



Department of Community Development

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To: Eric L. Wobser, City Manager

From: Matthew D. Lasko, Chief Development Officer

Date: August 12, 2016

Subject: Commission Agenda Item – Letter of Intent for City Administrative Facility

Item for Consideration: Legislation for approval to enter into a Letter of Intent (LOI) with Vintage Development Group, LLC (“Vintage”) related to the redevelopment of 232-256 Columbus Avenue and 115 E. Washington Row into a mixed-use project (the “Project”) – part of which would include City Administrative facilities.

Background Information: In the Spring of 2016, City Commission undertook the task planning for and analyzing the long-term and necessary capital needs of the City Hall facility. The City Manager and staff were directed to undertake a thorough needs analysis of the existing facility, but to also explore options for moving administrative and justice center operations into either newly built facilities or undertaking renovations to existing facilities elsewhere in the City – the results of which were desired within ninety (90) days.

As an initial step, the City contracted with DS Architecture out of Kent, Ohio – one of the most prominent and experienced municipal facility architects in the State of Ohio. DS Architecture was tasked with completing a needs assessment of the current City Hall facility. Additionally, DS Architecture completed space needs analysis and a series of cost estimates covering multiple scenarios for administrative and justice center facility locations including:

- Complete renovation and expansion of the existing City Hall facility that would continue to house both administrative and justice center operations
- Building a new justice center on a vacant piece of land within ¼ mile of the core of downtown
- Building a new City Hall to house the administrative functions of the City on a vacant piece of land within ¼ mile of the core of downtown
- Complete renovation (with no expansion) of the existing City Hall facility that would only house the justice center operations

- Complete renovation of the Kingsbury Building and Calvary Temple (at the intersection of Columbus Avenue and E. Washington Row) that would house only administrative functions

For all of the above five (5) scenarios, the consultants also undertook a non-economic analysis of each option that looked at the pros and cons of each option across varying attributes.

Only July 11, 2016 – DS Architecture presented the results of their findings to the City Commission and community. After much research and analysis, the firm recommended the following:

- (1) Build a new justice center on a vacant piece of land within ¼ mile of the core of downtown, and
- (2) Undertake a complete Renovation of the Kingsbury Building and Calvary Temple (at the intersection of Columbus Avenue and E. Washington Row that would house only administrative functions

At that same meeting, Sandusky City Commission, by a vote of 7-0, approved the recommendations of the consultants and directed staff at future meetings to both present multiple site options for consideration for the justice center to be constructed on and also come back with a proposal to build out and occupy the Kingsbury and Calvary Temple spaces.

The attached LOI (specific only to the City Administrative facilities) to be entered into between the City and Vintage calls for the City to lease 21,568 square feet at an initial lease rate of \$11.25/s.f. annually. The rental payments are subject to 1.5% annual rent increases. The original term of the lease would be for thirty (30) years – however, the City would have the option to purchase the portion of the building housing City Administrative functions at either year seven (7) for \$2,990,000 or year twenty (20) for 90% of the fair market value of the leased space or year thirty (30) for 80% of the fair market value of the leased space. The City would also be required to provide and maintain a security deposit equal to one (1) month of rent and provide \$1.50 per square foot leased annually to Vintage for operating and maintenance reimbursements.

Budgetary Information: The budgetary impacts of entering into the LOI resulting in the development of the Project and relocation of City Administrative functions is outlined in detail within the attached LOI. However, it is important to note that the financial commitments of the City outlined in the LOI are conditioned on several major benchmarks being achieved. However, there is one (1) non-conditional funding commitment contemplated within the attached LOI – which is the commitment to provide \$80,000 in non-refundable predevelopment assistance to Vintage to off-set a portion of the space planning, architectural and cost estimating services that will be required to secure funding commitments for the project. These funds would be due in two (2) equal installments of \$40,000 due on or before September 15, 2016 and November 15, 2016. These funds are to be paid from the City's Capital account.

Action Requested: It is requested that proper legislation be prepared to permit the City Manager to enter into a LOI with Vintage. It is further requested that this legislation take immediate effect in full accordance with Section 14 of the City Charter in order to ensure execution of the LOI for inclusion in Vintage's Ohio Historic Preservation Tax Credit program application due in September of 2016.

I concur with this recommendation:

Eric L. Wobser
City Manager

Matthew D. Lasko, MUPDD, MSSA
Chief Development Officer

One (1) attachment

cc: Kelly Kresser, Clerk of the City Commission
Hank Solowiej, Finance Director
Justin Harris, Law Director
Aaron Klein, Public Works Director

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING AND DIRECTING THE CITY MANAGER TO ENTER INTO A LETTER OF INTENT WITH VINTAGE DEVELOPMENT GROUP, LLC RELATED TO THE REDEVELOPMENT OF PROPERTY; AND DECLARING THAT THIS ORDINANCE SHALL TAKE IMMEDIATE EFFECT IN ACCORDANCE WITH SECTION 14 OF THE CITY CHARTER.

