

Transportation Committee

Meeting date: November 26, 2018

For the Metropolitan Council meeting of December 12, 2018

Subject: Southwest Light Rail Transit (Green Line Extension) Second Amendment to Lease Agreement with Middleton Partners

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 / Green Line Extension Project Office

Proposed Action

That the Metropolitan Council (Council) authorize the Regional Administrator to execute a lease agreement amendment with Middleton Partners, LLC that:

- Terminates the lease of the 6th floor space (effective Feb. 28, 2019); and,
- Extends the lease of the 5th floor space by fifty-three (53) months beginning August 1, 2019 and ending December 31, 2023 in an amount not to exceed \$2,800,000.

Background

In February 2012, the Council executed an 89-month lease with GOLUB & Company / AEW management for 21,950 rentable square feet (RSF) on the 5th floor of the Park Place West Building for the Southwest LRT Project Office (SPO) at a cost of \$3,580,000. The original lease and cost estimate included rent, taxes, operating costs and inflation at a rate of up to 3% per year and an expiration date of July 31, 2019. The lease terms included renewal and expansion options to meet the project's needs and accommodate the Advance Design Consultant (ADC) staff.

In November 2014, the Council amended the lease to add 12,432 RSF of space for 38 workstations on the 6th floor to accommodate additional ADC staff. The additional space for the ADC staff resulted in lower consultant field rate charges. The amended lease for the 6th floor space started on January 1, 2015 and was to continue through July 31, 2019. The lease amendment increased the lease cost by \$1,640,000 for a total lease not to exceed \$5,220,000. With the hiring of construction staff starting in 2017, use of the 6th floor space transitioned from ADC to construction staff.

In December 2015, the landlord, GOLUB and Company, was replaced by Middleton Park Place Investors, LLC.

Rationale

In 2019, construction staff will be moving to the field offices, therefore, the 6th floor space is no longer needed. Middleton Park Place Investors, LLC agreed to terminate the 6th floor lease 5 months early, at the end of February 2019, with no penalty. Ending the 6th floor lease early reduces the existing lease cost by approximately \$145,000 by avoiding rent, taxes, and operating costs on 12,432 RSF over five (5) months.

However, due to project delays, the Council needs to extend the lease for the 5th floor space to maintain the SPO through construction, testing and the start of revenue operations in 2023. Therefore, this amendment adds fifty-three (53) months to the lease of the 21,950 RSF on the 5th floor, starting on July 31, 2019 and ending on December 31, 2023. This adds \$2,800,000 to the lease for rent, taxes and operating costs and inflation at a rate of up to 3% per year. The total amount of the lease from February 2012 through December 31, 2023 is not to exceed \$7,875,000, which includes the \$145,000 reduction.

Thrive Lens Analysis

Construction of the Green Line Extension will increase the region's prosperity as it will provide access to 80,900 forecasted jobs and a new transportation option for 55,000 forecasted residents within ½ mile of the planned new stations in addition to the 145,300 forecasted jobs and 35,600 forecasted residents downtown Minneapolis.

Funding

Funds for this contract are included in the project budget and are eligible project costs that will be funded 46% by the Federal Transit Administration and 54% by local funding partners.

Known Support / Opposition

There is no known opposition to this action.