

E Environment Committee

Item: 2009-408

For the Special Metropolitan Council meeting of November 18, 2009

ADVISORY INFORMATION

Date Prepared: November 10, 2009

Subject: Authorization to Extend the Lease for Metro 94 Facilities

Proposed Action:

That the Metropolitan Council authorizes the Regional Administrator to execute an extension of the lease for use of Metro 94 facilities for MCES business use.

Summary of Committee Discussion / Questions:

In response to a question asked by Council Member Leppik, staff explained that the total amount of the lease - if not canceled before the full term - is estimated to be around \$1.1 million. The base or "net" rent (for 5 years) would be \$635,000 and the Council will also continue to pay "common-area maintenance" costs which will be capped at a 2.5% increase per year and property taxes on the space occupied by the Council. The "net rate" to begin in July 2010 is \$7.45 per square foot compared to the \$8.96 paid currently.

Market rates for this type of space are declining. MCES engaged Pro-Source Tech. Inc, who often provides appraisal services for MCES capital projects, to look at 20 comparable property's rents, and the proposed rates were deemed to be in the middle to low end of the current market rates for net leases. In addition, the owner has agreed to an option for cancelation after 3 years without a penalty.

The facilities are used for MCES offices for about 35 staff in the Industrial Waste and Air Quality programs, space for related shop and sample prep functions, and for storage of field monitoring equipment and vehicles. In addition, the facility has meeting rooms that are used for various MCES, and sometimes Council-wide, functions.

Motion to approve proposed action was made, seconded, and approved unanimously.

E Environment Committee
Meeting date: November 10, 2009

ADVISORY INFORMATION

Date: October 21, 2009
Subject: Authorization to Extend the Lease for Metro 94 facilities
District(s), Member(s): All
Policy/Legal Reference: Policy 3.3 (Expenditures)
Staff Prepared/Presented: Jason Willett 651-602-1196; Leo Hermes 651-602-4701
Division/Department: MCES/Finance & EQA

Proposed Action

That the Metropolitan Council authorizes the Regional Administrator to execute an extension of the lease for use of Metro 94 facilities for MCES business use.

Background

MCES has since 1990 leased a building at the Metro 94 Business Center, 455 Etna Street, approximately 3 miles east of downtown St. Paul. The existing lease will expire on June 30, 2010. This space is used primarily by MCES' Industrial Waste and Pollution Prevention section (IW) but also as general conference space and for MCES' Air Quality section. The space constitutes 16,720 square feet of Office and Warehouse space. Parking is free which is important to customer service for the IW work, and to off-site staff and visitors attending meetings in the conference rooms.

The lease proposal we have received from the landlord is for 5 years, but with a no-cost option to terminate after 3 years. The base rent to be charged in the first 3 years is a 17% reduction from current rent and an 11% reduction in the 5th year. This base rent compares to market rates for this type of space in the area. Moreover, the landlord has agreed to a cap on the operating expenses, to replace the compressor units and heat exchanger units if and when they fail (in the prior lease we would have had to pay for this) and for some minor improvements (painting, carpet and tile repair).

Rationale

While MCES would like to retrofit old buildings within the Metro plant for this staff, much engineering work remains to be done on that space. The landlord for this space has been reasonable and this provides time to further analyze use of the Metro plant or other locations.

Funding

Rent for this space is provided in the anticipated MCES operating budget for 2010 and this proposal will be a reduction from the proposed budget.

Known Support / Opposition

None.