WHEREAS, the properties located at 232-256 Columbus Avenue and 115 E. Washington Row are currently owned by two separate ownership groups, Marous Development LLC and SeaSand Holdings LLC, who are entering into a Joint Venture to combine all three properties into one ownership entity and Vintage Development Group, an affiliated entity of Marous Development LLC, will lead the development of the project; and

WHEREAS, the project consists of an approximate \$11.0 million mixed-use development and adaptive re-use of three properties located in Downtown Sandusky, part of which would include City Administrative facilities; and

WHEREAS, the project requires multiple funding sources, including but not limited to federal and state historic tax credits, and new markets tax credits, in order to successfully execute the project's redevelopment and as such, the project will be developed in 2017 because of historic tax eligibility that must be obtained for the Marous Development owned properties on Columbus Avenue and eligibility is anticipated to be obtained in 2016; and

WHEREAS, pursuant to Article XVIII Sections 3 and 7 of the Ohio Constitution, the City desires to enter into the attached Letter of Intent (LOI), which is incorporated herein; and

WHEREAS, the Calvary Temple Building located at 115 E. Washington Row is currently eligible for historic tax credits and Vintage Development Group, an affiliated entity of Marous Development LLC and the Developer of the project, will be applying for a historic state tax credit award in September 2016, and will be seeking a New Markets Tax Credit award simultaneously, which if such awards are successful, the project will be developed commencing in 2017; and

WHEREAS, this Ordinance should be passed as an emergency measure under suspension of the rules in accordance with Section 14 of the City Charter in order to execute the Letter of Intent for inclusion in Vintage's Ohio Historic Preservation Tax Credit program application due in September of 2016; and

WHEREAS, in that it is deemed necessary in order to provide for the immediate preservation of the public peace, property, health, and safety of the City of Sandusky, Ohio, and its citizens, and to provide for the efficient daily operation of the Municipal Departments, including the Department of Community Development, of the City of Sandusky, Ohio, the City Commission of the City of Sandusky, Ohio, finds that an emergency exists regarding the aforesaid, and that it is advisable that this **Ordinance** be declared an emergency measure which will take immediate effect in accordance with Section 14 of the City Charter upon its adoption; and **NOW, THEREFORE**,

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF SANDUSKY, OHIO, THAT:

Section 1. The City Manager is authorized and directed to enter into a Letter of Intent with Vintage Development Group, LLC related to the redevelopment of property located at 232-256 Columbus Avenue and 115 E. Washington Row, substantially in the same form as Exhibit "1", a copy of which is attached to this Ordinance and is specifically incorporated as if fully rewritten herein, together with such revisions or additions as are approved by the Law

Director as not being adverse to the City and as being consistent with carrying out the terms of this Ordinance.

Section 2. If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any Court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 3. This City Commission finds and determines that all formal actions of this City Commission concerning and relating to the passage of this Ordinance were taken in an open meeting of this City Commission and that all deliberations of this City Commission and of any of its committees that resulted in those formal actions were in meetings open to the public in compliance with the law.

Section 4. That for the reasons set forth in the preamble hereto, this Ordinance is hereby declared to be an emergency measure which shall take immediate effect in accordance with Section 14 of the City Charter after its adoption and due authentication by the President and the Clerk of the City Commission of the City of Sandusky, Ohio.

DENNIS E. MURRAY, JR.
PRESIDENT OF THE CITY COMMISSION

ATTEST: _____
KELLY L. KRESSER
CLERK OF THE CITY COMMISSION

Passed: August 22, 2016



City of Sandusky – Redevelopment Proposal of the Columbus Avenue Revitalization Project & Mixed-Use Development of 115 E. Washington Row & 256 Columbus Avenue (Commercial Banking & Trust Co. Building aka Calvary Temple Building), 238-240 Columbus Avenue (Kingsbury Building) and 232-234 Columbus Avenue (Whitworth Building), (collectively, the “Project”); Including City Hall Lease Term Sheet at 115 E. Washington Row and 240 Columbus Avenue August 17, 2016

Project Background

The Project consists of an approximate \$11.0 million mixed-use development and adaptive re-use of three properties located in Downtown Sandusky with proposed uses as follows:

- 115 E. Washington Row & 256 Columbus Ave –PPN#56-68023.000 - City Hall Offices & Retail
- 238-240 Columbus Ave–PPN#56-01068.000 - City Hall Public Spaces & Apartments
- 232-234 Columbus Ave–PPN#56-01247.000 - Retail & Apartments

The properties are currently owned by two separate ownership groups, Marous Development LLC and SeaSand Holdings LLC, who are entering into a Joint Venture to combine all three properties into one ownership entity. Vintage Development Group, an affiliated entity of Marous Development LLC, will lead the development of the Project.

