

Legislation Text

File #: 160843, **Version:** 0

Authorizing the Commissioner of Public Property, on behalf of the City, to enter into a sublease agreement with the Philadelphia Authority for Industrial Development for use by the City of premises located at 456 N. 5th Street, all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. The Commissioner of Public Property, on behalf of the City, is hereby authorized to enter into a sublease agreement, as subtenant, with the Philadelphia Authority for Industrial Development, as tenant and sublandlord, for use by the City of premises located at 456 N. 5th Street, pursuant to terms substantially similar to those set forth in the document attached hereto as Exhibit “A.”

SECTION 2. The City Solicitor is hereby authorized to review and approve the lease and other documents necessary to effectuate this Ordinance, which lease and documents shall contain such terms and conditions as the City Solicitor shall deem necessary and proper to protect the interests of the City of Philadelphia and to carry out the purpose of this Ordinance.

EXHIBIT “A”

Terms of Proposed Lease and Sublease For 456 N. 5th Street

- 1. Tenant:** City of Philadelphia Department of Public Property (“Subtenant”), through a sublease with the Philadelphia Authority for Industrial Development (“Prime Tenant” or “PAID”) (the term “Tenant” shall refer to both Subtenant and Prime Tenant).
- 2. Landlord:** Alliance HSP Philadelphia Warehouse LP (“Alliance” or “Landlord”) (the term “Landlord” shall include Landlord acting in the capacity of Prime Landlord under the Master Lease/Sublease arrangement contemplated in Paragraph 1) or such other affiliated entity as may be designated as Landlord.
- 3. Property:** 456 N 5th Street, Philadelphia PA (“Property”). The Total Property square footage is 225,000 RSF today; however, the square footage is subject to change based on a final development plan for the site (“Master Plan”).
- 4. Premises:** No less than 70,000 rsf and not exceed 80,000 rsf (“Premises”).
- 5. Use:** Records Management/City Archives with accessory offices. Landlord will obtain confirmation from Philadelphia City Planning Commission that this is a “by right” use under the new CMX-3 zoning.
- 6. Term:** The initial lease term (the “Initial Lease Term”) will be Fifteen (15) Years and Six (6) months

commencing on the Lease Commencement Date. The Lease Commencement Date shall be the date on which all Base Building Work and Tenant Improvement Work (as those terms are defined in Section 13 below) are completed and the Premises is in move-in condition for Tenant's proposed use.

7. Renewal Options: Tenant will have two (2) five (5) year renewal options to continue its occupancy of the Premises at fair market rent for a renewing tenant with a lease containing these terms. Tenant shall provide not less than twelve (12) months written notice of its intent to exercise its renewal option.

8. Target Commencement Date: TBD, but no earlier than April 1, 2017 and no later than October 1, 2017.

9. Rental Rate/Free Rent: \$10.50 NN* per rsf with 2.5% annual escalations ("Base Rent"). Six (6) months of free Base Rent ("Rent Abatement") applicable from and after the actual Commencement Date; provided that if the actual Commencement Date is between the period April 1, 2017 and September 30, 2017, the Main Lease/Sublease shall provide an additional period of free Base Rent beyond six (6) months that is commensurate with the period by which the actual Commencement Date precedes October 1, 2017.

10. Operating Expenses: Except as set forth in the next Section, "11." Repairs, Maintenance and Replacements ("RMR"), Tenant shall pay its proportionate share of the operating expenses for the property to Landlord on a monthly basis ("Operating Expenses"). Operating expenses shall include, but not be limited to, taxes, insurance, utilities, landscaping, snow removal, trash removal, common area janitorial, common area site security, janitorial internal to the office/public access Premises ("Office/Public Access Portions of the Premises") and property management costs.

11. Repair, Maintenance and Replacement Costs: Tenant shall bear the cost of operating, maintaining, repairing and replacing any specialized or non-standard office/warehouse equipment in the facility (e.g. Argon gas equipment). Except for Tenant's specialized equipment or atypical usage, Landlord shall bear any and all RMR costs for the Premises (note: the specialized, non-standard office/warehouse equipment or usage noted herein will be specifically identified and set forth in the Lease). More specifically, Landlord's RMR obligations shall include:

- a) Landlord shall keep and maintain in good order and condition, repair and replace, the Building foundation, exterior walls, structure, windows, doors and utility service lines.
- b) Landlord shall keep and maintain in good order and condition, repair and replace the roof and common areas of the Property, including the parking lots, loading docks, parking lot lighting, and fencing. Landlord will make the decision to replace items (vs. repairing the item) using good faith and commercially reasonable judgment.
- c) Except as noted above regarding the RMR of specialized equipment, Landlord shall repair and maintain the interior of the Leased Premises, including the plumbing, flooring, lighting, electrical, elevator, if any, and sprinkler and HVAC systems.
- d) **Mid-Term Refurbishment:** As part of Landlord's maintenance obligation, Landlord shall repaint and re-carpet the Office/Public Access Portions of the Premises in the eighth (8th) year of the Initial Lease Term.

