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TO: Martha Kern, Chair  
Ways & Means Committee

THROUGH: Robert E. Guenzel  
County Administrator

FROM: Mark Ptaszek, Interim Director  
Community Mental Health

DATE: May 2, 2001

SUBJECT: Approval of five-year lease option between Washtenaw County  
and the Ann Arbor Commerce Center Limited Partnership for  
property located at 3901,3981 and 3985 Varsity Dr.

**BOARD ACTION REQUESTED:**

Community Mental Health is requesting the Board of Commissioner's to approve a five-year lease option with the Ann Arbor Commerce Center Limited Partnership for property located at 3901, 3981 and 3985, Varsity Drive, Ann Arbor, Michigan.

**BACKGROUND**

The original 5-year lease was approved by the Board of Commissioners on February 7, 1996. The original lease term ran from June 1, 1996 through June 30, 2001. The original lease covered several distinct entrances into the complex, each having its own street address. The lease thus covered the street addresses of 3901, 3951, 3981 and 3985 Varsity Drive. In September, 1999 the Lease was amended to add additional space with the street address of 3965 Varsity Drive. The current cost of the lease is \$6.75/sq ft per year (or \$19,903.50 per month), plus taxes, insurance, and common area maintenance prorated by percent of the building leased. In addition, the costs of the initial building renovations were paid by the landlord; CMH is reimbursing the landlord over 60 months via a monthly payment of \$6,374.11 until June 30, 2001. This lease is for office and treatment space by staff and customers of the Habilitation Program and Adult Services of CMH.

**DISCUSSION**

The current lease is for space located at 3901, 3951, 3981, 3985, and 3965 Varsity Drive, Ann Arbor, Michigan, containing 35,384 square feet. This space is used for office and treatment space by staff and clients of the Habilitation Program and Adult Services of CMH. Presently, CMH uses the space at 3901, 3981, 3985 and 3965 Varsity while the Washtenaw Community Health Organization ("WCHO") presently uses the space at 3951 Varsity. The County along with the University of Michigan created the WCHO as a

separate legal entity pursuant to an Urban Cooperation Act Agreement to operate the County's mental health services program. The lease term on all the locations expires on June 30, 2001.

The original lease gives the County a five-year option to renew the leased space provided the option is approved by the County's Board of Commissioners. The original lease also provides a holdover clause whereby if the County holds any portion of the leased premises beyond the lease term, the lease automatically converts to a month-to-month lease that can be terminated by the Landlord upon thirty (30) days written notice.

CMH is requesting that the following action be taken on the Varsity Drive lease. First, the space at 3965 Varsity Drive (3,677 square feet) will not be formally renewed, thus allowing it to convert to a month-to-month tenancy. CMH would like to continue this portion of the lease on a month-to-month tenancy. This facility is currently used for a client work program, and CMH anticipates that these clients will obtain permanent employment in the community, and this space will no longer be necessary on a long-term basis. Pursuant to the original lease terms, the rental cost for this month-to-month space is 125% of the original cost (125% of \$6.75 per square foot, or \$8.44/ sq. ft., for a monthly base rate of \$2,586).

The space currently used by the WCHO (3951 Varsity Drive, 5,854 sq. ft.) shall continue to be used by the WCHO pursuant to a separate lease negotiated between the WCHO and the Landlord. Accordingly, there is no need for the County to exercise its option on this space.

Finally, the County shall continue to lease the space located at 3901, 3981 and 3985 Varsity Drive (25,853 sq. ft.) for an additional five-year period pursuant to the County's five-year option under the original lease. The new estimated lease amount is \$7.75/sq ft (or \$16,696.73 per month) plus a prorated share of taxes, insurance, and common area maintenance, based on the square footage leased (18.34% of the building).

The five-year extension to the lease shall end June 30, 2006.

