

# Committee Report

Transportation Committee



**Committee meeting date:** February 24, 2025

**For the Metropolitan Council:** March 12, 2025

## Business Item: 2025-65

2550 Walnut Street, Bay A, Lease Extension, Contract 20P231 for Material Management Light Rail Parts Storage

### Proposed action

That the Metropolitan Council authorize the Regional Administrator to negotiate and execute the contract amendment 20P231 to extend the lease with 2550 Walnut LLC, for the 5-year lease agreement in the amount of \$1,350,001.

### Summary of Transportation Committee discussion/questions

Metro Transit Material Management Manager Chris Haefner presented this item. There were no questions or comments from Council members.

Motion by Vento, seconded by Morales. Motion carried, consent to Council.



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2550 Walnut Street, Bay A Lease Extension, Contract 20P231 for Material Management Light Rail Parts Storage

<b>District(s), Member(s):</b>	District 10, Peter Lindstrom
<b>Policy/Legal Reference:</b>	FM 14-2 Expenditures for Procurement of Goods, Services, and Real Estate Policy, Minn. Stat. 473.129; and 473.405
<b>Staff Prepared/Presented:</b>	Lesley Kandaras, General Manager Metro Transit Edwin Petrie, Director of Metro Transit Finance Hanh Tran, Acting Senior Manager Finance Christopher Haefner, Manager, Metro Transit Material Management Kelly Jameson, Director Real Estate, 651-602-1556
<b>Division/Department:</b>	Metro Transit / Finance

### Proposed Action

That the Metropolitan Council authorize the Regional Administrator to negotiate and execute the contract amendment 20P231 to extend the lease with 2550 Walnut LLC, for the 5-year lease agreement in the amount of \$1,350,001.

### Background

Metro Transit Material Management has used the warehouse at 2550 Walnut Street in Roseville for materials warehousing to support Metro Transit maintenance activities since August 2020. The lease expires November 30, 2025, and had a five-year option to renew. While the long-term plans for materials management storage is to consolidate Overhaul Base Central Warehouse and Walnut Street into a newly acquired warehouse at 755 Industrial Boulevard in Minneapolis, the design and construction will take two years and the move of all of the materials will take 18 months. An extension of this lease at Walnut Street is essential to continued operations.

Metro Transit worked with the Real Estate office to extend the lease at market rents. The rent per square foot was adjusted to current market rates of \$7 per square foot per year with an increase of 2.5% per year. All the other terms of the lease stayed as they were originally negotiated. Based on these terms, the new lease will cost Metro Transit about \$1,350,001. This is based on the negotiated increase in rent, an inflation rate of 4.2% for utilities and an annual increase in operating expenses of \$6000 per year. The increase in operating expenses is computed based on the average over the first five years of the lease.

### Rationale

Contracts for the acquisition of interests in real property, such as leases, that exceed \$1,000,000

require Council approval.

### **Thrive Lens Analysis**

Successful operations of the METRO system will advance the following Thrive MSP 2040 outcomes. This action promotes Stewardship and Prosperity through needed facility expansion to support transit service. This current facility provides additional support area to support continued growth in ridership demand and upcoming service expansion. This lease agreement extension promotes Equity and Livability by supporting the current transit lines which increase Mobility and Access to Opportunities.

### **Funding**

Funds have been identified and are available in Council's authorized operating budget.

### **Small Business Inclusion**

There are no direct impacts to small businesses with this action.

