

CITY OF WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014

A Special Meeting of the City of Warren Building Authority convened in the Warren Community Center Conference Room A, 1st Floor, 5460 Arden, Warren, MI 48092, at 4:00 P.M., John Becher, Chairman.

Members of the Board present:

John (Jack) Becher, Chairman
David Koury, Secretary
Mark Wyer, Commissioner

Also present:

Dennis Clark, Assistant City Controller
David Griem, City Attorney
Tom Pawelkowski, Water Division

1. CALL TO ORDER

Chairman Becher called the meeting to order at 4:01 p.m.

2. PLEDGE OF ALLEGIANCE

All stood and recited the Pledge of Allegiance.

3. ROLL CALL

Chairman Becher called the roll and all were present.

4. Acknowledge Receipt of Notice of Special Meeting

Chairman Becher stated so acknowledged.

5. APPROVAL OF THE AGENDA

Motion:

Commissioner Wyer made a motion to adopt the agenda supported by Secretary Koury.

Voice Vote:

A vote was taken on the motion to approve, and it carried unanimously.

WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014
Page 2

6. APPROVAL OF THE BILLS-Meeting allowances

1. John Becher	Ck. # 1553	\$50.00
2. Dave Koury	Ck. # 1554	\$50.00
3. Mark Wyer	Ck. # 1555	\$50.00

Motion:

Secretary Koury made a motion to approve the meeting allowance for John Becher, Mark Wyer and Dave Koury, each in the amount of \$50, supported by Commissioner Wyer.

Roll Call:

A roll call was taken and the motion carried unanimously.

Koury	Yes on Item 7
Wyer	Yes on Item 7
Becher	Yes on Item 7

7. Request from the Public Service Department, In Re: Building Authority to review and approve of a lease agreement of the Water Department Building to METCO Services.

Motion:

Secretary Koury made a motion to approve and the motion was supported by Commissioner Wyer.

Secretary Koury asked if Mr. Pawelkowski could give the Board an overview of the proposal.

Tom Pawelkowski stated the Water garage down on Stephens 12821 Stephens there was about 97,000 sq. ft. of building down there. In 2006 when City Hall was built water accounting and engineering were moved to City Hall. The office on Stephens has been vacant since that time. Mr. Sabaugh the Public Service Director took the initiative to see if he could find someone that might be interested in leasing the area so he did the contact of the engineering group Mr. Van Havermaat and they gave him some names and Mr. Sabaugh went out and talked to some people and found METCO services that has an interest. They talked about how much of that space they could lease. The building itself was basically broken up into a maintenance side of the building being the water garage with vehicles and inventory, storage rooms and then the front part was all office and there is also a basement where a lot of material is stored for the City, records and various pieces of equipment. The basement and the first floor was all part of the maintenance operations and the second floor housed engineering accounting and part of the administrations staff which was still up

WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014
Page 3

there on the second floor. The area was broken off in 2005 or 2006 under the Steenberg administration with the blight court in that area so that was all kind of closed off. They basically moved in when engineering came out of there but he was not with the City at the time. The area was secure and under separate lock and key, there are individual offices there that are partitioned off that have doors and locks on them making them all secure. He could not partition off any part of that office. The other part that was across the hall was where the Water administration was located, the deputy and the operations manager and the account tech that handles all the payroll and down stairs he has people working also. There is a vacant portion so it was decided to try and lease that and METCO came forward and a lease agreement was struck up that has been provided to the authority. A survey was done by the assessing department to see what the going lease rates were in the area and it was around \$10.00 per sq. ft. The lease area he was talking about was 1,015 sq. ft. of the whole 97,000 sq. ft. of the building and of that on the second floor about 6,100 sq. ft. which was the blight court and part of the staff he has up there. The City has to maintain that area, heat, janitorial services and snow plowing for the area. All that goes on a regular basis because of the employees the City has there. Utilities, electric, water and gas. There have been renovations to the utility services that were paid for out of the operating costs of the Water Division. He would like to have the Boards approval to move ahead with this. All the documents have been provided to the Board including a letter with modifications that were made by the Council on this matter. Part of that was that the renter pay for the whole build out which was estimated to be \$12,700.00 and the City would credit up to \$6,000.00 on the first years rent. The agreement calls for \$13.00 per square foot in rent. The annual rental payment was \$13,195.00 and the costs to heat the facility and other utilities would be roughly \$780.00 a year, about \$65.00 a month.

Commissioner Wyer clarified that the \$780.00 was for the year.

Tom Pawelkowski stated yes. The City was absorbing the utility costs and it was METCO's responsibility to bring in all the personal property, desk, computer's, phone service and internet connections. The build out includes partitioning them off, circuits for them to plug in and that was in the \$12,700.00.

