



Legislation Details (With Text)

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Title: Lease of 19000 Rialto, Melvindale, MI
Sponsors: Randal Brown
Indexes: General Counsel
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Date	Ver.	Action By	Action	Result
2/24/2021	1	Board of Directors	Approved	Pass
1/27/2021	1	Legal Committee	Recommended for Approval	Pass

Lease of 19000 Rialto, Melvindale, MI

Agenda of: February 24, 2021
Item No.: **2021-049**
Amount: \$2,671,737

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: January 25, 2021

RE: **Lease of 19000 Rialto, Melvindale, MI**

MOTION

Upon recommendation and opinion of Randal M. Brown, General Counsel, the Board of Directors (Board) for the Great Lakes Water Authority (GLWA):

(1) approves the lease of 19000 Rialto, Melvindale, MI (the Rialto Facility) from Family Associates LLC; and

(2) authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote, including the execution of the Lease Agreement.

JUSTIFICATION

With the anticipated sale of 235 McKinstry, GLWA needs to acquire near storage space for large equipment, which primarily supports the Water Resource Recovery Facility (WRRF). GLWA considered storage locations in the City of Detroit, however, lease rates have increased with auto suppliers and logistics companies locating in Detroit to \$7-8 psf and higher. Working with GLWA's broker, JLL, the Administration has identified the Rialto Facility, which meets GLWA's storage needs for the WRRF.

Although it is further away from the WRRF than 235 South McKinstry (~5.5 miles versus 2.1 miles), the travel time difference is negligible. The Rialto site may become a quicker trip when the Gordie Howe Bridge and the second span of the Ambassador Bridge are completed and in operation.

Currently, the United States Postal Services is occupying the Rialto Facility. The landlord has offered 4 months free rent to GLWA so that GLWA can make any necessary improvements to the property to suit its storage needs. Any improvements will cost less than the anticipated infrastructure improvements required to the McKinstry site. Further, the extent of the improvements will take into consideration whether GLWA has an option to purchase at the close of the lease term.

Subject to further negotiations, the general lease terms are as follows:

Rentable Square Footage: Footprint approximately 85,926 and mezzanine is approximately 18,000 sf.

Rate: Non-Mezzanine: \$4.90 psf, NNN w/ two and one half -Percent (2.5%) annual escalation; Mezzanine: \$3.00 psf, NNN with two and one half -Percent (2.50%) annual escalation

Building Improvements: Landlord will be responsible for the cost of the Capital Replacements not subject to Tenants wear and tear like doors and docks. However, the Landlord shall bill the Tenant as part of the expenses the pro rata share of the useful life of the item for each year that the Tenant remains in the facility.

Term: 64 months with one 5-year option, with the rate adjusted to the CPI

Operating Expenses and Maintenance of Systems: GLWA's responsibility

Roof, Structural & Building Components: Landlord shall be responsible for the repair and maintenance of the roof and structural portions of the walls and foundations. The Tenant shall be responsible for maintaining all aspects of the fire protection and the parking lot and drive areas.

Lease Start Date: March 1, 2021

Adjustments may be made to these lease terms. If there are no material changes to the lease terms, the Administration requests the ability to execute the agreement without returning for Board authorization.

BUDGET IMPACT

Details of the budget impact will be provided, in writing, prior to the full Board Meeting on February 24, 2021. It should be noted that GLWA is selling 235 S. McKinstry and will be relieved of those operations and maintenance expenses.

COMMITTEE REVIEW

This matter was presented to the Legal Committee at its meeting on January 27, 2021. The Legal Committee unanimously recommended that the GLWA Board adopt the resolution as presented.

SHARED SERVICES IMPACT

This request does not impact the Shared Services Agreement.