12. Tenant Improvements:

- a) *Self-Financing of TI by City:* Subject to the appropriation of funds by City officials and voter approval of the City's capital budget, the City shall have the option of financing the tenant improvements ("TI") required for the Premises. Under the City self-financing option, the TI shall continue to be constructed by Landlord as provided in Section 13. The City will provide Landlord with a TI budget, and together the City and Landlord will develop a mutually agreeable construction timetable and payment schedule. The payment scheduled will

provide for (i) an initial advance payment enabling commencement of the work, (ii) periodic progress payments based on percentage of completion of the work, and (iii) a final payment following satisfactory completion of punch list items and Landlord's delivery of the Premises, including delivery of a certificate of occupancy permitting the City's intended use of the Premises. All payments made by the City to Landlord shall be accompanied by invoices and such other documentation as is necessary to verify Landlord's TI construction costs. The City will notify Landlord of its election to proceed with the self-financing option no later than December 31, 2016. If the cost of the City's desired TI exceeds the amount appropriated and available to the City, Landlord and the City will mutually agree upon a supplementary TI Allowance provided by Landlord, in an amount to be determined, to be amortized and financed by Landlord as provided in Section 12 b) below. Notwithstanding the foregoing, City must first use any appropriated funds from the City to pay its TI costs before utilizing funds from the Landlord pursuant to Section 12 b) below.

b) *Financing of TI by Landlord:* If the City does not appropriate sufficient funds to self-finance the TI required for the Premises, Landlord will provide Tenant a Tenant Improvement Allowance ("TIA") of up to \$50.00 per rsf to be used towards TI (example uses: HVAC, restrooms in the Premises, office build-out, internal demising costs, sprinkler costs, etc.). The TIA will be amortized over the Initial Term at the same interest rate Landlord has agreed to pay to its lender(s), which rate will be confirmed by providing Tenant with a copy of the applicable term sheet(s) or loan agreement(s). Notes: (1) Landlord may choose to refinance the Property with one or more lenders/loans and/or elect to finance the Property using a floating interest rate loan, in which case the applicable interest rate for calculating the TIA amortization will be adjusted to reflect the prevailing weighted average interest rate paid by Landlord; (2) Landlord may elect to separately finance City's amortized TIA from the rest of the Property, in which case the prevailing interest rate on that loan shall be used. Notwithstanding the foregoing, the loan interest portion of the City's amortized TIA shall not exceed the then prevailing average interest rate charged by federally insured conventional lending institutions for similar commercial construction financing.

Subject to the availability and appropriation of funds by the City, if Tenant's desired TI costs exceed the \$50 per rsf TIA provided by Landlord under this Section 12 b), the City will itself cover the expense of such excess costs. Note: Landlord will not provide money to Tenant to be used as a credit against Base Rent. The TIA must be spent on architectural fees or construction costs.

13. Construction of Improvements: The Lease Commencement Date is targeted to occur sometime during the period April 1, 2017 to October 1, 2017 following completion of the Base Building Work and Tenant Improvement Work as those terms are defined below. Delivery of the Premises is subject to plan approval, finish availability, lease signature and permitting process. Given the coordination required between Master Plan work ("Base Building Work") and tenant improvements ("Tenant Improvement Work"), this is not a standard tenant improvement project. As such, Landlord will be responsible for all construction, Base Building Work, Tenant Improvement Work and otherwise required pursuant to the Lease. Notwithstanding Landlord's role and responsibilities, as detailed below, Landlord's intent is to have an "open book" construction process to ensure that both Landlord and Tenant receive the best possible quality, price, and reliability for the funds expended. The Landlord's project manager will use the Base Building Work contractor to perform the Tenant Improvement Work for market standard Overhead and Profit rates. The Base Building Work contractor will obtain at least three (3) bids from subcontractors for the Tenant Improvement Work, and there shall be a clear delineation between the Tenant Improvement Work and Landlord's shell Base Building Work. The Tenant shall have the right to recommend qualified contractors for the bid list. An exhibit that details the Base Building Work and Tenant Improvement Work will be included in the Lease.

14. Utilities Serving the Premises: As part of Landlord's Base Building Work, Landlord will sub-meter the Premises for utility consumption (gas, electric, water/sewer) within the Premises. Tenant will contract directly with utility companies, if possible, and be responsible for the payment of utilities consumed within the

Premises.

15. Base Building Delivery: The Premises will be demised by Landlord in a mutually agreeable configuration. The condition of the Premises (prior to TI) will be delivered “As Is” after Landlord installs the demising wall and pays for the cost of any electric/gas, water/sewer sub-metering. Landlord’s Base Building Work will include an ADA accessible entrance to the Premises at no cost to Tenant.

16. Termination Option: Landlord is not offering a Termination Option.

17. Building Signage: Tenant shall have the right to install building signage (“Tenant Building Signage”), subject to Landlord’s reasonable standards and approval, not to be unreasonably withheld, giving due consideration to the quality and character of the Building as well as Landlord’s overall Master Plan signage program. All exterior signage is subject to City approval; Tenant Building Signage is allowed by right under the current zoning.

18. Loading Docks: Tenant shall have access to one (1) existing loading dock bay and a van access point with on-grade loading.

19. Parking: Tenant shall have access to 20 designated parking spaces (“City of Philadelphia Parking”) at a mutually agreeable location on the Master Plan that is within reasonable walking distance of the Premises. There will be no charge for these spaces. Outside of the City’s normal business hours at the Premises (8:00 A.M. to 7:30 P.M. Monday through Friday and 8:00 A.M. to 12:00 P.M. on Saturday), Landlord will have ability to use up to 15 of the City of Philadelphia Parking spaces for other tenants.

20. Restoration: At end of Lease term, Tenant to deliver a “broom clean” Premises, as altered by the Alterations. Tenant will remove all shelving from the Premises.