

TOWN COUNCIL ACTION REPORT

October 31, 2013

Resolution Authorizing a Lease Agreement with the Board of Trustees of Illinois State University for the ISU Art Galleries Located in Uptown Station and Approving an Associated Budget Adjustment

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REVIEWED BY: Mark R. Peterson, City Manager
Steven D. Mahrt, Corporation Counsel
Mark Clinch, Director of Facilities

BUDGET IMPACT: A budget adjustment in the amount of \$1.9 million will be required in line 325-9835-466.46-40. This will include \$700,000 in FY 2013-14 and \$800,000 in FY 2014-15 for this project. In accordance with the proposed agreement, Town will be reimbursed by ISU with 4% annual interest over a five-year period.

STAFF RECOMMENDATION: Approval

ATTACHMENTS: Proposed Resolution; Proposed Intergovernmental Agreement

BACKGROUND

On May 2, 2013, the City Manager executed a memorandum of understanding (MOU) with Illinois State University for the occupation of the commercial space under the Uptown Station parking deck for the Illinois State University Art Galleries. The provisions of the MOU included the Town of Normal making improvements (build-out) of the commercial space with Illinois State University repaying the Town for the cost of the improvements over a five-year period. Operating under the provisions of the MOU, the Town has engaged professional architects and construction managers for the proposed build-out of the space. It is now appropriate for the Town and Illinois State University to enter into a formal agreement for the space.

DISCUSSION/ANALYSIS

The proposed intergovernmental agreement has been prepared by the Town's legal department and the Illinois State University legal staff. The agreement includes the following major provisions:

1. **TOTAL COST** - The cost of the build-out, including professional fees, permanent fees, and assessment, is estimated at \$1.9 million.
2. **RENT PAYMENTS** - The total rental amount will be based on the \$1.9 million estimate divided into five equal annual rental payments including an annual interest of 4%.
3. **HOURS OF OPERATION** - The art gallery will be operated six or seven days a week at least nine hours per day.

TOWN COUNCIL ACTION REPORT

4. **PARKING** - The Town agrees to grant Illinois State University the use of four parking spaces in the Uptown Station Parking Deck at no charge.
5. **UTILITIES** - Illinois State University will pay all utilities for the use of the space.
6. **MAINTENANCE** - Illinois State University will reimburse the Town on a monthly basis for the cost of routine cleaning and trash removal in an amount yet to be determined by the parties.
7. **TERM** – The term of the Lease is five (5) years.
8. **TERMINATION** - The lease may be terminated by either party upon ten days' written notice. Upon termination of the lease by either party, any unpaid rent for the remaining term shall become immediately due and payable to the Town.

Other provisions of this lease are typical and customary for lease agreements of this type.

The Town has been actively engaged with Illinois State University faculty and staff, the project architects (Eckenhoff Saunders Architects), and the construction manager (Mangieri Companies) on the completion of the programming phase for this project. The programming phase is now complete and the project team is beginning the design development phase of the project.

If this agreement is approved, Town staff will engage Eckenhoff Saunders Architects and Mangieri Companies for the remainder of the design and construction of the project. The project team anticipates design and construction to be completed in time for an opening of the ISU Art Galleries in the fall of 2014.

Once the initial five-year lease is concluded, it is envisioned that the parties will enter into another lease agreement providing for the use of the space by ISU for its University Art Galleries for an extended period with no lease payment obligations other than the cost of utilities and routine maintenance.

As this project represents an active use of a vacant space in the Uptown Station and a mutually beneficial partnership between the Town and Illinois State University, Town staff recommends approval.