**IMPACT ON HUMAN RESOURCES:**

None

**IMPACT ON BUDGET**

This lease will obligate Washtenaw County Community Mental Health and the County in the amount of \$7.75/sq ft (or \$16,696.73 per month) plus a prorated share of taxes, insurance, and common area maintenance, based on the square footage leased (18.34% of the building), for the period of July 1, 2001 through June 30, 2006. CMH has sufficient funds budgeted to cover these costs.

**IMPACT ON INDIRECT COSTS**

This lease will not impact the indirect costs currently budgeted for this program.

**IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES**

The Board of Commissioners' decision not to exercise the five-year option on the space located at 3951 Varsity Drive will permit the WCHO to negotiate a separate lease with the landlord for this space.

**ATTACHMENTS/APPENDICES**

One (1) copy of the amended lease between Washtenaw County and the Ann Arbor Commerce Center Limited Partnership for the property located at 3901, 3981 and 3985 Varsity Drive, Ann Arbor, Michigan.

**CONFORMITY TO COUNTY POLICIES**

This resolution complies with County policies and procedures.

Preparer: Coral Lehman, CMH  
(734) 484-6620

A RESOLUTION AUTHORIZING THE CHAIR OF THE BOARD OF COMMISSIONERS TO EXERCISE A FIVE-YEAR OPTION ON BEHALF OF WASHTENAW COUNTY COMMUNITY MENTAL HEALTH DEPARTMENT FOR SPACE LOCATED AT 3901, 3981 AND 3985 VARSITY DRIVE, ANN ARBOR, MICHIGAN ENDING JUNE 30, 2006

WASHTENAW COUNTY BOARD OF COMMISSIONERS

MAY 16, 2001

WHEREAS, on February 7, 1996 the Board of Commissioners approved a five-year lease with the Ann Arbor Commerce Center Limited Partnership for office and treatment space located at 3901, 3951, 3981 and 3985 Varsity Drive, in Ann Arbor; and

WHEREAS, in September 1999 the lease was amended to add the space located at 3965 Varsity Drive; and

WHEREAS, after the County and the University of Michigan created the Washtenaw Community Health Organization ("WCHO") the WCHO used the space located at 3951 Varsity Drive; and

WHEREAS, the original lease gives the County a five-year option to renew conditioned upon approval by the Board of Commissioners; and

WHEREAS, the original lease also provides that the lease will convert to a month-to-month lease if the County holds any of the leased space beyond the original lease term; and

WHEREAS, the WCHO will negotiate separately with the landlord on a new lease for the space located at 3951 Varsity Drive; and

WHEREAS, because the Community Mental Health Department anticipates that the space at 3965 Varsity Drive will only be needed on a short-term basis, this space will be allowed to convert to a month-to-month tenancy; and

WHEREAS, Washtenaw Community Mental health would like to continue renting the remaining space at 3901, 3981 and 3985 for an additional five-year period pursuant to the County's five year option in the original lease; and

WHEREAS said property is to be used for office and treatment space by Community Mental Health to provide psychosocial, living skills, and vocational skills to customers with a developmental disability or mental illness; and

WHEREAS, the lease extension is for a five-year period beginning June 1, 2001 and ending June 30, 2006; and

WHEREAS, the monthly lease amount shall be \$7.75/sq ft (or \$16,696.73 per month) plus a prorated share of taxes, insurance, and common area maintenance, based on the square footage leased (18.34% of the building); and

WHEREAS, this lease is in compliance with Washtenaw County Policies and Procedures; and

WHEREAS, the funds needed to pay the monthly lease obligation are presently budgeted; and

WHEREAS, this matter has been reviewed by the Washtenaw County Administrator's Office, the Office of Corporation Counsel, the Finance Office, and the Ways and Means Committee,

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby authorizes its Chair to sign a five-year lease option with the Ann Arbor Commerce Center Limited partnership for the property located at 3901, 3981 and 3985 Varsity Drive, Ann Arbor, Michigan for the monthly rental amount of sixteen thousand six hundred ninety-six dollars and seventy-three cents base rent plus 18.34% of common area maintenance, taxes, and insurance from July 1, 2001 through June 30, 2006, as on file with the County Clerk