



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: Economic Development

To: City Council

From: City Manager & Staff

Council Meeting Date: August 17, 2020

Re: Amendment to an Extended Lease Agreement with IBM for Property Located at 2810 LeMone Industrial Boulevard

## Executive Summary

Authorize the City Manager to execute an amendment to an extended lease agreement with International Business Machines Corporation (IBM) on the City of Columbia owned property at 2810 LeMone Industrial Boulevard. The current lease with IBM expires on October 30, 2020, and IBM has the option to extend the term of this lease for five years. This amendment modifies the terms of that extended lease, and will allow IBM to continue operations in Columbia at the subject property.

## Discussion

In 2010, as part of a community effort to attract an IBM office and technical support facility to Columbia, the City Council passed an ordinance that authorized a Funding and Property Transfer Agreement with the Columbia Area Jobs Foundation (CAJF). The Funding and Property Transfer Agreement enabled the City of Columbia to acquire a facility located at 2810 LeMone Industrial Boulevard, and also the assignment of the lease with IBM. Under the current lease, IBM pays a "fixed rent" and "additional rent". The "fixed rent" for the initial ten-year term was an amount sufficient to pay off an approximately \$10,000,000 bank loan that was used to reconstruct the building and parking lot of 2810 LeMone. The "additional rent" is an amount that pays all operating expenses including insurance, janitorial, grounds, utilities, maintenance, and real estate management fees for the property.

The initial term of the lease was ten years, and began on November 1, 2010, and is set to expire on October 30, 2020. In the terms of the original lease, IBM has the option to extend the term of the lease for an additional five year term. The "fixed rent" payable in the extended term for each month is set at \$100,000 per month, but the monthly lease payment can be reduced by the Qualified Jobs Credits. The Qualified Jobs Credit is calculated on the number of employees IBM has employed at the facility on the last day of previous calendar quarter, multiplied by a credit of \$166.67 per employee. The Qualified Jobs Credit is earned up to a maximum of 600 employees, so for example, if IBM maintains 600 Qualified Jobs, their "fixed rent" would be \$0.00. IBM also continues to pay the "additional rent" each month.

IBM has requested modifying the extended term from a five year lease to a three year lease, with two additional one year extensions. In order to accommodate this request, the City of Columbia has created an amendment that allows for a three year term, plus the two additional one year extensions. This amendment basically mirrors the original five year extended lease, with one exception. This new amendment to the lease creates a Transition



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Reserve Payment (TRP) of \$12,000 per month that IBM will pay during each of the first thirty-six months of the extended term, and will equal \$432,000 after the third year. This TRP will be held by the City in escrow, and will be available by the City to use to pay operating expenses and costs to market the building should IBM choose not to extend the lease past the third year. If IBM chooses to extend the lease for a fourth year, they can apply \$12,000 per month out of the TRP escrow account as a credit towards the "fixed rent". If IBM chooses to extend the lease for a fifth year, they can also apply \$12,000 per month out of the TRP escrow account as a credit towards the "fixed rent". The IBM Columbia facility currently employs approximately 500.

## Fiscal Impact

Short-Term Impact: Varies  
Long-Term Impact: Varies

## Strategic & Comprehensive Plan Impact

Strategic Plan Impacts:

Primary Impact: Economy, Secondary Impact: Infrastructure, Tertiary Impact: Tertiary

Comprehensive Plan Impacts:

Primary Impact: Economic Development, Secondary Impact: Infrastructure, Tertiary Impact: Livable & Sustainable Communities

## Legislative History

05/24/2010	B122-10A Authorizing a Funding and Property Transfer Agreement with Columbia Area Jobs Foundation in connection with the establishment of an IBM office and technical support facility in Columbia; authorizing the City Manager to waive certain contingencies in the agreement and to terminate the agreement if all contingencies are not waived or met; authorizing the City Manager to approve the final form of various documents, subject to certain provisos; appropriating funds.

## Suggested Council Action

Authorize the City Manager to execute an amendment to an extended lease agreement with International Business Machines Corporation (IBM) on City of Columbia owned property at 2810 LeMone Industrial Boulevard.