

David Feldpausch
Director



Amy Chapman
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Memorandum

To: Livingston County Board of Commissioners
Fr: David Feldpausch, EMS Director
Date: 01/20/2021
Re: Resolution regarding U of M Lease Amendment

I have been in regular communication with a representative from THE REGENTS OF THE UNIVERSITY OF MICHIGAN since March of 2020 regarding the existing lease agreement for building and hangar space at the public safety complex.

Upon review we discovered that neither party had fulfilled their obligations under the lease including rent increases and reporting of actual operational cost. Under the existing agreement we are required to report operational costs annually and make adjustments to the additional rent based on those costs. To the best of our knowledge this has never occurred.

After months of review of years' worth of invoices Hilery DeHate and I met with several of their representatives. We were having trouble justifying the operational costs received as the lease does not outline them specifically and the process to come up with them is quite complex. The lease breaks the building out by percentages and only a portion of each expense was attributed to their portion of the operational cost. They made a recommendation that we consider a lease amendment to eliminate any confusion and simplify the process going forward.

They immediately began to pay the rent increase that we had identified that was past due along with past increases that had been missed. There was just no simple solution to the additional rent (operational expenses) calculation and it is next to impossible to go back and capture them accurately now.

I was very pleased with the proposed amendment as we were challenged justifying the past operational expenses. I believe this is a very generous offer based on that and it eliminates the need for complex calculations going forward. THE REGENTS OF THE UNIVERSITY OF MICHIGAN have been exceptional tenants and to lose them would be devastating to the EMS department financially.

As we were bringing this issue forward last month we discovered an issue with the foam fire suppression system in the hangar requiring a \$40,000.00 repair. Under the new lease agreement, we would not be able to charge the \$40,000 back to U of M because it is an operational expense that we would have been responsible for under a new fixed rate.

Serving the Citizens of Livingston County

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That sent us back to the negotiating table and we agreed to remove the foam fire suppression system from the operating costs and gained the ability to invoice those expenses back to them. After 3 more legal reviews we are now hopefully ready to bring this forward once again.

As a quick reminder this lease has U of M paying for the construction cost of their portion of the building "annual contribution", their operational cost to operate it "Additional Rent" as well as renting the space from us "Rent" so it is a very good deal.

I realize that this is likely a complex topic and welcome any questions regarding this matter.