

T Transportation Committee

Item: 2008-305 SW

For the Metropolitan Council meeting of November 12, 2008

ADVISORY INFORMATION

Date Prepared: November 11, 2008

Subject: Facility Lease at Hoover Street NE, Minneapolis

Proposed Action:

That the Metropolitan Council authorize the Regional Administrator to negotiate and execute a lease agreement with Industrial Equities, LLC for the industrial warehouse space located at 630 Hoover Street NE, Minneapolis, for a five-year term, with one optional five-year extension.

Summary of Committee Discussion / Questions:

Discussion followed after a staff briefing on the potential lease at 630 Hoover Street NE in northeast Minneapolis.

A five year cost projection for the lease alternative appears to be close to an alternate of investing capital funds in the Ragstock facility and continuing operations at Ragstock. Should construction of the new Heywood II garage begin in five years or so, the lease seems to be a much more attractive alternative. However, some of the committee members felt that if the construction of Heywood II extended beyond five years, it may be attractive to improve the Ragstock facility now.

The proposed action included a lease with a five year term and one optional five year extension. Council approval is required prior to exercising the option.

Staff plan to demolish the Ragstock facility on a timeline dependent upon receiving FTA approval. FTA approval is required to ensure that the local funds used for the demolition are eligible to offset future FTA funding for the Heywood II project. When Ragstock is initially vacated, the building will be fully shut down and secured. Staff plans to seek bids for the demolition upon FTA approval during the first quarter of 2009. After demolition and any necessary remediation, the site will be clear and be maintained in a vacant condition until other plans are developed.

Council Member Leppik moved and Council Member Peterson seconded that the Metropolitan Council authorize the Regional Administrator to negotiate and execute a lease agreement with Industrial Equities, LLC for the industrial warehouse space located at 630 Hoover Street NE, Minneapolis, for a five-year term, with one optional five-year extension.

The committee approved the action with one member voting no.

T Transportation Committee

Meeting date: November 10, 2008

Metropolitan Council Meeting: November 12, 2008

ADVISORY INFORMATION	
Date:	10/21/2008
Subject:	Facility Lease at Hoover Street NE, Minneapolis
District(s), Member(s):	District 8, Lynette Wittsack
Policy/Legal Reference:	Minnesota Statutes Sec 473.129 & 473.405
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 Industrial Equities, LLC for the industrial warehouse space located at 630 Hoover Street NE, Minneapolis, for a five-year term, with one optional five-year extension.

Background

In 2004, the Council purchased the Ragstock property to provide a location for the next Metro Transit garage facility, Heywood II. The building continued to operate as a Ragstock store and warehouse and Council occupied portions of the building for passenger shelters and other miscellaneous storage. Staff had previously leased warehouse space in St. Paul but discontinued that lease when the Council purchased the Ragstock property.

Ragstock vacated the building in January of this year and staff planned demolition this fall. As a result, maintenance expenditures have been minimal. Accordingly, staff planned to move the shelters group to an unnamed facility prior to demolition.

The Ragstock building is in bad shape. The boiler and electrical transformer are now beyond repair and the wood roof structure has severely deteriorated. The Minneapolis Fire Marshall requires that the sprinkler system be maintained as long as the facility remains in use. The coming cold weather requires that staff either heat the facility or vacate and secure it or proceed with demolition.

Staff located a suitable lease facility for the passenger shelters operation and included operating funds for such lease in the 2009 operating budget. The proposed lease space includes a 20,000 square foot building with 40,000 square feet of secure exterior space in an “as new” condition.

The term of the lease is to be five years with one optional five-year extension. The total anticipated cost of the lease including utilities for five years would total about \$820,000 (lease cost plus utilities). Should the extension be exercised for an additional 5-year period, the lease value could grow to a ten-year total of about \$1.75 million, including estimates for escalation, taxes and utilities.

Rationale

Staff investigated numerous alternatives to leasing. Because the proposed 2009 – 2014 Capital Improvement Plan delays the start of Heywood II construction, the most obvious alternative is to remain in the Ragstock building as is. Unfortunately, the cost to keep the building operational is extensive. Staff estimates that

\$500,000 in capital funds would be required to minimally repair the roof and replace the heating plant and electrical transformer. Such funds are not readily available and would be a poor investment in a structure scheduled for demolition within the CIP period. The total five-year cost of this alternate is about \$800,000 (\$500,000 capital funds and an estimated \$60,000 per year for utilities and maintenance).

There are other benefits to the lease. The Shelter operations group is currently divided between the Operations Support Building (OSC) and Ragstock. The lease allows the group to consolidate its operations, freeing space in the OSC. Subsequently, the space freed by the Shelters group would allow the consolidation of the Radio Shop, the operation of which is now divided between the OSC and the Overhaul Base (OHB).

Funding

Funding for the lease is available from operating funds budgeted for this purpose.

Known Support / Opposition

There is no known external support or opposition.