



Date: December 15, 2015
To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Steven W. Hicks, Director, General Services Department
Subject: Proposed Land Lease between the City of Durham and Durham Regional Association of Realtors, Inc.

Executive Summary

Durham Regional Association of Realtors, Inc. (DRAR) proposes to enter into a five (5) year land lease with a five (5) year renewal, for the purpose of vehicle parking at their office headquarters location. The parking area is located on a portion of 4238 University Drive, Durham, NC 27707, Parcel ID # 195741.

DRAR's existing ten year land lease for this area will expire on January 5, 2016. G. S. 160A-272 requires that leases for terms of more than ten (10) years shall be treated as a sale of property, with the sum of all prior regular and renewal terms counting toward the 10 year limit before competitive procedures are required. The City proposes to lease the property pursuant to the Upset Bid Procedure of G.S. 160A-269.

General Services Department staff has negotiated a proposed new five (5) year lease with 5 year renewal period, subject to the upset bid procedure. If it is the highest responsible bidder, DRAR will pay an initial annual rental of \$3,733.20 upon execution of the lease. The rental will increase by 2% annually for the remainder of the lease term (See Exhibit A, Rental Schedule).

Recommendation

1. Propose to accept a land lease with the offer from the Durham Regional Association of Realtors, Inc. for to lease a portion of the property located at 4238 University Drive, and for the City to then advertise for upset bids pursuant to the Upset Bid Procedure (G.S. 160A-269);
2. Authorize the City Manager to accept the bid from the highest responsible bidder at the conclusion of the upset bid process, pursuant to Section 86.3 of the City Charter;
3. Authorize the City Manager to execute a land lease for the purpose of vehicle parking with Durham Regional Association of Realtors, Inc. the highest responsible bidder for a five (5) year term, with a possible five (5) year renewal option, for a portion of 4238 University Drive, Durham, NC 27707, Parcel ID #195741 (City Tract 1635, Lot 2); and;
4. Authorize the City Manager to execute a Memorandum of Lease.

Background

The original land lease, between the City of Durham and DRAR, was executed in 2005. DRAR, at its sole expense, graded the site, constructed and is maintaining a parking lot according to a site plan approved by the City-County Planning Department. Upon expiration of the original lease these improvements become the property of the City.

Issues/Analysis

A land lease between the City and DRAR, or whomever is the highest responsible bidder at 4238 University Drive is beneficial to the citizens of Durham. The leasing of City-owned land generates a steady income stream that would not otherwise exist.

Alternatives

The City Council could decide not to propose to accept the land lease with DRAR and conduct of the upset bid process. This alternative is not recommended because if the City does not permit a high bidder to continue using this location for parking, the City will lose revenue of \$19,427.72 over the proposed five (5) year period.

Financial Impact

Under the proposed lease, DRAR would pay the sum of \$3,733.20 for the first year of the lease. The rent will escalate under the proposed lease by 2% each year in years 2 through 5. Should the renewal option be exercised, the rent will continue to escalate 2% each year in years 6 through 10. Revenue generated over the lease term under the proposed lease is \$19,427.72 in years 1 through 5 and \$21,449.78 in years 6 through 10, for a potential total revenue amount of \$40,877.50.

SDBD Summary

This item does not require review by the Equal Opportunity/Equity Assurance Department.

Attachments: Land Lease Agreement, Exhibit A Subdivision Map parcel ID #195741, and Exhibit B Rental Schedule.