

SANILAC COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

ADMINISTRATIVE POLICY

NUMBER: BA047

NAME: LEASES FOR SPECIALIZED RESIDENTIAL FACILITIES

INITIAL APPROVAL DATE:	08/25/1998	BY: Sanilac CMH Board
(LAST) REVISION DATE:	11/10/2015	BY: Contract Management
(LAST) REVIEW DATE:	07/27/2023	BY: Policy Committee
DISCONTINUED DATE:	N/A	REPLACED BY: N/A

I. **PURPOSE**

II. **APPLICATION**

Populations: **ALL**
Programs: **Direct - NA**
Contracted - ALL

III. **POLICY**

It shall be the policy of the Sanilac CMH to have reasonable, fair and adequate lease agreements.

IV. **DEFINITIONS**

V. **STANDARDS**

- A. NECESSITY – Leases will be entered into for residential settings only as necessary to provide or maintain appropriate housing for individuals served.
- B. APPRAISALS – Updated appraisals will be at either party’s discretion although subject to the Board’s approval. If the Board does not accept an appraisal the Board may obtain a separate appraisal.
- C. FAIR MARKET VALUE (FMV) –
 - (1) For premises that have no lease history as a specialized residential setting, FMV will be established based upon an appraisal completed by an independent licensed appraisal company or licensed and/or certified individual. If two independent appraisals are completed and have different results, the FMV will be established by calculating the average appraisal amount.
 - (2) For newly constructed facilities the FMV will be determined at the end of construction with an “as if completed appraisal”.
 - (3) For premises with a prior lease history with the Board, or the State of Michigan, FMV may be established upon the basis of the lease history, if the Board so desires, with reasonable adjustments on the basis of general property and cost of living trends.

- D. LEASE TERM – Lease terms will not exceed a ten (10) year duration unless the Board grants specific prior approval.
- E. OPTIONS – Options to renew a lease, when they apply, will not extend beyond five (5) years, with no more than two (2) option periods available, any exception to the 5-year rule must be with the prior approval of the Board.
- F. RENT –
 - 1. For initial leases, rent will be established applying a percentage rate of return against the fair market value based on the following: the 5 year treasury yield amount with an additional 6% to reflect risk, burden of management and liquidating. State Equalized Value, tax rates, FMV and Rental Value may also be analyzed to establish a reasonable rate.
 - 2. For renewal leases, or leases on premises previously leased by the State of Michigan, State Equalized Value, Appraised Rental Value, tax rates, and FMV may be analyzed, and rates established as reasonable.
 - 3. LEASE AGREEMENT – Lease agreements will utilize a standard format approved by the Board.

VI. ATTACHMENTS

VII. REFERENCES