

SECTION 30 – OPTION TO EXTEND

Option Fee: For \$625,000.00, which the City already paid in 2006, the City purchased a single “Option” to extend the term of the Lease until July 1, 2094. The option fee is non-refundable and may not be applied to the Extension Price discussed below. *Section 30(a).*

The Option: Because the City purchased the Option for the option fee, the City now has the right to exercise that Option anytime between July 1, 2019 and July 1, 2029. The Option is exercised by providing written notice to both KDBA and Hopkins Furniture Company, Inc. If the Option is not exercised by July 1, 2029, it expires permanently. The City must also pay the agreed to Extension Price by the Option Closing Date, see below, or the Option will similarly permanently expire. *Sections 30(b) & (e).*

Extension Price: The City must pay the Extension Price as part of exercising its Option to extend the Lease. This Price is equal to (i) 20,372 multiplied by (ii) the “Per Square Foot Fair Market Rent”, divided by (iii) the “Fair Market Capitalization Rate” – BUT never less than \$6,000,000.00. These terms are defined below. The City gets 60 days to agree with KDBA’s proposed Extension Price or to provide supporting documentation for its own proposed price. Once the Extension Price is agreed to, it must be paid by the City within 30 days (i.e. the “**Option Closing Date**”). If the City fails to respond within 60 days or fails to pay within the 30 days, the Option permanently expires. *Sections 30(c), (d) & (e).*

Fair Market: The “Per Square Foot Fair Market Rent/Value” means the then prevailing per square foot market rates for a triple net lease to a creditworthy tenant for similar or comparable space for similarly located buildings. The “Fair Market Capitalization Rate” means that discount rate, expressed as a percentage, used to value the cash flow from an investment to determine the fair market value of real estate similar to 145 Gorman Street.

After the Option Closing Date: Assuming that the City exercises the Option before July 1, 2029 with proper written notice AND the City agrees to KDBA’s Extension Price within 60 days AND the City pays the Extension Price on the Option Closing Date 30 days later, THEN ...

- The Lease is extended to July 1, 2094. *Section 30(a).*
- The City assumes full responsibility for ALL repairs and maintenance of the Premises, including capital repairs, just as if the City was the fee simple owner. *Section 9(e).*
- If KDBA terminates the Lease for fire or other casualty reasons pursuant to Section 19 after the Option Closing Date, then the City is entitled to a portion of the net property insurance proceeds paid to KDBA. *Section 19(c).*
- Basic rent is prorated to the Option Closing Date, and NO FURTHER BASIC RENT is due and payable by the City. *Section 30(f).*
- The City remains fully liable for any and all ADDITIONAL RENT, including the Tenant’s Share of the Common Expenses through July 1, 2094. *Section 30(f).*