

# NCRC Building Leases

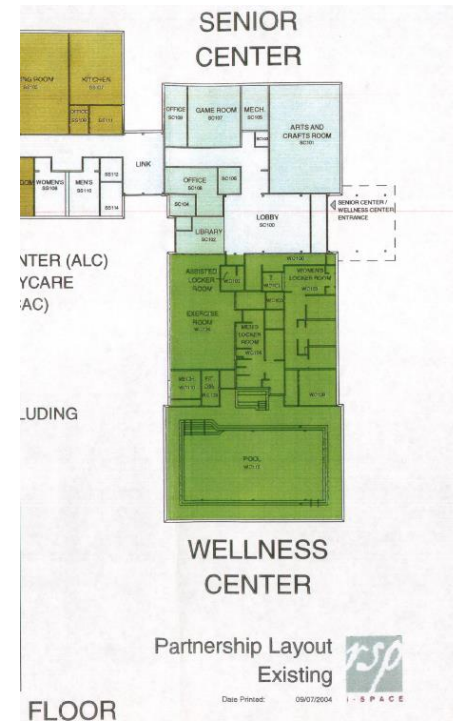


- **Discussions with Tenants regarding lease renewals**
  - Tenants are Important Community Partners
  - Goal to cover building maintenance and operating costs
  - Lease rate adjustments as necessary
  - Subsidy in below market rates

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- **FiftyNorth Prior Commitments (2005)**
  - 50% “rent sharing” (operating and capital reserve) to “...compensate for capital contributions by the tenant for construction of NCRC.”
  - Discount did not apply to any portion of the operating costs “...which are directly and solely attributable to tenant and solely provided for Tenant’s benefit.”
  - Included 6,321 sf (portion of “Wellness Center At Time) and specifically noted it doesn’t apply to additional space leased by Tenant in building or expansion of the leased premises after that date
  - Specifically indicated that rent sharing not apply to any other Tenant
  - The original agreement was set to expire March 31, 2025 but when City re-assumed operating the commitment was continued into the new agreements



# NCRC Fund

## recent history



- NCRC Corporation Agreement was transitioned off to new short term agreements in 2021
- In years leading to the change, was deferred maintenance needs, confusion on agreements by the NCRC Corporation and lack of financial transparency on full operating costs
- Original bond paid off in 2016, the levy has remained at about \$195,000 per year to fund operating shortfall and to provide time to evaluate and understand agreements and financing
- 12 year average City contribution to NCRC has been \$208,500 (2025 proposed preliminary is \$328,156)

### Comparisons to City operations

- |  |             |
|--|-------------|
| – Pool 12-year operating average                                     | \$ 77,300   |
| – Ice Arena 12-year operating average                                | \$ 129,500  |
| – Library 12-year operating average                                  | \$1,127,000 |
| * 2024 Facilities Capital Fund (Library/City Hall/PW Maintenance/PD) | \$ 257,014  |

# NCRC Fund

## recent history



- Completed short term lease agreements while City staff analyzed new operating costs to determine better financial picture of the NCRC
  - Prior NCRC Corp Agreement had users paying 100% of operations including shared space & systems except the City paid the debt levy (until paid off) and 50% of the FiftyNorth operating expenses (see earlier slide)
  - New lease agreements starting in 2022 had City temporarily taking on shared space and shared systems expenses in order to better understand expenses
- City has had 2 full years now of operating expenses (2022-2023)
- Current leases expire the end of 2024

- Market Rent is \$20/SF
- Market Rent is \$30-35/SF for fitness with pool
- All tenants well below Market

Tenant	2024 Rent/SF	2024 Annual Rent
FiftyNorth	\$7.2	\$130,000
CAC	\$11.1	\$84,000
HCI	\$9.7	\$36,000
Three Rivers	\$11.1	\$70,000
United Way	\$11.0	\$2,400
Work Force	\$10.4	\$1,550
Rice County (10-Year Lease 3% Increase/year)	\$7.4	\$12,800

