease Agreement with the Valdez Medical Clinic, LLC for a 4,137 Square Foot Portion of the Mary Kevin Gilson Medical Center

SUMMARY STATEMENT:

The City of Valdez entered into a lease agreement with the Valdez Medical Clinic, LLC for a portion in the Mary K. Gilson Medical Center in 2013. That agreement expired on September 30, 2019 with no remaining options to renew.

The Valdez Medical Clinic wished to continue to lease the Mary K. Gilson Medical Center and the Planning Department worked with the City Attorney and the Clinic to execute three temporary extensions to this agreement, bringing the expiration to June 30, 2020 to allow time for a new lease application to be processed, and negotiations on rental rate and lease area to take place.

In the past, the City Manager negotiated leases for the Gilson Medical Center, however code did not define a separate process for establishing building leases. The Planning Department and City Administration worked with the Clerk's office and legal department to bring forward Ordinance 19-08 establishing that building lease rates are set by resolution, and authorizing the City Manager to negotiate building lease terms based on the following criteria (unless otherwise directed by Council via resolution):

1. *Current local lease rates for similarly situated city buildings or noncity buildings available for lease or under lease;*
2. *Previous lease rates for the city building to be leased or similarly situated city buildings;*
3. *Assessed or appraised value of the city building to be leased.*

City Administration and the Valdez Medical Clinic, LLC have worked over the past months to

negotiate a new rental rate based on current local lease rates for similar city and non-city buildings with similar uses.

The building maintenance and capital improvement portion of the original lease terms will remain the same, with the City of Valdez as responsible for any property maintenance, cleaning services, snow removal, and utility payments.

The new rental rate has been negotiated to \$1.96 per square foot of lease space. This is an adjustment to the previous lease rate of \$2.38 per square foot. Under the prior agreement, the Clinic was paying a monthly rental rate of \$10,297.37 and under the new agreement the Clinic will be paying \$8,109.04 per month to use the Clinic space.

Additionally, as required by State statute, the Valdez Medical Clinic will be responsible for paying possessory interest taxation for the building under the new lease agreement. The assessor estimates that the current possessory interest would amount to \$11,400 annually. This figure could fluctuate, based on the assessed value of the structure.