

Transportation Committee

Meeting date: October 24, 2016

For the Metropolitan Council meeting of November 9, 2016

Subject: Blue Line Extension LRT Project Office Lease Agreement Amendment 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

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Division/Department: Metro Transit / Metro Blue Line Extension LRT Project Office

Proposed Action

That the Met Council authorize the Regional Administrator to negotiate and execute a lease agreement amendment between the Metropolitan Council and Crystal Gallery Developers for expanding the Metro Blue Line Extension (BLRT) Project Office by 5,509 square foot area in Crystal Gallery Office Building in Crystal, Minnesota for the 56 month period from February 1, 2017 through September 30, 2021 in an amount not to exceed \$500,000.

Background

The BLRT Project Office (BPO) was established to position the Met Council to successfully deliver the Blue Line Extension (Blue Line Light Rail Transit) in an efficient and timely manner under a very tight timeline (the Project).

In September 2014, the Council authorized the Regional Administrator to enter into a lease agreement and purchase IT equipment for phase one of the BPO mobilization. The Met Council entered into an agreement with Crystal Gallery Developers to lease approximately 20,000 square feet on the second floor of Crystal Gallery Office Building in Crystal, MN for a seven-year (84-month) period from October 1, 2014 through September 30, 2021 in an amount not to exceed \$2,550,000. The Met Council also authorized the Regional Administrator to purchase office furniture and IT equipment in an amount not to exceed \$1,755,000 for Phase One mobilization through Project Development in 2016.

With municipal consent approval from all five cities and Hennepin County, completion of 30 percent engineering plans, and environmental approvals, the Met Council will now advance the Project with the assistance of an Advanced Design Consultant (ADC) that will work from the BPO beginning in early 2017.

Based on a review of Southwest LRT Project Office space needs during Phase Two of their project, BPO staff estimates that an additional 18 to 20 workstations will be needed by February 2017. A total amount not to exceed \$205,000 has been budgeted for furnishings and IS equipment for mobilization of the expanded space.

Crystal Gallery currently has 5,509 square feet of office space available on the first floor for BPO expansion. The council negotiated a “first right of offer” with the lessor in the original lease anticipating the need for additional space as design advanced and the project progresses into construction.

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 Met Council negotiates with consultants for the opportunity to co-locate their staff in the project office. BPO 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 \$1.8 million over the two-year Advanced Design phase, and an estimated total of \$4.5 million of cost avoidance over the five year project period.

Four previous transit way 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 56 month lease agreement for 5,509 square feet in Phase Two to support the Blue Line Extension LRT Project Office is a cost-effective investment. Other needs, such as furniture and IT, will follow standard Met Council procurement policies and procedures.

Funding

The BLRT Project has available funding in the Project budget.

Known Support / Opposition

None