

Environment Committee

Meeting date: July 8, 2014

For the Metropolitan Council meeting of July 23, 2014

Subject: Authorization to Extend the Lease for the Metro 94 Facilities

District(s), Member(s): All

Policy/Legal Reference: Policy 3.3 (Expenditures)

Staff Prepared/Presented: Jason Willett 651-602-1196; Mike Pliml 651-602-4702

Division/Department: MCES c/o Leisa Thompson, 651-602-8101

Proposed Action

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

Background

Since 1990, MCES has 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, 2015. This space is used primarily by MCES' Industrial Waste and Pollution Prevention (IW) and MCES Air Quality sections, but also has a large general conference space used by all Metro Council Divisions. This 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 an additional 5 years, with an option in the final 2 years. (Please see Attachment A.) The landlord has agreed to cap the operating expenses; to replace rooftop heating and ventilation units with new energy efficient models with MCES paying 25% of the replacement cost (lease proposal is for 5 years of the 20 year life expectancy of the units). Energy savings will allow for a 3.5-4 year payback on the purchase. Also, other minor energy saving improvements with short paybacks will be undertaken along with some minor tenant improvements (painting, carpet, and tile repair). Further, the landlord agrees to show proof to MCES it has inspected the sewer service lateral for the building via camera within the last 10 years and fixed any cracks or holes in the pipe.

Rationale

The landlord for this space has been reasonable and interim space is needed for these functions until, and unless, more space is built at the Metro plant. Moreover, moving costs to a temporary site would be substantial.

Funding

Rent for this space will be provided in the MCES operating budgets and the base increase is 2%/year.

Known Support / Opposition

None

LEASE PROPOSAL

DATE: June 27, 2014

TENANT: MCES/Metropolitan Council Environmental Services

LEASED PREMISES: 455 Etna Street
Suites 27-24
St. Paul, MN 55106

SIZE: Approximately 16,720 square feet

TERM: 60 Months

COMMENCEMENT: July 1, 2015

BASE RENT:

Months 1	\$8,497 per month
Months 2-12	\$12,247 per month
Months 13-24	\$12,554 per month
Months 25-36	\$12,874 per month
Months 37-48	\$13,195 per month
Months 49-60	\$13,529 per month

OPERATING EXPENSES: Common Area maintenance shall not exceed 2.5 % annual increase from the cost in place at the time of the commencement date of the Extension period.

CANCELLATION: After 36 months of occupancy, Lessee may provide 90 days written notice of intent to cancel. Along with notice to cancel Lessee shall provide a penalty equal to the unamortized Tenant Improvements cost.

HVAC EQUIPMENT: Lessor agrees, during the term of the lease extension, to pay for repairs and replacements of the HVAC equipment serving the Leased Premises, provided that all service work, including any maintenance contracts, is performed by an HVAC contractor selected and retained by the Lessor.

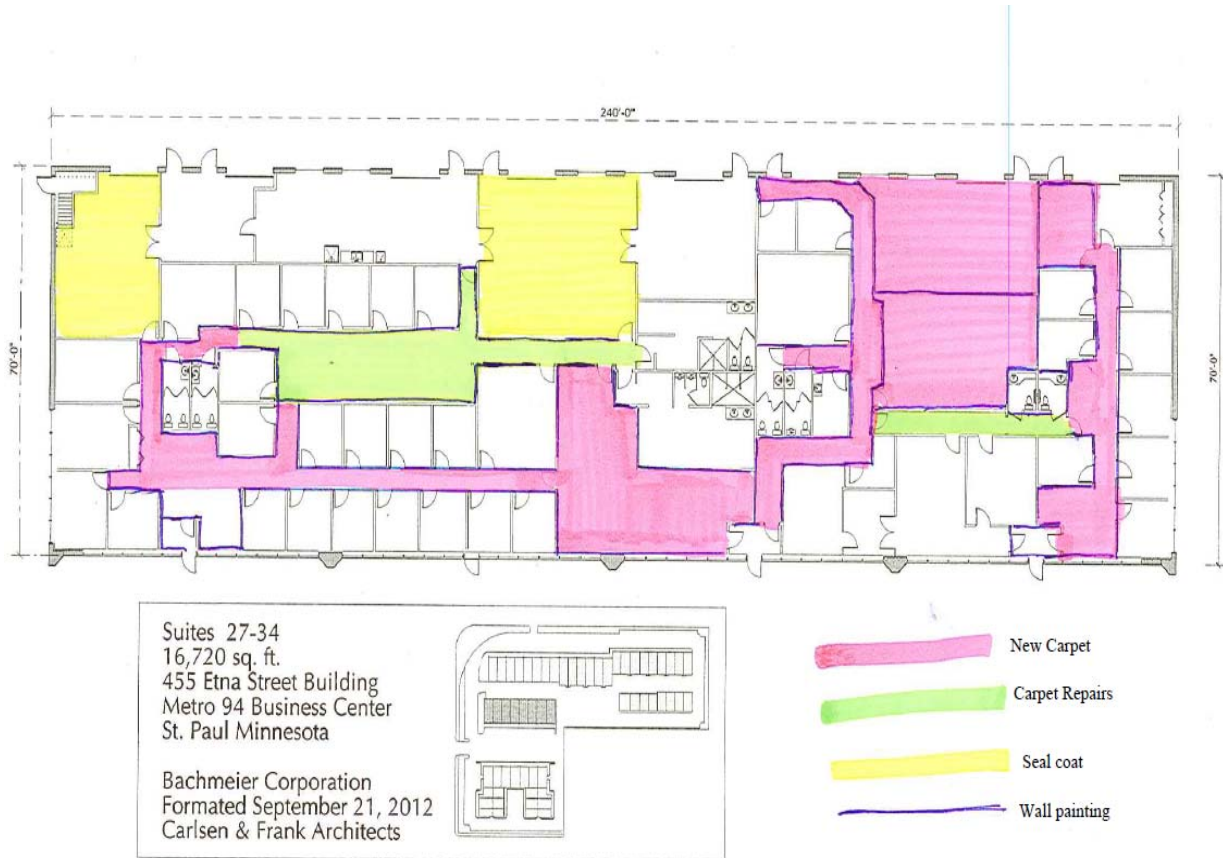
TENANT IMPROVEMENTS: Lessor shall at Lessor's cost provide the improvements as per the attached space plan. Such improvements not to exceed \$60,642 dollars. Tenant Improvements cost is amortize over the term of the lease extension at a 6% interest rate.
Lessor shall also provide Lessee, upon request, receipts for the costs incurred.

UTILITIES:

Gas and electric are separately metered and paid directly by Lessee. Lessee is responsible for janitorial services and trash removal. Water and Sewer are part of the monthly operating expenses.

This proposal sets forth the principal terms of a proposed lease for Metropolitan Council Environmental Services. This proposal is not an agreement to lease or buy and neither the Lessee nor Lessor or buyer or seller, shall have any obligation until both Lessee and Lessor execute a definitive Lease. The parties acknowledge that the f Lessee and the Lessor is in the process of considering a number of competitive properties, and the space proposed hereunder is currently being offered by the Lessor to other prospective tenants on the open market.

Space Plan
Of
Leased Premises



Plus

- Install additional lockers in women's locker room.
- Pump/clean sand trap(s) & replace covers.
- Floor coating for garages.
- Groove floor for better drainage, both east and west garages.
- Inspect sewer lateral to public sewer connection.
- Replace eight HVAC rooftop units with high efficiency units of at least 15 SEER
- Replace the exterior wall pack light fixtures with energy efficient fixtures