Secretary Koury asked if he had just said that the City was going to do the build out, the City of the Water Department was going to contract it.

Tom Pawelkowski stated that Mark Metco was paying for the build out not the City but the City would take care to see that it gets done. That has already been approved by the Council.

Chairman Becher stated so the City was more like a general contractor.

WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014
Page 4

Tom Pawelkowski stated things are being done internally.

Secretary Koury stated so the approved build-out was for the \$12,700.00.

Tom Pawelkowski stated yes and they will get credit the first year only of \$6,000.00 for that build out. The City was covering the costs to provide utilities and that was it. There would not be any increase in janitorial services as the City already pays for that.

Chairman Becher asked if someone could explain the layout.

Tom Pawelkowski showed a print out of the building and pointed out the area in question and explained the overall lay out of the building and areas they would and would not have access to.

General discussion took place about the lay out and access to elevators and fire exits took place.

Tom Pawelkowski stated right the area that was being considered was on the second floor only. There would be five or six people working in the area and it would be all engineering work. These people will be working on the OMI project which the City was giving access to processing more robust storm processing which was sanitary. The building sits way back off of Stephens and cannot be seen from the front. They will not be doing any advertising. It was basically an industrial area and it was really not a high office area and it would be there for their convenience while they work on the OMI.

Secretary Koury asked if METCO was under contract with the City.

Tom Pawelkowski stated he could not answer that because he does not deal with them.

Dennis Clark stated that METCO was under contract for operations at the waste water treatment plant. Council has gone out to bid for all new engineering services and METCO was not awarded any of the contract. They are just finishing up the work that they had.

Secretary Koury stated so METCO was currently working for the City under contract but that contract was going to expire and they are not going to have their contract renewed yet they are willing to pay \$3.00 per sq. ft. over the estimated average rate to have a presence in Warren which was kind of puzzling to him.

WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014
Page 5

Tom Pawelkowski stated the City was looking at about \$65,000.00 over five years and they will get an off-set of \$6,000.00 plus whatever expenses the City absorbs. Net should be about \$55,000.00 over the five years.

Secretary Koury asked where the lease payments would be going.

Tom Pawelkowski stated to the Water Division as they were maintaining the building.

Secretary Koury stated so the payments are going to the Water Department even though the Building Authority owns the building. What was the Building Authority being asked to approve today? Since City Council already acted and City Council more or less controls the Building Authority why were they here?

Dennis Clark stated his understanding was because the Building Authority owns the building.

Secretary Koury stated so the Building Authority could supersede the Council on this.

David Griem stated it would turn into an interesting situation.

Secretary Koury stated he was puzzled because the Building Authority owns the building but yet the water department maintains the building with their own funds out of a different account and City Council enters into all lease agreements but yet it says in the lease agreement that the build-out and everything out was per City Council's approval even though the Building Authority owns the building.

David Griem stated he thinks the administration wanted to be sure that ever I was dotted and t was crossed and did not want a situation later as to someone saying that the City does not own the building the Building Authority owns the building, well for that purpose this meeting was taking place to make sure that everyone was on the same page.

Secretary Koury asked what the total number of square feet that could be leased out.

Tom Pawelkowski stated about 6,100 sq. ft. There was more than that available but they could not co-mingle with his employees in the other part. The downstairs floor he needed for maintenance and he could not have anybody in there.

Dennis Clark stated that it says in the letter from Council that the balance of the area that could be leased was 2,700 sq. ft.

WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014
Page 6

Secretary Koury stated so there was about 3,700 sq. ft. that was leasable, including the METCO.

Tom Pawelkowski stated because there was the big open mezzanine area that they have access to because it was a common area.

Commissioner Wyer stated he has been doing this for about four years and everything with the Building Authority came to them first and then went to Council so this was the first time that this has been backwards. In the beginning Mr. Pawelkowski stated that Mr. Sabaugh initiated going out and looking for people.

Tom Pawelkowski stated Mr. Sabaugh was the one that took the initiative to go out to see what could be done to lease out some of these spaces that are vacant down there. He took it upon himself to do that.

Commissioner Wyer stated METCO did not come to the City then. Does the City know who METCO was owned by?

Tom Pawelkowski stated the president of the company was named in the lease, Raj (Could not pronounce the last name). So he was the actual president of the company and he was the man directly involved with the lease. He has been at the last few Council meetings to try and represent his company.

Commissioner Wyer asked if the Building Authority was in a position to sell back or give back the building to the City so the Building Authority did not own it.

