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TO: County Board of Commissioners
FROM: Lucas Dahling, Acting Finance Director
SUBJECT: LEC Lease Agreement with the City of Red Wing
DATE: January 16, 2024

Background

Members of the Law Enforcement Center Committee met several times throughout 2023. The purpose of these meetings was to negotiate lease terms that would be acceptable to both the Goodhue County Board of Commissioners as well as representatives of the City of Red Wing. The previous lease agreement expired on December 31st, 2023.

Discussion

The City of Red Wing and Goodhue County have a long history of working together and sharing space with the Law Enforcement Center. The building was first opened in 1999 and the space has been shared since that time. Throughout the negotiations process, the County maintained the understanding that continuing to share the LEC space would be mutually beneficial to both parties.

Numerous topics were discussed during the meetings including square footage usage, lease rates, the actual upkeep costs of the facility, and space needs. During this process, TSP, Inc. was hired to complete a space study to compute actual square footage numbers used for each party. They also developed several options to reallocate and expand square footage in the future. Committee members included numerous representatives from the City of Red Wing, both elected and staff members. Elected committee members from Goodhue County were Commissioners and the Sheriff. Several staff were also involved including individuals from Administration, the Sheriff's Office, Facilities, as well as the Finance Department.

The final square footage allocation was established by TSP, Inc., as part of their contracted services. The lease rates were developed based on research and escalate to reach levels closer to market rate. The term of the new lease is for two years with the option for a one year extension. This agreement was approved by the City of Red Wing on January 8, 2024.

Recommendation

Staff recommends the Board approve the lease agreement as requested.

Find your Good here.

FIRST AMENDMENT TO LEC OFFICE SPACE LEASE

THIS FIRST AMENDMENT TO THE LEC OFFICE SPACE LEASE (“Amendment”) is made and entered into by and between the County of Goodhue (“Lessor”) and the City of Red Wing (“Lessee”).

WHEREAS, Lessor and Lessee are parties to the LEC Office Space Lease made and executed on February 5, 2013 (“Lease Agreement”) and the LEC Shared Use Agreement made and executed on February 5, 2013 (“Shared Use Agreement”);

WHEREAS, pursuant to paragraph 1 of the Lease Agreement, the initial term of the Lease Agreement expires at 11:59 p.m. on the last day of December 2023, unless terminated earlier in accordance with paragraph 12 of the Lease Agreement;

WHEREAS, pursuant to paragraph 2 of the Lease Agreement, after the initial term, the Lease Agreement shall continue on a biannual (2 year) basis unless either Party provides notice in writing at least sixty (60) days before the expiration of the Lease Agreement of its intention not to extend the Lease Agreement. In the event neither Party gives notice of its intention not to extend the Lease Agreement following the initial term or any extended two-year term, the Lease Agreement shall automatically be extended, with all terms and conditions therein expressed, for an additional two year period unless amended or terminated by the Parties in accordance with the Lease Agreement;

WHEREAS, pursuant to section 14 of the Shared Used Agreement, unless otherwise terminated or amended in accordance with the Shared Use Agreement, the Shared Use Agreement shall remain in effect for as long as and under the same extension provisions as the Lease Agreement as it may be modified or amended;

WHEREAS, the Parties desire to (1) extend the initial term of the Lease Agreement (and thereby the Shared Use Agreement) for two years with the option to extend for an additional one year (instead of the automatic two-year renewal extension) at a new rental amount, (2) amend paragraph 2 of the Lease Agreement by removing the automatic biannual (2 year) renewal provisions, (3) amend paragraph 3 of the Lease Agreement regarding rent, and (4) amend paragraph 12.2 of the Lease Agreement regarding termination of the Lease Agreement upon expiration of its original term or any extended two-year term;

NOW, THEREFORE, the Parties mutually agree to the following:

1. **Extension of Initial Term.** Paragraph 2 of the Lease Agreement is hereby amended by deleting such paragraph in its entirety and replacing it with the following:

Extension of Initial Term. After the initial term, the Lease Agreement, with all terms and conditions herein expressed, shall be extended for two years through 11:59 p.m. on the last day of December 2025, unless amended or terminated by the Parties in accordance with this Agreement.

The Lessee has an option to extend the lease for an additional term of one (1) year, to expire at 11:59 p.m. on the last day of December 2026. Notice of intent to execute option must be given in writing a minimum of sixty (60) days prior to December 31, 2025.

2. **Rent.** Paragraph 3 of the Lease Agreement is hereby amended by deleting such paragraph in its entirety and replacing it with the following:

Rent. Lessee agrees to pay to Lessor a rental amount according to the following schedule:

2024	\$267,639	
2025	\$312,358	
2026	\$363,138	(if option to extend for 1 year is executed)

Yearly rent shall be payable in full by the 15th day of January each year during the full term of this Agreement, which begins on January 1, 2024. Except as expressly stated in the Lease Agreement or the Shared Use Agreement (Exhibit A), the above rate is inclusive of all utilities, custodial services, building and grounds maintenance, and capital expenditures.

3. **Termination.** Paragraph 12.2 of the Lease Agreement is hereby amended by deleting such paragraph in its entirety and replacing it with the following:

This Agreement shall terminate upon expiration of the two-year extension, or upon the subsequent expiration of the additional one-year optional extension (if executed), unless either Party terminates this Agreement early by providing one year written notice of its intention to terminate this Agreement.

4. **Effective Date.** This Amendment becomes effective January 1, 2024.

5. **Reaffirmation of Terms; Entire Agreement.** Except as modified herein, all of the terms and provisions of the Lease Agreement and Shared Use Agreement are hereby confirmed and shall remain in full force and effect. The Lease Agreement, Shared Use Agreement, and this Amendment contain the entire agreement between the Parties with respect to Lessee's use of space contained in the Law Enforcement Center and the Parties' joint operation of the Law Enforcement Center and supersedes and replaces any and all prior agreements related to the same.

6. **Counterparts.** This Amendment may be executed and recorded in counterparts, each of which shall be deemed an original and all of which, when taken together shall constitute one and the same document.

IN WITNESS WHEREOF, the Parties have entered into this Amendment on the dates shown below. By signing below, each Party specifically acknowledges that it has read this Amendment;

that it has been advised to review the terms of this Amendment with legal counsel; and that it understands and voluntarily agrees to be legally bound by all terms of the Amendment.


LESSEE:
CITY OF RED WING

Date: 1-8-2024




Mayor

Date: 1-8-2024



Council Administrator

Date: 1-8-2024



City Clerk

LESSOR:
COUNTY OF GOODHUE

Date: _____

Chairperson, County

Date: _____

County Administrator

Approved as to Form and Execution this _____ day of _____, 2023.

Goodhue County Attorney