



Council Agenda Item 25-0560R

MEETING DATE: July 21, 2025

SUBJECT/TITLE: 25-0560R, A RESOLUTION AUTHORIZING A SECOND AMENDMENT TO THE SUBLEASE AGREEMENT WITH DEED FOR SUBLEASE OF SPACE IN THE DULUTH ATHLETIC CLUB BUILDING FOR THE CAREERFORCE LOCATION.

SUBMITTED BY: Mallory Dalquist, Duluth Workforce Development, Information Technician

RECOMMENDATION: Approve.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION: n/a

PREVIOUS COUNCIL ACTION:

The City entered into Sublease No. 11879-S with the State of Minnesota Department of Administration, dated August 15, 2012, providing for the sublease of approximately twelve thousand fourteen (12,014) usable square feet of dedicated and shared space in the building known as the Duluth Athletic Club Building located at 402 West First Street, Duluth, MN 55802.

The City entered into Amendment No. 1 to Sublease No. 11879-S with the State of Minnesota Department of Administration on November 3, 2022, renewing the sublease for three (3) years, commencing August 1, 2022 and continuing through July 31, 2025, and reducing the overall leased premises by three thousand four hundred sixty six (3,466) usable square feet of space, which resulted in a continued State of Minnesota Department of Administration subleased premises totaling eight thousand five hundred forty eight (8,548) usable square feet.

BACKGROUND: The City has subleased portions of the Duluth Athletic Club to the State of Minnesota and other partners since 2012 for the purpose of establishing and operating a CareerForce Location. Under the terms of this amendment, this Sublease shall be renewed for three (3) years commencing August 1, 2025 and continuing through July 31, 2028, and includes an additional reduction of four thousand six hundred sixteen (4,616) usable square feet of space. This results in a redefined Subleased Premises totaling three thousand nine hundred thirty two (3,932) usable square feet consisting of nine hundred (900) usable square feet of dedicated space and three thousand thirty two (3,032) usable square feet of common area/shared space.

Cost sharing for rent and other infrastructure costs related to the Duluth CareerForce location is negotiated and approved through an Infrastructure Funding Agreement (IFA) involving all partners as required by the federal Workforce Innovation and Opportunity Act. Duluth's IFA is currently being renegotiated, and the sub-lease allows for changes in square footage of the Leased Premises with a corresponding change in the Rent payable once the new IFA is executed. It is unlikely there will be significant changes to dedicated space contained in



this sub-lease amendment, but there may be small changes to DEED's share of shared and common space. City Council will have the opportunity to approve the IFA before it is signed by the City.

BUDGET/FISCAL IMPACT: DEED's share of rent will amount to a contribution of \$219,012.36 over the three-year term of the sub-lease, representing an important source of revenue to help cover facility costs.

OPTIONS: Authorize the contract amendment or forego authorization and return to negotiations, which would obligate the City to cover DEED's portion of rent until a new agreement is reached.

NECESSARY ACTION: Authorize the contact amendment.

ATTACHMENTS: 11879-S Amendment 2 v3 - DEED Sublease