



COUNTY ADMINISTRATOR
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TO: Jeff Irwin
Chair, Ways & Means Committee

FROM: Robert E. Guenzel
County Administrator

DATE: February 1, 2006

SUBJECT: Amending the sublease between Washtenaw County and the City of Ann Arbor that permits the City to Lease Space at the County Courthouse for the 15th District Court, to extend the sublease term by an additional one year so that it will expire on December 31, 2009

BOARD ACTION REQUESTED:

It is requested that the Washtenaw County Board of Commissioners amend its downtown courthouse (101 E. Huron St.) sublease with the City of Ann Arbor by extending the sublease term for an additional one year to December 31, 2009.

BACKGROUND:

On April 21, 1993, the Board of Commissioners passed Resolution #93-0104 approving a 15 year sublease with the City of Ann Arbor for the City to sublease space at the County Courthouse for the 15th District Court. This Agreement involved a sublease because the County used the Washtenaw County Building Authority administer \$400,000.00 in bonds to renovate the Courthouse for the proposed 15th District Court space. Under Michigan law, if the Building Authority is involved in a public project, it must have an ownership interest in the project. Accordingly, title to the Courthouse property was put into the Building Authority's name until the bonds are fully paid off. The Building Authority then leased the Courthouse back to the County. Accordingly, the County's 1993 Agreement with the City permitting it to use space at the Courthouse for the 15th District Court was a sublease.

Under the 1993 Sublease, the City agreed to pay off the County's bond principal and interest as "rent." The first of these rental payments was scheduled for July 1, 1994, with annual rental payments on each succeeding July 1st until the principal and interest were fully paid. The three annual payments left for the City

to make under the Sublease are as follows: 2006--\$38,981.00; 2007--\$40,476.00; and 2008--\$48,545.50. Upon making the annual 2008 payment, the City will have fulfilled its "rent" obligation under the Sublease.

In addition, the City agreed to pay a Buildings Operations Charge. This charge is for the City's pro rata share of the maintenance costs of the Courthouse. Under the Sublease, this amount is revised annually by multiplying the annual intergovernmental services charge by the square feet used by the City. For 2006, this annual charge is \$220,454.92, payable in monthly installments of \$18,371.24.

DISCUSSION:

The original term in the sublease between the County and City is from January 1, 1994 through December 31, 2008. The proposed Resolution would extend the sublease term by one additional year through December 31, 2009. The amendment would also contain language indicating that the Sublease terminates at midnight on December 31, 2009 and that the City will be expected to immediately vacate the Premises. The additional time would insure that the 15th District Court would have a place to operate while the City constructs a new City Hall/15th District Court facility.

The City is scheduled to make the last annual principal and interest payment on the County's original \$400,000.00 bond during 2008. It is proposed that for the one year extension, the City pay the County \$400,000.00 as a flat-rate annual payment for the subleased space. This figure would include the Buildings Operation Charge, along with rent for the space.

IMPACT ON PERSONNEL:

The proposed Resolution will have no impact on County personnel.

IMPACT ON BUDGET:

Under the proposed one-year extension, the City would be required to pay a flat-rate cost of \$400,000.00 which would include both rent for the leased space as well as the annual Buildings Operation Charge. By charging this amount, the County will have no negative impact on its budget as a result of extending the Sublease.

IMPACT ON INDIRECT COSTS:

There are no indirect costs associated with the proposed Resolution.

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

Approval of the proposed Resolution will permit the City to operate the 15th District Court at the County Courthouse for an additional year, terminating on December 31, 2009.

CONFORMITY TO COUNTY POLICIES:

The proposed Resolution conforms to County Policy.

A RESOLUTION AMENDING THE EXISTING DOWNTOWN COURTHOUSE
SUBLEASE BETWEEN WASHENAW COUNTY AS SUBLESSOR AND THE
CITY OF ANN ARBOR AS SUBLESSEE TO EXTEND THE SUBLEASE BY AN
ADDITIONAL YEAR SO THAT IT WILL EXPIRE AFER DECEMBER 31, 2009

WASHTENAW COUNTY BOARD OF COMMISSIONERS

February 15, 2006

WHEREAS, on April 21, 1993, the Board of Commissioners passed Resolution #93-0104 approving a 15 year sublease between Washtenaw County and the City of Ann Arbor to permit the City to operate its 15th District Court at the County's downtown Courthouse; and

WHEREAS, the approved sublease is scheduled to expire on December 31, 2008; and

WHEREAS, the City has approached the County about extending the sublease's term for an additional year to insure the 15th District Court has space to operate while the City constructs a new City Hall/District Court facility; and

WHEREAS, under the proposed sublease amendment, the following terms would be addressed: (1) the term would be extended for an additional year through December 31, 2009; (2) the City would be charged a flat-rate annual charge of \$400,000.00 to cover rent and the Buildings Operation Charge for the additional year; and (3) language would be added indicating that upon the expiration of the amended sublease term, the City would be expected to immediately vacate the Premises.

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners approves an amendment to its existing sublease with the City of Ann Arbor permitting the City to use space at the County's downtown Courthouse facility for the 15th District Court as follows: (1) the term of the sublease is extended for an additional year through December 31, 2009; (2) the City will be assessed a flat-rate charge of \$400,000.00 to cover rent and the Buildings Operations Charge for the additional year under the sublease; and (3) Language will be added to the sublease indicating that once the amended sublease term expires, the City will immediately vacate the Premises.