The Project requires multiple funding sources, including but not limited to federal and state historic tax credits, and new markets tax credits, in order to successfully execute the Project’s redevelopment. As such, the Project will be developed in 2017 because of historic tax eligibility that must be obtained for the Marous Development owned properties on Columbus Ave. Such eligibility is anticipated to be obtained in 2016. The Calvary Temple Building located at 115 E. Washington Row is currently eligible for historic tax credits. Vintage Development Group, an affiliated entity of Marous Development LLC and the Developer of the Project, will be applying for a historic state tax credit award in September 2016, and will be seeking a New Markets Tax Credit award simultaneously, which if such awards are successful, the Project will be developed commencing in 2017.

Project Critical Assumptions

The assumptions, including estimated capital financing sources, contained within in this Proposal related to the Project are based on the following:

1. Application and approval of Historic Tax Credits (HTC) – approximately \$3,130,000 of HTC equity:
 - a. Federal Historic Tax Credits (FHTC) at 20% of Qualified Rehabilitation Expenses (QREs) and State of Ohio Historical Tax Credit (SHTC) Round 17 Award (September 2016) at 25% of



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QREs.

- b. The City has obtained its Certified Local Government (CLG) status and is currently working to amend its Columbus Historic District to include the Kingsbury and Whitworth Buildings prior to the Round 17 Ohio Historic Preservation Tax Credit (OHPTC) application deadline date. The City also passed legislation on August 8, 2016 to locally landmark the Kingsbury Building.
2. Application and awards of New Markets Tax Credit (NMTC) allocations of approximately \$1,870,000 of NMTC equity – estimated NMTC allocation needed of \$9.4 million. In the event NMTC equity is unobtainable for the Project, or is obtained at levels below the assumed allocation amounts above, the City of Sandusky would agree to split equally with Vintage Development Group the unsuccessful NMTC equity gap of the City Hall space by contributing up to an additional \$400,000 of Grant funds into the Project (in addition to the City’s funding sources in Items 3. and 4. below) toward such gap, with Vintage Development Group providing the remaining 50% gap equity balance.
3. Funding assistance of \$450,000 through the City of Sandusky’s Community Development Capital Projects (CDCP) Fund and Economic Development Capital Projects (EDCP) Fund utilizing Grant programs PHASE II - as follows:
 - a. CDCP Fund - \$150,000 Grant
 - b. EDCP Fund - \$300,000 Grant
 - All Grant Funds would be disbursed at commencement of construction.
4. City of Sandusky Funding for City Hall Lessor and Lessee Improvements (“Improvements”) of no less than \$1,050,000 applicable to the City Hall portion of the Project and the City Hall space (the “Improvements Funding”- see below), to be contributed by the City into the Project and such related Improvements costs included in QREs.



City of Sandusky – Redevelopment Proposal of the Columbus Avenue Revitalization Project & Mixed-Use Development of 115 E. Washington Row & 256 Columbus Avenue (Commercial Banking & Trust Co. Building aka Calvary Temple Building), 238-240 Columbus Avenue (Kingsbury Building) and 232-234 Columbus Avenue (Whitworth Building), (collectively, the “Project”); Including City Hall Lease Term Sheet at 115 E. Washington Row and 240 Columbus Avenue August 17, 2016

5. Vintage Development Group successfully obtaining Senior Debt Financing for the Project of approximately \$3,800,000.
6. The Joint Venture of Marous Development LLC and SeaSand Holdings LLC contributing approximately \$700,000 of property and cash equity into the Project.
7. Real Estate Tax Abatement approved by the City of Sandusky (and Erie County/State of Ohio if required) equal to 100% of the Improved Value for a minimum of ten (10) years – fifteen (15) years preferred.

CITY HALL PROPOSED LEASE TERMS

Leased Premises A portion of each of the commercial buildings located at 115 E. Washington Row (PPN# 56-68023.000) and 240 Columbus Ave. (PPN # 56-01068.000), Sandusky, Ohio 44870 as depicted on Exhibit A (to be provided with lease), consisting of a total of 21,568+/- square feet with the following approximate areas:

	<u>115 E. Washington</u>	<u>240 Columbus</u>
Square Feet (SF)	15,790 SF	5,778 SF

Common Areas Common Areas are not shared with other Lessees in the buildings other than walks and landscaped areas on the site and common areas within the buildings consisting of a common stairwell, common elevator, common fitness center and common rest rooms near the fitness center. Note that the street parking in front of the buildings is not part of the Common Areas.

