

W Committee of the Whole

Meeting date: May 16, 2007
Metropolitan Council Meeting May 23, 2007

ADVISORY INFORMATION	
Date:	May 9, 2007
Subject:	Lease Agreement with Griggs-Midway Corporation for the Permanent Location of the Central Corridor Project Office
District(s), Member(s):	All
Policy/Legal Reference:	Mn Statutes, Section 473.399
Staff	Brian Lamb, General Manager, 612.349.7510
Prepared/Presented:	Mark Fuhrmann, Deputy General Manager, 612.349.7513 Gary Berger, Central Corridor Manager of Administration, 612-215-8208 Mary Bogie, Controller, 651-602-1359
Division/Department:	Metro Transit

Proposed Action/Motion:

That the Metropolitan Council authorize the Regional Administrator to execute a lease agreement with the Griggs-Midway Corporation for the permanent location of the Central Corridor Project Office (CCPO) at the Griggs-Midway Building at Fairview and University Avenue, effective September 1, 2007 for a seven year term in an amount not to exceed \$2,684,800.

Issue(s)

- Council approval is required to enter into a lease
- Central Corridor Project Office location

Overview and Funding:

Metropolitan Council is responsible for the overall project management of the Central Corridor. Met Council has created a Central Corridor Project Office (CCPO) with staff members from the partner agencies and future consultant contractors. Currently the CCPO is temporarily co-located with the Northstar Project Office (NPO) in the Ceresota Building in downtown Minneapolis. Previously, the Council approved the execution of a sublease with the Northstar Corridor Development Authority (NCDA) for this interim location.

Key requirements for the permanent CCPO location include an office in Ramsey County, easy access from the entire project corridor, on-site public parking for community meetings and contractors, single floor footprint and flexible termination rights

Met Council engaged the St. Paul Port Authority with their expertise to solicit interest from property owners that could meet the basic criteria. Nine locations were initially identified. Staff eliminated six options based on cost and/or functional deficiencies.

The St. Paul Port Authority led staff on a tour of the three sites:

- Fifth St. Centre (Fifth St.), 55 E. 5th St., Suites 400 & 500
- Griggs Midway Building (Griggs Midway), 540 Fairview, 2nd Floor
- Westgate: 2575 University Avenue

All three locations met the minimum CCPO space requirements. The committee authorized the Port Authority to solicit proposals from the three properties. Westgate informed the Port Authority that it was declining the opportunity to present a proposal.

Analysis: The St. Paul Port Authority received proposals from Fifth Street Centre and Griggs Midway. Staff analyzed the business and functional differences of the two sites. They took into consideration the functionality and business terms.

Location

The central location of Griggs Midway allows for easy movement of staff members up and down the Central Corridor as they perform assigned tasks. Project staff and staff resources travel extensively throughout the workday to and from meetings at locations such as Metro Transit Heywood, Rail Operations and Maintenance Facility, and Met Council. Minimizing travel time for staff allows for greater efficiencies during the workday.

Accessibility

Griggs Midway provides an accessible location for community groups. Griggs Midway offers convenient parking with a plethora of shared conference rooms for meetings. Both the Fifth St. and Griggs Midway sites offer accessibility to bus routes.

Structure of Space

The Griggs Midway single floor layout more efficiently provides the accessibility to equipment, support staff, project colleagues and management that fosters teamwork, collaborative efforts, and creative problem-solving.

The two floor layout of Fifth St. requires two public entrances creating operating inefficiencies and confusion for visitors. The organization onto two floors causes stratification of functions disrupting the ease of communication that is an inherent component of a project office.

Termination Rights

Griggs Midway provides more favorable termination rights. Both Fifth St. and Griggs Midway allow for termination of the lease in the event that the Central Corridor LRT Project loses funding. Griggs Midway does not have a termination penalty. Griggs Midway rolls the tenant improvement into the base rent and does not require a repayment in the event of termination.

Fifth Street has a termination penalty. Fifth Street requires the Council to repay the landlord for the unamortized portion of the \$352,500 tenant improvement allowance.

Rent Expense

Staff analyzed the cost components of the Fifth Street and Griggs Midway proposals. The total 7-year occupancy cost for Griggs-Midway is \$2,684,800 (no cost parking) as compared to the total 7-year occupancy cost of Fifth Street Center of \$3,147,281 (\$806,400 parking cost). However, it is known that the Fifth Street Centre building has several unoccupied floors and that their owners are motivated to lease their space. Staff would likely be able to negotiate a more favorable cost per square foot.

Summary: Staff recommends authorizing the Regional Administrator to negotiate and execute a seven year lease agreement with the Griggs-Midway Corporation in an amount not to exceed \$2,684,800. Staff believes that the business and functional features of the Griggs-Midway building, which include superior accessibility, location, structure of space and generous termination rights, provide the best environment for delivery of the Central Corridor Light Rail Project. The funding sources for the lease include existing Federal grants and previously authorized state bond funds.