

T Transportation Committee

Item: 2008-226

For the Metropolitan Council meeting of September 10, 2008

Consent

ADVISORY INFORMATION

Date Prepared: August 26, 2008

Subject: Subway Lease at 28th Avenue Park and Ride

Proposed Action:

That the Metropolitan Council authorize the Regional Administrator to negotiate and execute a lease agreement with Subway Real Estate Corporation for the retail space within the 28th Avenue Park and Ride for a 5-year term with three 5-year extensions.

Summary of Committee Discussion / Questions:

Following a brief presentation by staff, Council Member Peterson asked if the tenant was to pay property taxes on the leased space. Staff responded that yes, the tenant was required to pay property tax on the space leased even though the rest of the facility was tax exempt. Council Member Beach asked if the proposed tenant intended to sublet any portion of the space leased. Chair Hill-Smith asked if there were coffee shops proposals received for the space. Staff responded that there were no other proposals received. The chair indicated the item could be placed on the Council's consent agenda. The recommendation was moved and seconded and approved unanimously.

T Transportation Committee

Business Item

Item: 2008-226

Consent

Meeting date: August 25, 2008

Metropolitan Council Meeting: September 10, 2008

ADVISORY INFORMATION

Date: 8/18/2008

Subject: Subway Lease at 28th Avenue Park and Ride

District(s), Member(s): District 5, Polly Bowles

Policy/Legal Reference: Minnesota Statutes 473.129

Staff Prepared/Presented: Brian J. Lamb, General Manager, Metro Transit 612-349-7510
Tom Thorstenson, Director Engineering & Facilities 612-349-7689
Wayne Schafer, Assistant Director Facility Maintenance 612-349-7340

Division/Department: Metro Transit/Engineering and Facilities

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to negotiate and execute a lease agreement with Subway Real Estate Corporation for the retail space within the 28th Ave Park and Ride for a 5-year term with three 5-year extensions.

Background

At the initiation of the City of Bloomington, plans for the 28th Avenue LRT Park and Ride included 2,000 square feet of potential retail space on the street level facing the LRT station. The space was minimally designed so that the facility could be completed after selection of a user for the space. As a result and once the user was identified, staff would “build out” the heating, air conditioning and ventilation (HVAC), lighting and restroom space.

As construction neared completion, staff publicly issued a competitive Request for Proposals, with contacts also made to coffee shops, fast food chains, dry cleaners, cell phone vendors and other potential tenants. Council received two proposals and appointed an evaluation panel made up of representatives from the Finance and Engineering & Facilities departments. Unlike the other proposal, Subway’s proposal utilized the entire space and they were selected for additional negotiation.

Rationale

Subway was selected primarily as a result of its strong financial integrity and customer product. Additionally, they opted to lease the entire space. Through negotiation, Subway proposes that Council complete the restrooms, lighting and HVAC, and lease the facility for \$18.50 per square foot, escalating 2.5% per year for a five year term and three five-year extensions. Although two additional iterations of their proposal were also considered, this proposal was favorable to the Council per a Net Present Value analysis completed by Finance.

Funding

Funding for the “build outs” is available from remaining Bloomington Port Authority bonds, the same source of funding for the Park and Ride structure. Bond funds are paid back through the use of federal funds.

Known Support / Opposition

Staff from the City of Bloomington and the Bloomington Port Authority indicate strong support for Subway as a tenant in the parking structure.