Lessor The Joint Venture entity (TBD) to be formed between Marous Development LLC and SeaSand Holdings LLC.

Lessee City of Sandusky, Ohio.



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Guarantors	None.
Credit	The Lease shall be subject to Lessor’s review and approval of current financial information of Lessee. Lessor to have sole option to terminate lease within 90 days of lease signing (“Contingency Period”) if Lessor determines in its sole discretion that the credit worthiness of Lessee is not acceptable.
Use	During the Lease Term, Lessee shall operate on the Premises its City Hall offices and public spaces for City Hall staff, commissioners and the general public. Minimum hours of operation shall be from 8:00 a.m. until 5:00 p.m., Monday through Friday.
Lease Term	30 years, commencing upon completion of the Improvements (estimated completion June 30, 2018).
Payments of Base Rent	<p>Lessee shall pay Base Rent in the amount of \$20,220.00 per month (\$11.25/SF annually) at the beginning of each month commencing in the first month following completion of the Improvements (“Rent Commencement Date” – estimated July 1, 2018).</p> <p>Thereafter, on each anniversary of the Rent Commencement Date, the amount of Base Rent shall increase by 1.5%.</p>
Renewal Option Or Purchase Options	<p>Lessee shall have a one-time option to extend the Lease Term by an additional 30 years, exercisable in writing no later than 12 months prior to the end of the Lease Term. Base Rent for the option term shall continue to be adjusted annually based upon the above 1.5% annual increase.</p> <p>Lessee shall also have the option to purchase the Leased Premises under any of the following three Options:</p> <p>OPTION 1: At the end of the seventh (7th) year of the Lease Term at a purchase price of \$2,990,000;</p> <p>OPTION 2: At the end of the twentieth (20th) year of the Lease Term at a discounted purchase price equal to 90% of the fair market value of the Leased Premises at such time as determined by independent appraisal, which selection</p>



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of such appraiser shall be mutually agreed upon between Lessee and Lessor. In the event Lessee and Lessor cannot mutually agree on the selection of an appraiser, then each party shall engage their own appraiser and the average fair market value of the two appraisals, times 90%, shall determine the final purchase price.

OPTION 3: At the end of the Lease Term at a discounted purchase price equal to 80% of the fair market value of the Leased Premises at such time as determined by independent appraisal, which selection of such appraiser shall be mutually agreed upon between Lessee and Lessor. In the event Lessee and Lessor cannot mutually agree on the selection of an appraiser, then each party shall engage their own appraiser and the average fair market value of the two appraisals, times 80%, shall determine the final purchase price.

If Lessee purchases the Leased Premises (the “Purchase Transaction”), then Lessee shall pay all costs associated with the Purchase Transaction including but not limited to (i) all survey, platting, legal descriptions and legal costs associated with a parcel split of the Leased Premises, including if such split requires a condominium-type legal structure of the buildings; (ii) the cost of the appraisal, unless 2 appraisals are engaged, then Lessee and Lessor each pay their own appraisal; (iii) all governmental conveyance fees and/or transfer taxes; (iv) all deeds preparation costs; (v) all title insurance premiums; (vi) all escrow fees; (vii) all recording charges; and (viii) all other customary charges associated with the Purchase Transaction. At closing of the Purchase Transaction, Lessor shall pay (i) all costs associated with releasing of any Lessor mortgages and (ii) customary tax prorations.

Security Deposit Lessee shall pay to Lessor at lease signing a security deposit equal to one-month’s Base Rent and shall maintain a security deposit equal to one-month’s Base Rent (as may be adjusted) throughout the Lease Term.

Utilities Commencing with the date of completion of Lessor Improvements, Lessee shall place in its name and shall directly pay all utilities relating to the Leased Premises, including but not limited to gas, electricity, water, sewer, telephone, internet, security, refuse, cable TV. Any utilities that must remain in the name of Lessor as required by the utility companies shall be paid by Lessor and



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reimbursed by Lessee to Lessor.

