

## Transportation Committee

Meeting date: August 25, 2014

For the Metropolitan Council meeting of September 10, 2014

**Subject:** Authorization to Execute the Blue Line Extension LRT Project Office Lease Agreement Between Metropolitan Council and Crystal Gallery Developers

**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 J. Lamb, General Manager, 612-349-7510  
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**Division/Department:** Metro Transit / Blue Line Extension LRT Project Office

### Proposed Action

That the Met Council authorizes the Regional Administrator to negotiate and execute a Blue Line Extension (Bottineau) LRT (BLRT) Project Office lease agreement between the Metropolitan Council and Crystal Gallery Developers for leasing a 20,000 square foot area in Crystal Gallery Office Building in Crystal, Minnesota for the seven-year (84-month) period from October 1, 2014 through September 30, 2021 in an amount not to exceed \$2,550,000. This authorization is contingent upon the Council receiving approval from the Federal Transit Administration for the BLRT Project to enter Project Development and Council approval of a future Capital Budget Amendment to authorize CTIB and HCRRA funding commitments.

### Background

Metropolitan Council is responsible for the overall project management and delivery of the BLRT Project. Met Council will need to create a BLRT Project Office (BPO) with staff members from Metro Transit, partner agencies and future consultants including the Engineering Services Consultant.

The BPO needs an office location by early Q1 2015 that will centralize project activities and is accessible to the public and stakeholders. The BPO will be mobilized in two phases. Phase One is the Project Development phase in 2014, 2015 and 2016 for approximately 100 to 110 staff. Phase Two will begin with the Engineering Phase in 2016 and 2017 and will require an expansion to accommodate the addition of 20 to 30 staff. Authorization for Phase Two BPO expansion will be requested once further progress is made in Project Development.

#### Selection Process

Met Council's Real Estate Office identified 25 available properties in the cities along the BLRT alignment based on selection criteria, referrals from staff in the cities along the alignment, and market research. The site selection committee narrowed the list to six prospects and toured them in May and June 2014. The selection committee requested and received responsive proposals from three sites and authorized the Real Estate Manager to solicit best and final offers from the two finalist sites.

#### Analysis

Both proposals were competitive regarding key criteria such as rent, on-site expansion and termination options, access to the public and stakeholders, and

solid property management and ownership. The criteria that distinguish Crystal Gallery Office Building ahead of the other proposal include:

- **Rent Expense and Lease Terms:** The total 84-month occupancy cost for Crystal Gallery Office Building is estimated to be \$2,550,000 which includes 20,000 square feet of contiguous second floor space. Staff have negotiated a long term lease to gain a price advantage with a termination option at 36 months to mitigate any risk of loss of funding. The proposed lease terms include a tenant allowance and renewal and expansion options. In addition, there is no additional cost for parking.
- **Accessibility and Location:** The Crystal location is centrally located between Brooklyn Park and Minneapolis, the two end points of the alignment. The building is located in the Crystal Shopping Center on the corner of West Broadway and Bass Lake Road. This location is accessible from the regional highway system and four Metro Transit bus routes (716, 721, 758, 767), and is less than one-half mile from the alignment at Bottineau Boulevard.
- **Space Functionality and Readiness:** The dimensions of the space are well-suited for a collaborative work environment among staff, project colleagues and management for day-to-day communication and problem-solving. The property owner has committed to making the space ready for furnishings and equipment and occupancy by early Q1 2015.

## **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 consultant 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 an estimated cost avoidance of \$4.1 million in the two-year Project Development phase, and an estimated total of \$17 million of cost avoidance over the seven year project period.

Four previous transitway projects (Blue Line/Hiawatha, Northstar, Green Line/Central Corridor, and Southwest) have demonstrated the 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 84-month lease agreement for 20,000 sq. ft. in Phase One to support the Blue Line Extension LRT Project Office is a cost-effective investment.

## **Funding**

The BLRT Project has available funds from the Counties Transit Improvement Board (CTIB) and Hennepin County Regional Railroad Authority (HCRRA) which are contingent on the FTA's approval for the BLRT Project to enter Project Development. The availability of these funds is also contingent on the amendment of the Capital Budget to authorize the CTIB and HCRRA funding commitments, and on the execution of funding agreements with CTIB and HCRRA.

## **Known Support / Opposition**

No known opposition.