

## MEMORANDUM NO. M17-060

To: Recreation Committee  
From: Dean R. Bostrom, Executive Director  
Craig Talsma, Deputy Director/Director of A & F  
Michael R. Kies, Director of Recreation & Facilities  
RE: **Renewal of AthletiCo Physical Therapy Lease Agreement**  
Date: May 3, 2017

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### **BACKGROUND**

The current healthcare occupant agreement with AthletiCo Physical Therapy (APT) expires on May 31, 2017. The agreement included the front rehabilitation space and the adjacent office space across the hall. The initial agreement dated June 1, 2007, stipulated an annual rental cost for this space at cost of \$84,923.04. The annual rent increased by 3% each year during the term of the agreement. In 2012, a new agreement was formulated as attached and the Board of Commissioners approved a reset to the original fee amount to \$84,923.04 with a 3% increase each year thereafter. The current rent is currently at **\$95,581.68**. This fee included general maintenance, utilities and use of additional areas of the wellness center (i.e. pools, locker rooms, exercise areas, gymnasium).

### **IMPLICATIONS**

The partnership has been very positive for both the park district and AthletiCo Physical Therapy. AthletiCo Physical Therapy has provided the following for the PSS&WC facility as well as the park district as a whole.

- joint programming
- membership referrals
- collaborative marketing/membership enrollment possibilities
- professional health care affiliations
- cross-referrals for personal training, fitness assessments, orientations, consultations and nutritional services
- space improvements/expansion
- professional sport team clinics/workshops for park district programs

The current contract agreement and first amendment (renewal to the lease) are attached; both have been reviewed by legal counsel. In 2014, APT was assessed property taxes on their leased space. These taxes amount to almost \$2,000 per month. Due to this additional expense APT must pay, they have requested the rental space fee be reduced to \$87,500 with an annual increase of the lower of CPI or 4%. The proposed duration of the agreement would be extended for five

5 years (to an end date of May 31, 2022) with the mutual option to extend the term of the lease for one additional five year term (through May 31, 2027).

APT has expressed that though they have experienced a positive growth at the PSS&WC facility, their growth has been affected by recent economic conditions and increased competition within the past five years. Upon staff researching the current rates of medical rental space within the immediate area, across the state, and at the national level, staff believes the rental rate request is fair and favorable for the district.

**RECOMMENDATION**

Staff recommends that the Recreation Committee recommend to the full Board the approval of the attached First Amendment to the lease agreement with AthletiCo Physical Therapy.