- Maintenance** Commencing with the date of completion of Lessor Improvements, Lessee shall be responsible for all repairs, cleaning and maintenance of the interior of the Leased Premises and for routine repairs and ongoing maintenance (according to a schedule reasonably required by Lessor) of all building systems serving solely the Leased Premises such as but not limited to electrical, plumbing, security systems, windows and doors, HVAC and hot water tanks. Lessor shall be responsible for all repairs and maintenance of the roof and exterior envelope of the building, and for replacements only of building systems. Lessor will provide a one-year “builders” warranty from the date of completion of Lessor Improvements.
- Insurance** Lessee shall be responsible for liability insurance in the amount of \$1 million per occurrence and \$2 million in the aggregate, casualty insurance for its improvements and personal property and other customary Lessee insurance on its business operations, in amounts and with deductibles acceptable to Lessor. Lessor shall be responsible for paying the property and casualty insurance of the Leased Premises.
- Taxes** Lessor shall be responsible for paying real estate taxes on the Leased Premises (unless tax exempt for municipal government offices). Lessee shall be responsible for all taxes related to its operations.
- Operating Charges, NNN Lease & CAM Reimbursements** The Lease shall be a triple net lease (NNN). In addition to the Base Rent, Lessee shall pay to Lessor, in monthly installments, of (i) all costs incurred by Lessor in operating, maintaining, repairing, and replacing the Leased Premises and its pro-rata share of the Common Areas, (ii) all real estate taxes and assessments, both general and special related to the Leased Premises and its pro-rata share of the Common Areas, and (iii) all costs incurred by Lessor in insuring the property related to the Leased Premises and its pro-rata share of the Common Areas (“Operating Charges”). Lessee shall pay its pro rata share of Operating Charges to Lessor in monthly installments, based upon Lessor’s estimates, with a reconciliation within 90 days of year end. Lessor anticipates NNN reimbursements to initially be approximately \$1.50 +/- per square foot annually.



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- Improvements** Lessor shall construct improvements with respect to the Leased Premises as set forth in Exhibit B attached hereto (“Lessor Improvements.”)
- Lessor and Lessee shall work to design the real property improvements Lessee desires to be made to the Leased Premises (“Lessee Improvements”). The Lessee Improvements shall be designed to the minimum specifications as set forth in Exhibit C attached hereto. All aspects of the design of Lessee Improvements shall be subject to Lessor’s approval. Lessee Improvements may include, but are not limited to demolition, concrete & masonry, wall framing, doors and windows, electrical, plumbing, HVAC, mechanical building systems, drywall, millwork, flooring, painting, fixtures, exterior signage and the like. Lessee Improvements shall not include the cost of any personal property, IT systems or infrastructure, or the payment of any other costs or operating expenses of Lessee. Lessor shall deliver to Lessee the Certificate of Occupancy for the Premises and “as built” plans and specifications for the Lessee Improvements.
- The Lessor Improvements and Lessee Improvements shall collectively be referred to as the “Improvements.”
- Improvements Funding** Lessee shall contribute to Lessor no less than \$1,050,000 into the Project for funding the Improvements, which shall be paid upon commencement of construction. Such amount shall be defined as the Improvements Funding Amount and shall be used by Lessor solely toward real property improvements to the Leased Premises and not for personal property of Lessee. For all proposed work by Lessee, Lessor to provide prior written authorization to proceed before any work is commenced. Lessor, or its affiliated entities, shall provide the construction services for the Improvements. In the event that Lessee elects to have Lessor undertake a specific scope of work beyond the scope of work identified in Exhibit C, then Lessee shall be responsible for all such additional costs.
- Signs** Lessee may only erect building signs on the exterior of the Premises only as approved by Lessor in advance, provided that such sign complies with all legal requirements and ordinances. Lessee shall be responsible for the cost of designing, permitting, and installing its building signs.



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Right of First Offer for Expansion Space	Commencing two (2) years after the Rent Commencement Date, should any of Lessor’s other retail space located at 232, 234 or 256 Columbus Avenue become available by vacancy of another tenant, Lessor shall first offer such space to Lessee prior to offering such space to third parties, whereby, if Lessee desires to occupy such space, the parties shall work together in good faith to negotiate lease terms for Lessee’s desired expansion. If the parties are unable to reach terms for such expansion within thirty (30) days after Lessor’s first offer notice to Lessee, then Lessor shall have the right to market and lease such space to any third party at its sole discretion.
Other	The Lease may not be assigned or sublet by Lessee without prior written permission of Lessor. If permission is granted to sublet, Lessee nevertheless would remain liable for the full performance of all of the covenants and agreements in the Lease. Among other things, the Lease will contain Lessor’s standard indemnification, defaults and remedies, alterations & improvements, damage or destruction, subordination, inspection and other customary lease provisions. Lessor’s lease form shall be used as the basis for a comprehensive lease between the parties.
Broker	Neither Lessor nor Lessee have dealt with any real estate broker in connection with this transaction. Lessor and Lessee will indemnify and hold each other harmless from all liabilities arising from any claim resulting from their having dealt with any broker in connection with this transaction.
Binding Agreement & Timeliness	Lessor and Lessee hereby acknowledge that this Proposal is intended to constitute a binding contract which will be used until such time that (i) a formal lease agreement, pertaining to the lease (the “Lease Agreement”); and (ii) formal other agreements, pertaining to the various financing and tax abatement commitments by the City for the Project contained in this Proposal, (the “City Financial Agreements”) are executed. The Lease Agreement and the City Financial Agreements collectively referred to herein as the “Agreements”. Both parties acknowledge that time is of the essence to negotiate and execute the Agreements. Until such time that the Agreements are executed, both parties agree to work collaboratively to validate and substantiate the items considered in this Proposal, including but not limited to, space planning, layout and design, square footage requirements, labor wage rates and/or requirements, historical