# Summary of Actual Expenses (2022-2023)

	2022 (\$) Actual	2023 (\$) Actual	2024 (\$) Budget
<b>Revenues</b>			
City Tax (including reserves)	216,979 (37.8%)	397,915 (57.1%)	211,312 (40.2%)
<u>Lease Rent</u>	<u>356,645 (62.2%)</u>	<u>298,831 (42.9%)</u>	<u>313,888 (59.8%)</u>
Total	<u>573,624 (100%)</u>	<u>696,746 (100%)</u>	<u>525,200 (100%)</u>
<b>Expenses</b>			
General	483,059	574,892	438,700
Wellness Ctr.	<u>90,565</u>	<u>121,854</u>	<u>86,500</u>
Total	<u>573,624</u>	<u>696,746</u>	<u>525,200</u>
Fund Balance	234,310	32,795	6,323

# NCRC 5-Year CIP



Department	Project #	Priority	2025	2026	2027	2028	2029	Total
<b>NCRC</b>								
Exterior Painting	NCRC 2024-01	3		10,000				10,000
FiftyNorth Locker room updates	NCRC 2024-02	1		100,000				100,000
Chiller replacement	NCRC 2025-01	1		170,000				170,000
Boiler replacement	NCRC 2027-01	2			48,000			48,000
NCRC-Air handling units replacement	NCRC-2024-02	2		135,000	155,000	140,000		430,000
Replace VCT tile	NCRC-2024-05	2		40,000				40,000
Replace FiftyNorth entry and lobby carpet	NCRC-2025-03	3		20,000				20,000
Polish terazzo flooring	NCRC-2025-04	3		35,000				35,000
NCRC public restroom refurbishments	NCRC-2025-06	1		100,000				100,000
Replace pool dehumidifier	NCRC-2026-01	2	133,000					133,000
Replace Pool Deck	NCRC-2525-02	3		65,000				65,000
<b>NCRC Total</b>			<b>133,000</b>	<b>675,000</b>	<b>203,000</b>	<b>140,000</b>		<b>1,151,000</b>
<b>GRAND TOTAL</b>			<b>133,000</b>	<b>675,000</b>	<b>203,000</b>	<b>140,000</b>		<b>1,151,000</b>

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FiftyNorth Locker room updates	NCRC 2024-02	1		100,000				100,000
Chiller replacement	NCRC 2025-01	1		170,000				170,000
Boiler replacement	NCRC 2027-01	2			48,000			48,000
NCRC-Air handling units replacement	NCRC-2024-02	2		135,000	155,000	140,000		430,000
Replace VCT tile	NCRC-2024-05	2		40,000				40,000
Replace FiftyNorth entry and lobby carpet	NCRC-2025-03	3		20,000				20,000
Polish terazzo flooring	NCRC-2025-04	3		35,000				35,000
NCRC public restroom refurbishments	NCRC-2025-06	1		100,000				100,000
Replace pool dehumidifier	NCRC-2026-01	2	133,000					133,000
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<b>NCRC Total</b>			<b>133,000</b>	<b>675,000</b>	<b>203,000</b>	<b>140,000</b>		<b>1,151,000</b>
<b>GRAND TOTAL</b>			<b>133,000</b>	<b>675,000</b>	<b>203,000</b>	<b>140,000</b>		<b>1,151,000</b>

\$120K/yr. x 10-years debt repayment

50% City option = \$66,500



# Illustration of rents with no city contribution and no CIP items (note: market is \$20/sf WO/pool),

	Tenant	2024 Rent/SF	2025 Rent/SF	2025 vs 2024 % Increase	2024 Annual Rent	2025 Annual Rent
FiftyNorth Rent includes higher expense for pool operations	FiftyNorth	\$7.2	\$18	147%	\$130,000	\$322,000
	CAC	\$11.1	\$12	8.5%	\$84,000	\$91,000
	HCI	\$9.7	\$12	23.5%	\$36,000	\$44,000
	Three Rivers	\$11.1	\$12	7.8%	\$70,000	\$76,000
Market Rate w/pool = \$30-35/sf	United Way	\$11.0	\$12	8.9%	\$2,400	\$2,600
	Work Force	\$10.4	\$12	15.6%	\$1,550	\$1,800
	Rice County (10-Year Lease 3% Increase/yr)	\$7.4	\$7.6	3%	\$12,800	\$13,150
<b>NCRC Fund</b>						

