

J Transportation Committee Management Committee

Item: 2012-09

For the Metropolitan Council meeting of January 25, 2012

ADVISORY INFORMATION

Subject: Southwest Light Rail Transit (Green Line Extension): Authorization to Execute Southwest Project Office Lease Agreement Between Metropolitan Council and Golub and Company/AEW Capital Management Partnership

Proposed Action:

Authorize the Regional Administrator to negotiate and execute a Southwest Project Office lease agreement between the Metropolitan Council and Golub and Company LLC / AEW Capital Management, L.P. for leasing a 21,953 square foot area in the fifth floor of Park Place West in St. Louis Park for the seven-year five-month (89-month) period from March 1, 2012 through July 31, 2019 in an amount not to exceed \$3,600,000.

Summary of Committee Discussion / Questions:

Transportation Committee – January 9, 2012

Mark Fuhrmann presented this item following an overall status update of the Southwest LRT Project. Council Member Brimeyer motioned approval, and Council Member Munt seconded. The committee unanimously recommended approval of this business item by the full Council.

Management Committee – January 11, 2012

Mark Fuhrmann presented this item. The Management Committee inquired about the applicability of prevailing wages to the contractors used by the landlord for tenant improvements and inclusion of a termination option in the lease agreement. Mr. Fuhrmann reported that the landlord proposed termination option is effective at the end of the third year with 8 months notice. Furthermore, payment of unamortized tenant improvement costs upon exercising the termination option is required to make the landlord whole. Staff will research and follow up with Management Committee members regarding the prevailing wage and Central Corridor staff composition questions. Following brief discussion and questions, the committee unanimously recommended approval of this business item by the full Council.

T Transportation Committee
Meeting Date: January 9, 2012
Management Committee Meeting: January 11, 2012
Metropolitan Council Meeting: January 25, 2012

ADVISORY INFORMATION

Date:	January 4, 2012
Subject:	Southwest Light Rail Transit (Green Line Extension): Authorization to Execute Southwest Project Office Lease Agreement Between Metropolitan Council and Golub and Company/AEW Capital Management Partnership
District(s), Member(s):	All
Policy/Legal Reference:	Council Policy 3-3 Expenditures, Federal Transit Administration Circular 4220.1F Third Party Contracting Guidance
Staff Prepared/Presented:	Brian Lamb, General Manager, 612-349-7510 Mark Fuhrmann, Deputy General Mgr, 651-602-1942
Division/Department:	Metro Transit / Southwest Project Office

Proposed Action

Authorize the Regional Administrator to negotiate and execute a Southwest Project Office lease agreement between the Metropolitan Council and Golub and Company LLC / AEW Capital Management, L.P. for leasing a 21,953 square foot area in the fifth floor of Park Place West in St. Louis Park for the seven-year five-month (89-month) period from March 1, 2012 through July 31, 2019 in an amount not to exceed \$3,600,000.

Background

Project Office Plan

Metropolitan Council is responsible for the overall project management and delivery of the Southwest Light Rail Transit (SWLRT) Project (Green Line Extension). Met Council will need to create a Southwest Project Office (SPO) with staff members from Metro Transit, partner agencies and future consultants including the Engineering Services Consultant.

SPO needs a permanent office location by Q2 2012 that will serve as the hub for project management and is accessible to the public and stakeholders. The SPO will be mobilized in two phases. Phase One is the preliminary engineering (PE) phase in 2012 and 2013 for approximately 110 to 120 staff. Phase Two will begin with final design in 2014 and will require an expansion to accommodate an additional 20 to 30 staff. The total estimated staffing need is approximately 140 staff over the seven-year project period. Authorization for Phase Two SPO expansion will be requested when necessary.

Selection Process

Met Council executed an agreement with CresaPartners, a Minneapolis-based commercial real estate broker, on November 17, 2011 through a competitive solicitation process. Met Council asked the broker to search for properties with specifications similar to the successful Central Corridor Project Office. The broker identified 20 available properties near the alignment in Eden Prairie, Minnetonka, St. Louis Park and Minneapolis. The broker contacted economic development staff in each of the five cities as part of this

early search. The initial list was narrowed to seven sites which the selection team toured on December 9, 2011. Proposals from all seven sites were requested and received. The selection committee authorized the broker to solicit best and final offers from four finalist sites. All four finalists submitted responsive proposals.

Analysis

All four proposals were competitive regarding key criteria such as competitive rent, on-site expansion, termination options, access to the public and stakeholders, and solid property management and ownership.

The criteria that distinguish Park Place West ahead of the other proposals include:

- Rent Expense and Lease Terms

The total seven-year and five-month (89 month) occupancy cost for Park Place West is \$3,587,530 which includes 21,952 rentable square feet on the fifth floor of the nine-story building. The additional five months will account for the project close-out period. The SPO negotiated a long term lease to gain a price advantage with termination option to also mitigate risk. The lease amount includes gross free rent for the first five months of the lease and 50% reduction in gross free rent for the next 12 months of the lease term. The proposed lease terms include a landlord-provided tenant improvement allowance of \$263,436, a termination clause after the third year with notice, as well as renewal and expansion options to meet SPO's total area needs of 28,000 when both phases are implemented. In addition, there is no additional cost for parking, use of the first floor large meeting room for SPO public meetings and use of showers for bicycle commuters.

- Accessibility and Location

The Park Place West location is accessible from the regional highway system and Metro Transit service. It is located near 394 between highways 100 and 169 near the Louisiana Avenue Transit Center. Of the sites considered, Park Place West is most centrally located for all SWLRT constituents. The building includes first floor meeting space for public meetings and the option of providing an SWLRT Project kiosk in the lobby with information for the public. Park Place West offers ample free parking to accommodate staff and public meetings at the same time. In addition, the location is near the Louisiana Transit Center which is served by ten express, local and circulator bus routes.

- Space Functionality and Readiness

The fifth floor layout will immediately accommodate SPO's need for the combination of private offices and open areas and fiber optic connections that create the collaborative work environment among staff, project colleagues and management for day-to-day communication and problem-solving. The current condition of the space requires relatively minimal tenant improvements to make the fifth floor ready for furnishings and equipment and occupancy by Q2 2012. The first floor meeting space is fully furnished and immediately available.

Rationale

There are both organizational and cost avoidance benefits of a project office. The organizational benefits are gained by co-locating staff from the public agencies and the consultants in one location with IT equipment that supports collaborative communication

among engineering disciplines to resolve complex design issues, and in a location that is easily accessed by the public and stakeholders.

The cost-avoidance benefits are realized by lower field labor rates which the Council negotiates with consultants for the opportunity to co-locate their staff in the project office. SPO estimates that the investment of project office infrastructure (lease, office furniture, IT equipment) to co-locate the consultant staff will yield a cost avoidance of \$3.8 million in the two-year Phase One for PE, and a total of \$15.7 million of cost avoidance over the seven year project period.

Three previous transitway projects (Blue Line/Hiawatha, Northstar and Central Corridor) have demonstrated the positive benefit of a project office for a major capital project as complex as a New Starts rail project.

Therefore, due to the productivity and cost efficiency of an LRT project office, the 89-month lease agreement for 21,953 sq. ft. in Phase One is a cost-effective investment to support the Southwest Project Office.

Funding

The SWLRT Project has available funds from the Counties Transit Improvement Board and Hennepin County Regional Railroad Authority.

Known Support / Opposition

No known opposition.