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and/or tax credit requirements, construction and occupancy timeline for ultimate inclusion in the Agreements. In the event that Lessor and Lessee are unable to execute the Agreements by March 31, 2017, then the binding nature of this Proposal shall terminate. Should Lessor and Lessee timely execute the Agreements, then the binding nature of this Proposal shall continue during any contingency periods contained within the Agreements. Lessor shall provide the initial draft of the Lease Agreement to Lessee and the City shall provide the initial draft of the City Financial Agreements to Vintage Development Group.

**Space Planning
& Needs
Analysis**

Both parties acknowledge that Vintage Development Group has been working with the City of Sandusky to develop a conceptual design and space plan that will accommodate the needs of the City exclusive and outside the financial scope of this Proposal, but for purposes of negotiating and executing this Proposal. The City of Sandusky agrees to reimburse Vintage Development Group in the amount of \$80,000 for its time and out-of-pocket costs and expenses related to the space planning effort done on behalf of the City. This reimbursement shall be paid by the City to Vintage Development Group in two equal \$40,000 payments on or before September 15, 2016 and November 15, 2016. Should additional conceptual design and space plan work be required prior to the execution of a formal lease agreement, Vintage Development Group shall not commence such work without the City’s prior written approval.

Acceptance

Should the terms of this Proposal be acceptable to Lessee, Lessee is asked to accept the terms outlined herein by executing and returning to Lessor a copy of this Proposal. Unless accepted by Lessee, this Proposal will terminate at 5:00 PM (EST) on Friday, August 26, 2016.

[Reminder of page left intentionally blank – signatures on the following page]



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Agreed to and Accepted by:

Vintage Development Group LLC
(on behalf of Lessor)

City of Sandusky (Lessee)

A handwritten signature in blue ink, appearing to read "Adelbert P. Marous, Jr.", is written over the text for the Lessor.

By: Adelbert P. Marous, Jr., Trustee
Its: Managing Member
Date: 8/17/16

Eric Wobser
Its: City Manager
Date: _____



City of Sandusky – Redevelopment Proposal of the Columbus Avenue Revitalization Project & Mixed-Use Development of 115 E. Washington Row & 256 Columbus Avenue (Commercial Banking & Trust Co. Building aka Calvary Temple Building), 238-240 Columbus Avenue (Kingsbury Building) and 232-234 Columbus Avenue (Whitworth Building), (collectively, the “Project”); Including City Hall Lease Term Sheet at 115 E. Washington Row and 240 Columbus Avenue August 17, 2016

**Exhibit A
Leased Premises**

To be provided with Lease.



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**Exhibit B
Lessor Improvements**

Lessor will provide the following (“Lessor Improvements”). Lessor Improvements shall be completed in accordance with all applicable governing codes, in a good and workmanlike manner utilizing quality, new materials, or refinishing existing materials to maintain the historic integrity as required by National Park Service (NPS) standards.

1. Lessor will construct all exterior improvements, other than signage, as indicated on the base building plans.
2. Restore existing metal sash windows and ornamental metal spandrel panels on primary elevations. Replace existing single pane glazing with insulated glazing within the same frame depth. Replace existing steel sash windows with insulated aluminum windows on non-primary elevations. Provide new, code compliant aluminum storefront entrance doors and internal vestibule in the banking hall.
3. Install code required egress stair and handicapped accessible elevator on the non-primary, rear elevation of the building.
4. Tuckpoint the existing exterior masonry per NPS standards.
5. Retain the existing clay tile mansard roof. Inspect and repair as necessary.
6. Inspect, repair and/or replace as required the existing perimeter box gutter system.
7. Inspect, repair and/or replace the existing membrane roof as required.
8. Install discreet exterior lighting to enhance the exterior architectural detail.
9. Complete structural system; Lessor’s registered engineer or architect shall certify that the Leased Premises are structurally sound and suitable for the intended use and all structural systems are fireproofed as required by the building code and the Lessor’s plans and specifications.
10. A smooth and level concrete floor slab ready for Lessee’s floor coverings. The concrete slab will be placed to industry standards with a moisture content that is considered acceptable for most common floor coverings.
11. Domestic water (cold only) and sanitary (waste and vent) will be roughed in to the location shown on the Lessor’s base building plans. Water and sewer will be