David Griem stated that was part of a number of other buildings that the City was looking at and there was a set time schedule for that. April, it was on the horizon and Annette Gatarri-Ross was working on that right now.

Commissioner Wyer stated he was looking for an early out in the agreement.

Tom Pawelkowski stated page 1 of the lease agreement and stated that within 30 days of tenant's notice of intent to renew.

Chairman Becher stated that was a tenants notice.

Tom Pawelkowski stated he was sure there was something in there.

David Griem stated he did not do it but he could not say off the top of his head.

Dennis Clark stated can renew for a period of five years upon mutual consent of the parties.

WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014
Page 7

Commissioner Wyer stated if they get out early it might not be an issue because there was no initial investment going on. He assumed this would be listed as income in the budget for the Water Division.

Tom Pawelkowski stated it would be shown as revenue income coming in on the Water and Sewer system for the City of Warren.

Commissioner Wyer asked if it would be a separate line item as rent.

Tom Pawelkowski stated he did not know if it would be a line item or blended with something else. If they needed to add a line item he thinks they can do that. He was not absolutely sure.

Chairman Becher stated he would hope that the controller's office would do that.

David Griem stated he thought it would be a good idea to show that as a line item.

Dennis Clark stated a rental account could be set up. It might not be budgeted this year because the budget was already approved for 2014 but there could be a rental, there are a couple of different rentals throughout the city and it was the same account number in each department that it would be listed as a revenue.

Chairman Becher stated that way the money can go to the building without too much hassle for maintenance or improvements in the building.

Dennis Clark stated the Water and Sewer department was a separate financial department.

Commissioner Wyer stated he was able to go by and visit before the meeting today and actually it was a pretty small space up there compared to what was up there. He looked at it and he thought it was another 3,000 up there.

Tom Pawelkowski stated that it was about a third. What was nice when they built the area they put all the offices under separate lock and key.

Chairman Becher asked if City property could be leased out to a private entity since this is not normally government business.

David Griem stated he thinks they City could.

Dennis Clark stated the City was already doing it at the Majestic Plaza with the DDA.

WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014
Page 8

David Griem stated there was no conflict situation here that he sees and he could tell the Board that Council asked about 30 minutes of questions including some of the questions this Board has asked and he thinks the Council was very satisfied at the point in time they voted on it. The first time it was tabled and when the City came back with a fifty cent increase in the rent, he thinks everyone has looked at this thing frontwards, backwards and sideways.

Chairman Becher stated the lease agreement was between the tenant METCO and the City of Warren whereas technically the Building Authority owns the building. Was that proper.

David Griem stated the City was in a situation where they could rent this right now and getting the building to the City of Warren was on the calendar in April, he had no problem with this.

Chairman Becher stated it was not a lot of money but still had to be thorough. Also the leased building and surrounding parking lot which the Building Authority did not own and common areas that are collectively referred to as the property the city has to maintain that. Do they have enough parking?

Tom Pawelkowski stated the City already does the maintenance and without question there was enough parking. The City was now parking a lot of unused vehicles from DPW on the east side of the property.

Chairman Becher stated that Mr. Pawelkowski answered his questions and he did not know if there were any other questions.

Secretary Koury stated that he had a question for the City Attorney regarding security concerns. Item 12 as part of the indemnity and it says on there that the tenant was responsible for their own security and safety. Was there anyway that the Building Authority could be held liable for anything since they are the property owners.

David Griem stated if for example, he was not sure if the company had people coming into the offices to conduct business. Was there a chance that something could happen where it would be alleged that whoever maintained the building was negligent in the maintenance, and could the Building Authority be named as part of a lawsuit? It was possible but he could tell them that the City would represent the Building Authority as well as the City in such a situation, so as far as a potential for personal liability he did not see any.

Roll Call:

A roll call was taken and the motion carried unanimously.

WARREN BUILDING AUTHORITY
SPECIAL MEETING
January 21, 2014
Page 9

Koury	Yes on Item 7
Wyer	Yes on Item 7
Becher	Yes on Item 7 on the lease agreement between METCO and the City of Warren.

8. OLD BUSINESS

No old business items

9. NEW BUSINESS

Chairman Becher stated that in April there would be more information and the minutes would be approved by the e-mail.

10. AUDIENCE PARTICIPATION

There was no one present to speak under Audience Participation.

11. ADJOURNMENT

Motion:

Secretary Koury made a motion to adjourn, supported by Commissioner Wyer.

A vote was taken on the motion to adjourn, and it carried unanimously.

Chairman Becher adjourned the meeting at 4:47 p.m.

Minutes Declared Adopted this _____ 2014, by David
Koury Building Authority Secretary.