

THE CITY OF



OWATONNA

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DATE: June 12, 2020
TO: City Administrator, Mayor, and City Council
FROM: Jeanette Clawson, Administrative Specialist
SUBJECT: Lease Spaces in Merrill Hall .

Purpose:

Council approval of leases with Steele County Transitional Housing and South Central Human Relations for space occupied in Merrill Hall.

Background:

The lease for Steele County Transitional Housing is a renewal for rooms they have occupied for several year. The rent amount was increased by 5%, this is one year lease effective July 1, 2020.

There are two leases for South Central Human Relations Center. The lease for Room 207 A & B and Room 209 is also a renewal for rooms they currently occupy. The rent amount was increased by 5%, this is one year lease effective July 1, 2020. The second lease is for an additional room next to their current office which they plan to use for a specific program and asked a separate lease be prepared for ease of tracking program expenses. This room has stored a previous tenant's files which were recently transferred to the State of Minnesota.

Budget Impact:

Rental Income is based on the size of the area which is consistent with other leases of City owned properties. The rent amount for these leases are \$5,100.00, 4,980.00 and \$780.00 per year.

Staff Recommendation:

Staff recommends Council approval of these leases..

LEASE

THIS AGREEMENT, made this _____ day of June, 2020 by and between the City of Owatonna, a municipal corporation of the State of Minnesota, hereinafter called Lessor, and Steele County Transitional Housing Inc., hereinafter called Lessee.

1. PREMISES.

That said Lessor, in consideration of the rents and covenants hereinafter provided, does hereby remise, lease, and let unto Lessee, and the said Lessee does hereby hire and take from Lessor the following described premises situated in the City of Owatonna West Hills property, located in the County of Steele, State of Minnesota, to-wit:

Rooms 212a, 212b, 212c, 212d and 214
All on the Second Floor, Merrill Building

2. TERM.

The term of this lease shall be from July 1, 2020 to June 30, 2020.

3. RENT.

The rent payable by Lessee to Lessor shall be \$5,100.00 payable in monthly installments of \$425.00.

4. ASSIGNMENT AND SUBLETTING.

Lessee agrees that it will not sublet the demised premises or any part thereof, and will not assign this lease or any interest therein, nor permit such lease to be transferred by operation of law or otherwise and that no act or acts will be done or suffered whereby the same may be or become sublet or assigned in whole or in part, unless the written consent of the Lessor endorsed hereon shall be first obtained in each and every case of underletting or assignment, as they shall from time to time accrue or be desired and that nothing whatever shall be held to be a waiver or supersede the necessity of such endorsement. Any assignment, sale in bankruptcy or insolvency of the Lessee may, at the option of the Lessor, be considered an assignment within the meaning of this lease and as a breach of the covenants hereof.

5. UTILITIES.

At such time as Lessor incurs any expense in connection with utility services, upon 90 days written notice to Lessee, Lessee will thereupon assume such obligations directly and in full, with Lessee having option to cancel in said event.

6. REPAIRS AND MAINTENANCE.

Lessee agrees to take the premises in their present condition and shall, at its own expense during the term of this lease, repair and maintain the entire leased premises in a safe, clean, and presentable condition; this obligation of the Lessee shall extend to and include replacement of broken glass, plumbing, and electrical repairs with the Lessor to be responsible for maintenance of structural weight-bearing walls and maintenance and repair of the public sidewalk and entrances and exits to the leased premises. Lessor shall maintain and repair all water, sewer, gas, and electric service lines running to the leased premises but Lessee will be responsible for such service once it is into the leased premises.

7. ALTERATIONS OR IMPROVEMENTS.

Lessee shall not undertake any remodeling or make any improvements (collectively "Improvements") to the leased premises without obtaining lessor's prior written consent. All such Improvements shall be done at the lessee's sole expense. Before undertaking any such Improvements the lessee shall submit written plans for lessor's review and written approval. All such work shall be performed in compliance with all applicable building codes and other applicable statutes, regulations, and ordinances. Lessee shall pay the cost of all labor and materials furnished or provided in connection with any remodeling or Improvements to the leasehold premises and shall not permit the filing of any mechanic liens against the premises, title to which at all times remains in the City. If any lien is filed against the premises lessee must discharge the lien or provide adequate bond or other surety in a manner and amount reasonably satisfactory to City within 30 days after filing of the lien.

8. ERECTION AND MAINTENANCE OF SIGNS.

Lessee shall not erect or permit to be erected on said premises or on the exterior of any buildings any signs of any type without the written consent of the Lessor endorsed hereon.

9. TAXES.

So long as the property remains tax exempt, neither party will have a tax obligation. Should this tax exempt status change or be modified in any respect by reason of the parties having entered into this lease or for any other reason which would return the demised premises to the tax rolls, Lessee will be obligated to pay and hold Lessor harmless any such real estate or other tax thereby incurred.