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- sized to service the number of fixtures required by code but at a minimum, a 1” water and 6” sewer connection will be provided.
12. A separate 2” diameter gas supply line will be provided and stubbed into the Leased Premises and capped. In addition to extending this gas line to the desired location in the Leased Premises, it will be the Lessee’s responsibility to apply for gas service with the local utility which is a prerequisite for the installation of the permanent gas meter.
 13. A central HVAC system will be provided by the Lessor based upon tonnage per sq. ft. and cfm per square foot as designed by the mechanical engineer (see base building plans-Lessor will furnish and install roof-top units and risers). One supply air duct and one return air duct sized to accommodate the referenced air flow will provide conditioned air to the space. Lessee will be responsible for distribution of the ductwork within the space, VAV boxes and any necessary environmental controls and/or energy management controls desired by Lessee. Any supplemental and/or special exhaust or HVAC system beyond what is shown on the base building plans will be the Lessee’s responsibility (e.g. additional kitchenette, toilet exhaust, etc.).
 14. An automatic fire suppression system will be provided as a part of the Lessor Improvements as follows: a sprinkler main with upright heads installed at a spacing defined by the building code will be provided within the Leased Premises. The Lessee will be responsible for any adjustments to the distribution grid necessitated by the wall and ceiling layout within the Leased Premises. The overall fire suppression system is the Lessor’s responsibility and obligation to all of the buildings occupants and as such, any work required on the sprinkler system must be done by the Lessor’s sprinkler contractor.
 15. Overall building power supply will be evaluated by the electrical engineer based on the base building plans, space planning and the intended use of the Leased Premises. Separately metered electric service will be provided for the Leased Premises within the building electrical closet. A conduit will be provided by the Lessor from the building electric closet to the Leased Premises. The Lessee will



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- be responsible for the installation of the wire from their meter to the panel in their space. The Lessee will also be responsible for the installation of their power and lighting panels servicing the Leased Premises along with all distribution related to the power and lighting needs of the space.
16. A conduit with a pull string will also be provided from the building’s telephone entry point into the Leased Premises. Wiring and in-suite distribution along with connection to a provider for telephone, internet, data and security is the Lessee’s responsibility.
 17. The Lessor will deliver the Leased Premises to the Lessee in a ‘broom clean’ condition.
 18. Lessor will construct the Common Areas as shown on the base building plans. The Lessor will be responsible for the furnish and installation of wall, floor, ceiling finishes and fixtures within the Common Areas. Any damage to these finishes, or any other building system, attributable to the activity of the Lessee’s contractors, if any, will be charged to the Lessee.



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As part of the Project and Lease Agreement, Lessee shall fund to the Lessor the Improvements Funding Amount, which shall be used by the Lessor to cover a portion of the Lessor Improvements and all or a portion of the cost of the Lessee Improvements to the Leased Premises. Although not intended to be an all-inclusive listing, the items shown below provide an outline of the Lessee Improvement items that will be required to complete the design and construction of the Leased Premises.

Lessee will work with Lessor’s architect to develop plans and specifications of the proposed Lessee Improvements (the Plans). Lessee shall be provided with three rounds of changes/revisions to the Plans at no expense to Lessee. Any additional revisions shall be billed to Lessee. The Plans must be approved by Lessor. Upon completion of the Plans to the satisfaction of all parties, the Plans will be signed by Lessee and Lessor and will govern the Lessee Improvements and build out of the Leased Premises. If a conflict arises between this Description and the working plans which are executed by Lessor and Lessee, the working plans will have priority and dictate what is to be provided and constructed. All additional items and costs in excess of or beyond the scope of the Plans, as well as any additional architectural and/or interior design services and fees will be at the cost and responsibility of the Lessee.

115 E. Washington Row (Calvary Temple) Building –

Exterior:

1. Install new blade sign on corner of Columbus Ave and E. Washington Row and new signage on secondary entrance canopy off of E. Washington Row.

