

POLICY

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1.0 STATEMENT OF PURPOSE

The City of El Paso has embarked on asset management of its real estate holdings to maximize property service, develop opportunities for revenue, open opportunities for economic development, enhance city-owned property, and assist social service programs that target public at large in accordance to City of El Paso “quality of life” functions.

2.0 SCOPE/GOAL

Create an asset portfolio on city-owned property for investment to maximize value or returns.

3.0 RESPONSIBILITIES

Capital Assets Management

4.0 DEFINITIONS

4.1 Asset management is a systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets. The objective of asset management is to maximize the impact of an asset in support the delivery of high-quality public services and manage related risks and costs over the entire life cycle of the asset.

4.2 A lease is a contract by which City of El Paso (landlord or lessor) gives to another (tenant or lessee) the use and possession of lands, buildings, property, etc. for a specified time and fixed payments.

5.0 REQUIREMENTS

5.1 Buildings, facilities, land and other City of El Paso assets to be leased based upon current market values and rates.

5.2 The City will consider various forms of consideration value:

5.2.1 Income or Direct Revenue

5.2.2 Quantifiable Value of Social Service Programs Complementary to City Functions (a performance standard will be established to assure continued delivery of values)

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5.2.3 Facility Improvements (plans, specifications and cost estimate prepared by a licensed Architect/Engineer is required).

5.2.4 Capital Works (plans, specifications and cost estimate prepared by a licensed Architect/Engineer is required)

5.3 All leased premises must carry adequate liability and indemnification insurance in amounts defined by City of El Paso.

5.4 Enterprises on contracted city property are subject to ad-valorem taxes as determined by the El Paso Central Appraisal District.

5.5 Subleasing subject to City's approval.

5.6 Mortgage liens subject to City's legal review and approval.

5.7 Subcontracting or subleasing subject to approval of City of El Paso.

6.0 OTHER CONSIDERATIONS

6.1 An appraisal may be required to establish current market value. Appraiser cost to be amortized in lease.

6.2 A survey may be required to establish boundary of leased property. Surveyor cost to be amortized in lease unless other arrangements are made.

6.3 Lessee should not occupy the building until receipt of "Certificate of Occupancy" issued by Development Services.

6.4 Lessee to assume liability for an pay their utility arrangements and consumption costs, unless negotiated as part of the agreement.

6.5 Lessee is responsible for general building cleaning, grounds and landscaping upkeep.

6.6 At the end of lease, lessee to remove improvements that may impact the environmental quality and return property in clean and usable condition, unless agreed to remain as part of the agreement.

6.7 Lessor to be responsible for and pay for building maintenance and repairs of facility, unless negotiated as part of the agreement.

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7.0 PRICING POLICY

7.1 Land

7.1.1 The City will establish an annual leasing rental rate schedule value of eight percent (8%) of the appraised fair market value of the leased asset, disregarding the value of any improvements placed on the Leased Premises by the lessee. For purposes of establishing annual leasing rental rate, the term “Leased Premises” shall mean the city-owned land being leased, not including lessee-owned improvements.

7.1.2 The rental rates shall be adjusted to inflationary percentages published in “Consumer Price Index” for all urban consumers, effective every other year.

7.1.3 Any option to extend at the end of the initial lease term shall be at a rate of nine percent (9%) of the then fair market value of the Leased Premises without regard to the value of any lessee-owned improvements, and adjusted in accordance to the above paragraph.

7.1.4 During the term of any lease, the City may renegotiate a new lease with the existing lessee at a rate based upon the then fair market value of the Leased Premises, disregarding the value of lessee-owned improvements.

7.2 Facilities

7.2.1 The City will establish an annual leasing rental rate schedule based on neighboring area rental rates for similar facilities.

7.2.2 The rental rates shall be adjusted to inflationary percentages published in “Consumer Price Index” for all urban consumers, effective every other year.

7.2.3 Any option to extend at the end of the initial lease term shall be at the then neighboring area rental rates, and adjusted in accordance to the above paragraph.

7.2.4 During the term of any lease, the City may renegotiate a new lease with the existing lessee at a rate based upon the then neighboring area rental rates disregarding the value of lessee-owned improvements.

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7.3 Infrastructure

7.3.1 Special consideration for Infrastructure to be negotiated in lease.

7.4 Underground Conduits, Communication Towers

7.4.1 Special considerations for Underground Conduits, Communication Towers to be noted in lease.

7.5 Bridges, Basins

7.5.1 Bridges and Basins have unique requirements that must be addressed in lease.

8.0 APPROVALS

8.1 Leases to be reviewed and approved by Capital Assets & Real Estate (CARE) Committee.

8.2 Leases to be approved by City Manager and/or City Council as provided by Ordinances.