

# **LETTER OF INTENT TO LEASE AND PURCHASE**

## **THE ARCHULETA COUNTY COURTHOUSE BUILDING, PAGOSA SPRINGS, COLORADO**

This LETTER OF INTENT ("LOI") is submitted as of March 30, 2021 by Olympus Real Estate Holdings, Ltd., a limited partnership, an affiliate or assigns ("Tenant/Buyer"), to the Archuleta County Board of County Commissioners and County staff ("County"). Tenant/Buyer and County may be referred to as the "Parties".

### **SUMMARY OF OFFER**

The County desires to sell the property, buildings and all related rights thereto located at 449 San Juan Drive, Pagosa Springs, Colorado 81147, more commonly known as the "courthouse building" ("Courthouse"), and eventually create a new administrative office solution for county staff ("New County Building"). In late June, 2020 the County published an Invitation for Bids to purchase the Courthouse and provide a New County Building. The County received multiple bids in response to the County's request, however none of the submitted bids were accepted by the County. There is currently debt secured by the Courthouse ("Bonds") that prevents the County from being able to sell the Courthouse without experiencing a financial loss.

Multiple fair market bids did provide the County with a general confirmation of the market value of the Courthouse, as well as an indication from the market as to how a third party would propose to build a New County Building using a build-to-suit lease-back structure.

Considering the challenges present relating to an immediate sale of the Courthouse, Tenant/Buyer is submitting this LOI as an offer to lease the Courthouse for a period of time, and then purchase the Courthouse once the Bonds are paid off. Tenant/Buyer will also work with the County to provide options for the County to acquire land on which it can build a New County Building in the future, under terms the parties deem acceptable.

1. **Lease Rate.** Tenant/Buyer will lease the vacant portions of the Courthouse for \$5,000 per month.
2. **Lease Term.** The Lease will run for a maximum of five (5) years, or until such time as the Tenant/Buyer has closed on the purchase of the Courthouse, whichever occurs sooner.
3. **Lease Terms.** The Parties would enter into a lease agreement under commercially reasonable terms customary for the property type and region.
4. **Purchase Price.** In addition to the rents paid, Tenant/Buyer will pay cash at sale closing of \$250,000. For example, if the Tenant/Buyer were to close on the purchase of the Courthouse two years after the lease began, the County would receive \$370,000 in total (\$120,000 in rental income, plus \$250,000 in cash at sale closing).

\*The Purchase Price is directly related to 1) the market value of the property, 2) the amount of dumping credit provided by the County, 3) the tax abatement term and 4) the lease rate for the interim office space.

5. **Purchase Consideration.** In combination with the sale and transfer of the Courthouse at the price described above, the County will also provide:
  - a. A \$75,000 credit or fee waiver for dumping costs at the County dump.

- b. Waiver, abatement or rebate of the County's portion of real estate property taxes on the Courthouse property for 20 years following the close of the sale.
6. **Interim County Office Space.** To provide a medium-term solution and ensure no operational disruption of the County's operations currently located at the Courthouse, following the sale, the Tenant/Buyer will allow the County to lease-back the space it currently occupies in the Courthouse at a NNN lease rate of \$0.75/sf/month for a period of up to 3 years, allowing time for the design and construction of a New County Building. The lease can be terminated early, with notice.
7. **Land for New County Building.** Tenant/Buyer owns and/or has access to land parcels in downtown Pagosa Springs and in Harmon Park. The parcels are adequate for the development of a new office building and Tenant/Buyer will work with the County to provide the ability to buy a land parcel, sufficient for the construction of a New County Building, at fair market value. The exact parcel to be purchased may require rezoning, platting or other approvals, which the Parties agree to cooperate in furtherance thereof beginning upon the execution of the Lease.

This approach 1) provides an above-market value for the Courthouse, 2) provides the County administrative office space at below market rent, and 3) provides the county with the ability to plan and construct a New County Building while earning lease income on the Courthouse.

This LOI outlines the terms under which the Tenant/Buyer proposes to lease and purchase the Courthouse. If accepted, it would serve as the basis for, and in furtherance of, (1) the execution of the purchase contract and other agreements necessary to complete the sale of the Courthouse, and (2) the establishment of rights and responsibilities of the parties relating to the future sale of land to be used for the New County Building.

**APPROVED AND ACCEPTED:**

**Olympus Real Estate Holdings, LTD (Tenant/Buyer)**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**Archuleta County (County/Landlord/Seller)**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_