



# Grand Forks Growth Fund, A Jobs Development Authority Staff Report

Growth Fund Committee – June 17, 2019

JDA – July 1, 2019

**APPROVED**

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**Agenda Item:** Lease Renewal and Modification Request - Kittsona (Corporate Center II)

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**Submitted by:** Meredith Richards, Community Development Director

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**Staff Recommended Action:** Authorize execution of a one-year lease as described below.

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**Committee Recommended Action:** CONCUR

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**JDA Action:** Motion by Sande, second by Weigel, to approve. Motion carried unanimously

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In December 2013, the JDA agreed to terminate its Corporate Center II lease with Tres Chic Bridal and approve a lease for the same 4689 s.f. with Kittsona (Kittson & 3rd, LLC) under similar terms. At that time, Kittsona operated women's clothing stores in Grand Forks, Bismarck and Fargo along with an on-line presence.

The initial 66-month term of Kittsona's lease expires June 30, 2019. Due to business challenges, Kittsona proposed a one-year renewal at \$2000/month. This proposal is a "reflection of the current retail climate and the intensive upcoming road construction," and represents what Kittsona is "able to pay towards back rent and current expenses." Kittsona's rent is now 10 months in arrears.

After extended discussions, staff proposed the following:

- A 12-month lease effective July 1, 2019, with a base rent rate of \$9.13/sf (per the current lease renewal option) plus CAM of \$5.60/sf. The monthly payment would be \$5.12/sf (\$2,000.64/month), with the remaining \$4.01/sf in base rent and CAM deferred. This equals \$24,007.68 paid and \$45,050.21 deferred during the 12-month term.
- The outstanding balance of \$49,312.69 would continue to be deferred at 0%. Options for repayment of outstanding/deferred charges would be agreed to at least 90 days prior to expiration of this term in conjunction with renewal/expiration. Other terms would remain the same.

The above proposal was generally acceptable to Kittsona; however, they have requested that the one-year extension maintain the current base rent of \$7.02/s.f. rather than the renewal rate of \$9.13/s.f. This would reduce the amount deferred during the 12-month term by \$9,893.79.

## **FINDINGS & ANALYSIS:**

- The current lease is in the name of Kittson & 3rd, LLC, co-owned by Nicole Johnson and Tessa Hiney. It states a base rent of \$7.02/sf plus \$5.60/sf CAM, or \$4,931.27/month. The renewal option in the current lease states that upon expiration, base rent will be adjusted to reflect the current market

rate for comparable space, but with any increase/decrease limited to 30% of current base. A 30% increase puts base rent at \$9.13/sf.

- Kittsona's outstanding balance with the JDA as of June 1, 2019, was \$49,312.69. In addition, unpaid leasehold taxes total \$9736.49.