THE URBAN RENEWAL AGENCY OF THE CITY OF TWIN FALLS

Date: January 10, 2011

To: Urban Renewal Agency of the City of Twin Falls

From: Melinda Anderson, URA Executive Director

Request:

Consideration of a request to authorize the Chairman to sign a new 10-year supplemental lease to lease URA-owned property (260 2nd Ave. E.) to the Veterans Affairs Department for $1,333.33 monthly NNN beginning Nov. 1, 2010 and expiring Oct. 31, 2020.

Background:

In 2000 the Agency approved a 10-year ground lease for its property on the corner of 2nd Ave. E. and 3rd St. E. to the Veterans Affairs Department to build a clinic. The ground lease was for $1 per year and expired this past Oct. 30, 2010. The lease was both to encourage new downtown development as well as to help serve Twin Falls and the region's veterans' medical needs. A gas station formerly occupied that corner.

When improvements are made to a site the owner of the ground also owns those improvements and thus this new lease would be for the ground and improvements. A local appraiser advised us that downtown office rents typically were in the $4-$8 per square foot per year range. That is the closest we could get to a medical clinic appraisal for downtown Twin Falls. As this clinic is for a public benefit, I recommend the Agency approve a lease rate at the $4 per square foot cost. The VA has agreed to that lease rate.

The 1-page supplement lease is attached to this staff report as well as the original lease. The original lease language would remain in place with the exception of the lease rate and the term of the lease. Fritz Wonderlich has reviewed the supplement and approved it.

Approval Process:

A majority vote of a quorum of the Agency board in open meeting.

Budget Impact:

The lease revenue will increase our income by $16,000 per year. There are no expenses anticipated for this property as the lease is NNN (which means the tenant pays all other costs).

Conclusion:

Staff recommends the board approve signing the 10 year VA lease.

Attachments:

1. 2000 VA lease agreement
2. 2010 supplemental lease