



TO: FRUITA CITY COUNCIL AND MAYOR

FROM: JOE ZAHER, FINANCE DIRECTOR

DATE: NOVEMBER 19, 2024

AGENDA TEXT: ORDINANCE 2024-21 – First Reading – An Ordinance Approving A Lease Agreement With Museum Of Western Colorado And Authorizing The Interim City Manager To Execute The Agreement.

BACKGROUND

The following is background information, and a brief summary of issues related to the execution of a new lease with the Museum of Western Colorado for the Devils Canyon Center property, also known as the Dinosaur Journey Museum.

This lease replaces the lease dated April 5, 2016. Many of the terms and conditions of the existing lease are carried forward in the new lease agreement.

- Term of Lease. The initial term is 5 years with the option to renew for 4 additional 5-year periods (20 years) for a total of 25 years.
- Credits Towards Option Price. Credits from the original lease of \$449,649 are carried forward with no additional credits incorporated into the new lease.
- Premises. This is redefined as the existing Dinosaur Journey Museum building as indicated on Exhibit A. This excludes other property such as the parking lot, common areas and other land from the lease but still provides for the non-exclusive use of the parking lot and common areas by the Museum.
- Rent payments. The base rent of \$57,600 may be offset by certain expenses of the Museum including:
 - Repairs to the building. At a minimum, 20% (\$11,520) of the rent shall be used annually towards building improvements or placed in a reserve for future building improvements until said reserve reaches a minimum balance of \$60,000.
 - Maintenance of building, parking lot and common areas. At a minimum 15% of the rent (\$8,640) shall be used towards maintenance expenses on an annual basis.
 - Remaining rent may be offset by the following expenses:
 - Property Damage and Casualty insurance premiums
 - Marketing expenses for the Dinosaur Journey Museum
 - Exhibits for the Dinosaur Journey Museum

- Professional staff specifically related to operations of the Dinosaur Journey Museum
- Annual accounting of expenses used to offset rent. The museum will account to the City the total cost of expenses used to offset rent on an annual basis. Any remaining balance of rent shall be paid to the City.
- Property Insurance. The lease requires that the museum also maintain property damage and casualty insurance for the building and the City will no longer cover the property under its property insurance coverage
- Utilities. Drainage fees have been added to the list of utilities the Museum is responsible for paying.

FISCAL IMPACT

The lease agreement reduces annual revenue for the City in the amount of \$57,600.

APPLICABILITY TO CITY GOALS AND OBJECTIVES

The Museum of Western Colorado is a valuable asset to the community and was built as an economic development project to provide a focal point for attraction of visitors to the community and increase the economic vitality of the City. This lease agreement helps to ensure the economic viability of the Museum and retain an existing tourism asset in the community which is in keeping with the Council's goal to execute a viable economic development strategy.

OPTIONS AVAILABLE TO THE COUNCIL

1. Approve the Ordinance on first reading and set a public hearing for adoption of the Ordinance approving the Lease Agreement
2. Amend the terms of the Lease Agreement and/or Ordinance
3. Take no action and leave the existing lease agreement in place.

RECOMMENDATION

MOVE TO PUBLISH SYNOPSIS OF ORDINANCE 2024-21 APPROVING A LEASE AGREEMENT WITH MUSEUMS OF WESTERN COLORADO FOR PUBLIC HEARING AT THE REGULAR CITY COUNCIL MEETING ON DECEMBER 17, 2024.