



Lucas Dahling
Finance Director
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TO: County Board of Commissioners
FROM: Lucas Dahling, Finance Director
SUBJECT: Second Amendment to the LEC Office Space Lease
DATE: October 1, 2024

Background:

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. Members of the Law Enforcement Center Committee met several times throughout 2023 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. Throughout the negotiations process, the County maintained the understanding that continuing to share the LEC space would be mutually beneficial to both parties. The current version of the lease agreement was executed on January 16th, 2024.

Discussion:

On July 19, 2024, the City of Red Wing requested modification of the current lease to include the extension of the lease term through December 31, 2027, as well as other changes to the early termination language.

Through negotiation, both parties informally agreed to update the current lease with the following changes (1) extend the lease agreement through December 31, 2027, (2) tie the 2027 lease rate to CPI inflation data, and (3) modify the early termination language to require either party to provide a two-year written notice of its intention to terminate the lease agreement. There are no other changes to the current version of the lease and the 2025 and 2026 lease rates remain unchanged as compared to the current version of the lease agreement.

The Second Amendment to the LEC Office Space Lease was executed by the City of Red Wing on September 9, 2024.

Recommendation:

Staff recommends the County Board to approve the lease agreement as presented.

SECOND AMENDMENT TO LEC OFFICE SPACE LEASE

THIS SECOND 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, Lessor and Lessee are parties to the First Amendment to LEC Office Space Lease made and executed on January 16, 2024 (“First Amendment”);

WHEREAS, pursuant to paragraph 1 of the First Amendment, 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.

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) replace the First Amendment with this Second Amendment thereby extending the initial term of the Lease Agreement (and thereby the Shared Use Agreement) through December 31, 2027, (2) amend paragraph 3 of the Lease Agreement regarding rent, and (3) amend paragraph 12.2 of the Lease Agreement regarding termination of the Lease Agreement upon expiration of its two-year extension or additional one-year optional extension;

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 through 11:59 p.m. on the last day of December 2027, unless amended or terminated by the Parties in accordance with this Agreement. **Extension Due to Construction.** Should the Lessee wish for a lease extension due to construction timing, they shall notify the Lessor in writing with as much advance notice as possible with the proposed terms and conditions for consideration by the Goodhue County Board.

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

The rental amount for subsequent years after 2026 shall be the previous year's amount, automatically adjusted by the previous year's annual average percentage change in the CPI for Urban Wage Earners and Clerical Workers (CPI-W) Minneapolis-St. Paul-Bloomington, MN-WI as reported by the United States Department of Labor, Bureau of Labor Statistics.

Yearly rent shall be payable in full by the last day of February 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 extension through December 31, 2027, unless either Party terminates this Agreement early by providing two-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.

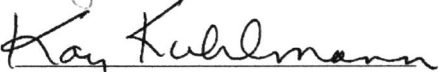
LESSEE:
CITY OF RED WING

Date: September 9, 2024




Mayor

Date: September 9, 2024



Council Administrator

Date: September 9, 2024



City Clerk

LESSOR:
COUNTY OF GOODHUE

Date: _____

Chairperson, County

Date: _____

County Administrator

Approved as to Form and Execution this _____ day of _____, 2024.

Goodhue County Attorney