# Illustration of rents with no city contribution and with CIP items (note: market is \$20/sf Commercial WO/Pool),

	Tenant	2024 Rent/SF	2026 Rent/SF	2026 vs 2024 % Increase	2024 Annual Rent	2025 Annual Rent	2026 Annual Rent
FiftyNorth Rent includes higher expense for pool operations	FiftyNorth	\$7.2	\$21	192%	\$130,000	\$322,000	\$378,000
	CAC	\$11.1	\$15	36%	\$84,000	\$91,000	\$114,000
	HCI	\$9.7	\$15	54%	\$36,000	\$44,000	\$56,000
	Three Rivers	\$11.1	\$15	35%	\$70,000	\$76,000	\$94,000
Market Rate w/pool = \$30-35/sf	United Way	\$11.0	\$15	36%	\$2,400	\$2,600	\$3,300
	Work Force	\$10.4	\$15	45%	\$1,550	\$1,800	\$2,200
	Rice County (10-Year Lease 3% Increase/yr)	\$7.4	\$7.6	3%	\$12,800	\$13,150	\$13,150
<b>NCRC Fund</b>							

# Illustration of rents with 50% city Wellness contribution per 2005 Agreement and no CIP items (note: market is \$20/sf)

	Tenant	2024 Rent/SF	2025 Rent/SF	2025 vs 2024 % Increase	2024 Annual Rent	2025 Annual Rent
FiftyNorth Rent includes higher expense for pool operations	FiftyNorth	\$7.2	\$13	80%	\$130,000	\$233,500
	City (50% Wellness)					\$88,500
	CAC	\$11.1	\$12	8.5%	\$84,000	\$91,000
	HCI	\$9.7	\$12	23.5%	\$36,000	\$44,000
Market Rate w/pool = \$30-35/sf	Three Rivers	\$11.1	\$12	7.8%	\$70,000	\$76,000
	United Way	\$11.0	\$12	8.9%	\$2,400	\$2,600
	Work Force	\$10.4	\$12	15.6%	\$1,550	\$1,800
	Rice County (10-Year Lease 3% Increase/yr)	\$7.4	\$7.6	3%	\$12,800	\$13,150
<b>NCRC Fund</b>						

**Illustration of rents with 50% city Wellness contribution per 2005 Agreement and with CIP items (note: market is \$20/sf Commercial WO/Pool)**

FiftyNorth Rent includes higher expense for pool operations

Market Rate w/pool = \$30-35/sf

**NCRC Fund**

Tenant	2024 Rent/SF	2026 Rent/SF	2026 vs 2024 % Increase	2024 Annual Rent	2025 Annual Rent	2026 Annual Rent
FiftyNorth	\$7.2	\$14.50	101%	\$130,000	\$233,500	\$261,500
City (50% Wellness)					\$88,500	\$116,500
CAC	\$11.1	\$15	36%	\$84,000	\$91,000	\$114,000
HCI	\$9.7	\$15	54%	\$36,000	\$44,000	\$56,000
Three Rivers	\$11.1	\$15	35%	\$70,000	\$76,000	\$94,000
United Way	\$11.0	\$15	36%	\$2,400	\$2,600	\$3,300
Work Force	\$10.4	\$15	45%	\$1,550	\$1,800	\$2,200
Rice County (10-Year Lease 3% Increase/vr)	\$7.4	\$7.6	3%	\$12,800	\$13,150	\$13,150

# NCRC Fund Leases – Policy Question 2025 rates



- A. 2025 Lease only: \$18/sf FiftyNorth & \$12/sf other tenants
  - No City “rent sharing” agreement and no City pool dehumidifier contribution
  - *Note: Reserve replacement = \$328,156 2025*
- B. 2025 Lease only: \$18/sf FiftyNorth & \$12/sf other tenants
  - City “rent sharing” agreement \$ 88,500
  - City 50% pool dehumidifier \$66,500
  - *Note: Reserve replacement = \$173,156 2025*
- C. Other? Other “rent sharing agreement” to be determined

# NCRC Fund Leases – Policy Question 2026 Proposal



To Propose But Not to Actual Implement the 2<sup>nd</sup> Year

- A. 2026 Lease only: \$21/sf FiftyNorth & \$15/sf other tenants
  - No City “rent sharing” agreement and no CIP 2026–2029 contribution
  - Note: Reduction of 2026 Levy \$328,156 IF 2025 reserve replenished (per last slide)
- B. 2026 Lease only: \$21/sf FiftyNorth & \$15/sf other tenants
  - City “rent sharing” agreement \$116,500 (increase takes into account CIP 2026–2029 contribution for FiftyNorth only)
  - *Note: No levy reduction until 2027*
- C. Other? Other “rent sharing agreement” to be determined