

Environment Committee

Meeting date: May 12, 2020

For the Metropolitan Council meeting of May 27, 2020

Subject: Extension of Metro 94 Facilities Leases

District(s), Member(s): All

Policy/Legal Reference: Policy 3.3 (Expenditures)

Staff Prepared/Presented: Bob Nordquist 651-602-4706; Tina Nelson 651-602-4728

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

Proposed Action

That the Metropolitan Council authorizes the Regional Administrator to amend and execute a sole source contract extension of the Metro 94 facilities lease (Contract 09P158) for MCES business use with Bachmeier Corporation in an amount not to exceed \$1,300,000 for the term of July 1, 2020 until June 30, 2025.

Background

Since 1990, MCES has leased a building at the Metro 94 Business Center, 455 Etna Street, in Suites 27-34 approximately 3 miles east of downtown St. Paul. The existing lease will expire on June 30, 2020. This space is used primarily by MCES' Industrial Waste and Pollution Prevention (IWPP) 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.

With an anticipated move to a new Services building at the Metro Plant, renewing the lease would be less disruptive to normal business operations by allowing it to continue in the current space already established for Industrial Waste use.

The lease proposal we have received from the landlord is for an additional 5 years, with options to cancel at thirty-six (36) months with an early termination penalty of \$9,140.94 and at forty-eight (48) months with an early termination penalty of \$4,775.24. Please see Attachment A for details.

The landlord will be conducting some minor tenant improvements, which is reflected in Attachment A.

Rationale

Council Policy requires Lease Agreements valued at greater than \$500,000 be approved by Council. The landlord for this space has been reasonable and interim space is needed for these functions until the new Services building is built at the Metro plant. Moreover, moving costs to a temporary site would be substantial.

Thrive Lens Analysis

This action advances the Thrive Outcome of Stewardship by allowing Environmental Services to maintain fiscal responsibility of spending for leased space.

Funding

Rent and operating expenses for this space will be provided in the MCES operating budgets and the rental increase is 2.5% per year. Increases in common area maintenance are capped at 2.5% per year.

Known Support / Opposition

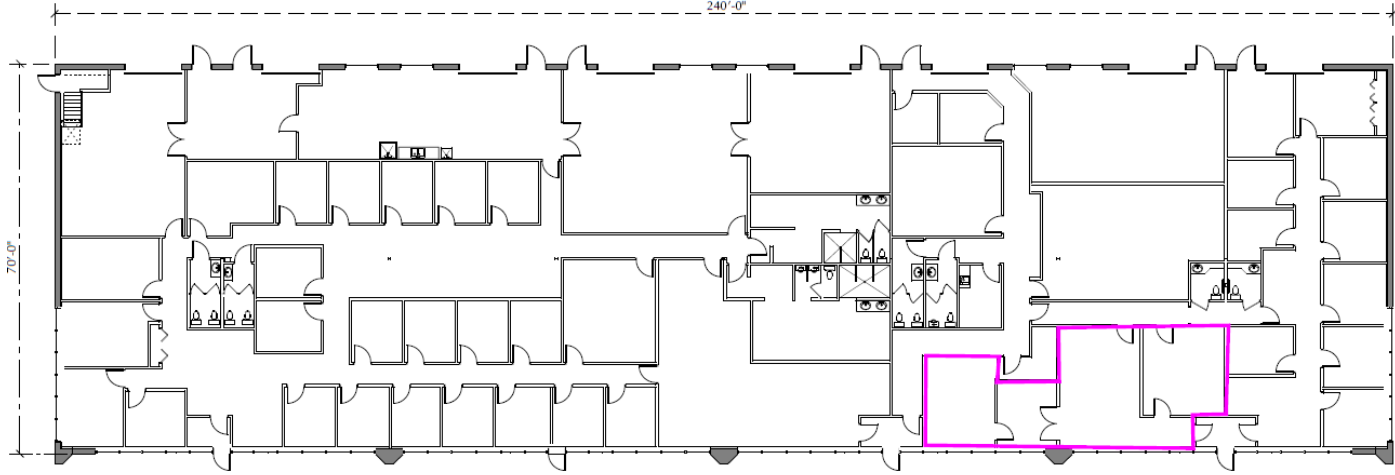
There is no known opposition

Proposal for Lease

DATE:	March 25, 2020
TENANT:	Metropolitan Council
LEASED PREMISES:	455 Etna Street, Suites 27-31 St. Paul, MN 55106
SIZE:	Approximately 16,720 square feet
TERM:	60 Months
CANCELLATION:	Tenant has two one-time options to terminate the lease at thirty-six (36) months of occupancy and at forty-eight (48) months of occupancy by providing a six (6) month written notice of intent to cancel prior to the termination date. Tenant shall provide a penalty equal to the unamortized costs. The penalty at 36 months is estimated to be \$9,104.94; the penalty at 48 months is estimated to be \$4,775.24.
COMMENCEMENT:	July 1, 2020
BASE RENT:	Year 1: \$13,237 per month Year 2: \$13,568 per month Year 3: \$13,907 per month Year 4: \$14,255 per month Year 5: \$14,611 per month
RENTAL INCREASES:	2.5% Annually (shown above for base rent)
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 (\$4,547.14 in common area maintenance and \$3,654.67 in real estate taxes).
TENANT IMPROVEMENTS:	Landlord shall remove a wall covering in highlighted rooms according to the floor plan, repair any damage to walls from wall covering, and paint walls with low VOC paint.
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 for Lease sets forth the principal terms of a proposed lease for Metropolitan Council. This Lease 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 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.

Floor Plan of Leased Premises



Suites 27-34
16,720 sq. ft.
455 Etna Street Building
Metro 94 Business Center
St. Paul Minnesota

Bachmeier Corporation
Formatted September 21, 2012
Carlsen & Frank Architects



70'-0"

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