Secondary Entrance, Stair, and Elevator:

1. Elevator shaft to remain and reused for new elevator cab, doors, and equipment to meet code for automated operation.
2. Door to be relocated on first floor and basement to eliminate perpendicular door cab configuration. Existing elevator door surround on first floor to remain with



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- shaftwall installed for fire safety.
3. New elevator equipment room to be located in the basement.
 4. Retain the finishes, patch repair and paint.
 5. Retain concrete stair, handrail and guardrail in current configuration. Treads and risers will be painted or covered with a rubber stair tread. Highly visible nosing marking will be installed at the winders for safety. Existing steel guardrail/handrail balustrade and metal stringer will be painted. Wood handrail will be stripped and clear coated.
 6. Existing terrazzo floor will be cleaned and sealed and repaired / patched as needed.
 7. Dropped ceilings will be removed and the existing plaster ceilings will be patched, repaired and painted. New pendent light fixtures will be installed at their historic locations. Supplementary lighting that is required by code will be provided via wall sconces.
 8. Fire protection will be provided with wall mounted heads where possible. Soffit installation may be required to conceal ductwork, wiring, and piping. Soffit installation will be minimized to the extent possible.
 9. A glass smoke barrier will be installed to isolate the egress stair from the adjacent corridors.
 10. New heating and air-conditioning will be installed. Ductwork will be limited to secondary spaces off of the existing stair.

Mezzanine:

1. Restore the board room, including the ornamental woodwork, wood floor, plaster ceiling and gothic windows. New corridor will be installed at the south end of the Board Room to allow access to the new stair and elevator core. A glass wall will separate the corridor and Board Room. New lighting, mechanical, fire protection and electrical will be installed. New historically sympathetic lighting will be installed at the existing linear fixture mounting locations between the wood



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- beams. The existing monumental fireplace will be restored, and remain inactive.
2. Fire protection will be provided with wall mounted heads where possible. Soffit installation may be required to conceal ductwork, wiring, and piping. Soffit installation will be minimized to the extent possible and will not be installed in the Board Room.
 3. Retain the finishes, patch repair and paint.
 4. Dropped ceilings will be removed and the existing plaster ceilings will be patched, repaired and painted.
 5. A new exterior opening will be created to allow access to the new stair and elevator.
 6. New bathrooms and kitchenette will be installed to service the Board Room. New, appropriate, flooring will be installed in these areas.

Second and Third Floor Offices:

1. Historic circulation pattern will be retained along the north wall. Existing doors and transoms will be retained, although may be fixed-in place due to office configurations. Although doors may be inactive, transoms will remain active to allow light into the corridor. The existing finishes will be restored and any mechanical, electrical, plumbing and fire protection will be located on the office side of the corridor. Lighting will be provided by pendants and/or wall sconces.
2. New exterior wall opening for the stair and elevator core will occur at the existing fire escape door and adjacent window. Opening will be treated effectively with exposed brick and steel lintel so that it does not appear to be original to the building.
3. New code compliant, handicapped accessible toilet rooms will be installed off of the existing corridor.
4. The exterior wall, window trim, etc. will remain. Patching and repair will be provided as necessary.
5. Office area finishes will include carpet flooring, new gypsum board partitions



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(existing plaster partitions will be retained where possible), suspended acoustical ceilings, recessed troffer style lighting, fire protection and HVAC ductwork. Suspended ceilings will be installed as high as possible and stop several feet inboard of the exterior walls so that the exterior wall can extend to the original ceiling plane. Hall corridors will be finished with vinyl plank flooring.

6. New solid core doors and hardware will be installed. The doors will be flush which will differentiate them from the original doors to remain. Additionally, there will be no transoms installed over the new doors.
7. The new office walls will be a painted gypsum wallboard finish with carpet base. Existing walls will be repaired plaster with either original painted wood base or new painted wood base to match.

240 Columbus (Kingsbury) Building –

1. The buildout of the 240 Columbus Building will generally consist of new construction buildout, as may be limited by NPS standards to restore existing materials.
2. Office and public space area finishes will include carpet and vinyl plank flooring, respectively, new painted gypsum wallboard with carpet and/or vinyl base, suspended acoustical ceilings and lighting, fire protection and HVAC ductwork.
3. New solid core flush doors and hardware will be installed.
4. New code compliant, handicapped accessible restrooms will be installed off of the entrance lobby.

Other General Specifications for Both Buildings -

1. Although the lighting layout is yet to be designed, it must comply with code requirements with respect to lighting levels in office areas.
2. Restrooms will be sufficient to comply with code requirements with regard to number of occupants per fixture.



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3. An automatic fire suppression system and accompanying fire alarm system conforming to NFPA 13 and local requirements must be installed with heads turned down and installed in the ceiling system with proper trim rings where ceilings do occur; the sprinkler head locations must be coordinated with lighting and diffuser layout for the Leased Premises.
4. All telephone, internet, data, security and/or conduits, mounting boards, audio and visual equipment, or other materials required will be at expense of Lessee.