10. DAMAGE OR DESTRUCTION OF PREMISES.

In the event of damage to or destruction of the leased premises or a portion thereof by fire, or other cause sufficient to render the leased premises unsatisfactory for Lessee's operations or otherwise untenable, either party may terminate this lease by written notice of its intention to do so to the other party within thirty (30) days of such destruction or damage. Lessor will not be obligated to replace or repair the leased structure, and if it so elects to not rebuild, shall give Lessee notice of said fact and the lease shall thereupon automatically terminate. Should Lessor determine to make repairs to damages to the premises, then during the period commencing with the damage to the premises and ending with the completion of the repairs rendered necessary thereby, the rent payable hereunder shall abate and the obligation of the Lessee ever to pay the same shall cease to the extent and in proportion to the area rendered untenable by the injury to the premises or rendered untenable by repair work.

11. AMERICANS WITH DISABILITIES ACT.

Lessee acknowledges and agrees that, while Lessor has reviewed and approved the plans and specifications for Lessee's leasehold improvements, Lessor assumes no responsibility for compliance of such plans and specifications, the leased premises or Lessee's leasehold improvements with the Americans with Disabilities Act of 1990 or the regulations promulgated thereunder ("ADA"), and Lessor shall not be responsible for any alterations or additions to the leased premises or any other portions of the building of which the leased premises or any other portions of the buildings of which the leased premises are a part which may be required by the ADA.

Lessee agrees to comply with the ADA, including without limitation by removing architectural barriers within the leased premises and the common areas of the building made necessary by Lessee's use of the leased premises and by strict conformance with the ADA in the design and construction of Lessee's leasehold improvements and any subsequent alterations. Lessee shall indemnify and shall hold Lessor harmless from any damages, loss or liability, including without limitation the cost of barrier removal or alterations which may be performed by Lessor, resulting from the failure to Lessee to comply strictly with the requirements of the ADA.

12. INSURANCE.

Lessee shall at all times during the term of this lease and any extensions thereof, carry public liability insurance covering the leased premises, which insurance shall insure against liability for personal injury or death and property damage with minimal limits of bodily insurance of \$1,000,000 per occurrence, \$2,000,000 aggregate. All such insurance policies shall be with a company and in a form acceptable to the Lessor and Lessee agrees to provide and keep filed on record with the City of Owatonna a certificate of insurance certifying to the existence of such policies.

13. PEACEFUL SURRENDER.

Lessee covenants and agrees to keep and maintain the premises and its fixtures during the term of the lease and peaceably quit and deliver up the same to Lessor at the termination of this lease in as good order, condition, and state of repair as the same are at the date hereof, reasonable use and wearing thereof excepted. At its option and expense, Lessee may remove from the premises at termination the non-attached personal property as it may have installed, excluding specifically heating and air conditioning equipment.

14. LESSOR'S REMEDIES.

If the monthly rental payment, or any of them, whether demanded or not, are not paid within twenty (20) days after becoming due, or in the event Lessee files any petition in bankruptcy or insolvency or is adjudicated bankrupt or insolvent, or if any term, condition, or covenant of this lease on the part of Lessee to be by it performed shall be violated or neglected and such violation or neglect is not cured within twenty (20) days after written notice from Lessor, then in either of such cases, Lessee does hereby authorize and empower Lessor to cancel and annul this lease at once and to reenter and take possession of the premises immediately without any previous notice of intention to reenter, and to remove all persons and their property therefrom without such reentry working a forfeiture of the rents to be paid by Lessee.

15. NOTICES.

Whenever under this lease any demand, notice, or declaration of any kind is required or desirable, it shall be in writing, served or sent by mail with postage prepaid; if to Lessor, addressed to them at City Hall, Owatonna, Minnesota 55060; and if to Lessee, addressed at 560 Dunnell Drive, Owatonna, Minnesota 55060. Either party may, by like notice at any time and from time to time, designate a different address to which notices shall be sent. Such notices, demands, or declarations shall be deemed sufficiently served or given for all purposes hereunder when served or two (2) days after mailing as aforesaid.

16. JOINT OR MUTUAL WAIVER OF SUBROGATION.

It is hereby understood and agreed by and between the undersigned parties that they do jointly and separately waive any and all right of recovery against the other for insured loss occurring at the property described herein.

IN WITNESS WHEREOF, the parties have executed this agreement the day and year first shown above.

LESSOR:

CITY OF OWATONNA

By: _____
Thomas A. Kuntz, Mayor

ATTEST:

By: _____
Kris M. Busse, City Administrator/City Clerk

LESSEE:

Steele County Transitional Housing, Inc.

By: _____

Its: _____

