

Transportation Committee

Meeting date: July 27, 2020

For the Metropolitan Council meeting of August 12, 2020

Subject: Lease of Warehouse to Store Light Rail Vehicle and System Parts

District(s), Member(s): All

Policy/Legal Reference: Policy 3.3 (Expenditures) and Policy 3.10 (Real Estate)

Staff Prepared/Presented: Greg Ewig, Regional Administration, Director, Real Estate (651-602-1556)
Ed Petrie, Director, Metro Transit Finance (612-349-7624)

Division/Department: Metro Transit/Finance

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to negotiate and execute a lease for a 20,000 sq. ft. warehouse space located at 2550 Walnut Street, Roseville, Minnesota, to store light rail vehicles and system parts. The initial lease term will be five (5) years and 2 months, effective October 1, 2020.

Council policy requires Lease Agreements valued at greater than \$500,000 to be approved by the Council.

Background

Metro Transit lacks adequate warehousing space needed for light rail vehicle and system parts. Materials Management currently maintains light rail parts inventory in several different locations: Blue Line stockrooms, Maintenance Of Way (MOW) Building, Rail Support Facility and the Central Warehouse. The stockroom spaces were not built to handle larger, warehousing of parts.

As light rail operations have grown, the storage capacity for the parts and supplies required to maintain the equipment has not. Additionally, expansion of other necessary operations, such as Light Rail Training Department and LRV Overhaul, is requiring Material Management to displace tens of thousands of cubic feet currently used for warehousing.

In 2019, representatives from Material Management, Engineering & Construction and Real Estate toured and evaluated locations for sale for purchasing and construction of a new warehouse. After viewing property availability, the review team determined that obtaining sufficient capital funding to purchase land and build a suitable warehouse, could not be accomplished in the near term. As an intermediate strategy, Metro Transit opted instead to investigate leasing a warehouse.

In February 2020, Material Management began working with the Real Estate Office and Metro Transit Engineering and Construction Department to identify the office/warehouse requirements.

In May 2020, the Real Estate Office hired Colliers, a commercial real estate firm, to identify prospective leased locations meeting Metro Transit criteria. The initial search identified eight (8) properties for consideration, that met the preferred availability, size, location and price.

In June 2020, the team further narrowed the list and toured four properties, all of which met needs of Metro Transit for a warehouse site, requesting proposals from the landlords of each of the four properties. In early July, the team reviewed the proposals using a quantitative decision-making matrix culminating in a request for "best and final"

proposals from three of the four final candidates. Based on “best and final” offers, the team recommends the lease at 2550 Walnut Street, Suite A, Roseville, MN.

Rationale

The review team considered approximately 18 categories when evaluating the possible lease locations. The team considered several locations closer to the current Operation and Maintenance on Hiawatha and Overhaul base in St. Paul, but costs, ceiling clear heights and ease and flexibility of truck access supported the selection of 2550 Walnut Street, Roseville, MN.

Thrive Lens Analysis

The leased warehouse will offer a secure location to store high value parts and equipment for Metro Transit LRT. The new warehouse space remedies long term space shortages and offer flexibility in handling unusually large or bulky parts, avoiding the need to store parts outside at the Overhaul Base parking lot or other less secure locations.

Funding

The lease will be funded by the annual operating budget for Metro Transit, Material Management. The triple net lease (base rent and operating expense) ranges from \$6.92 per sq. ft (Year 1) to \$7.51 per sq. ft. (Year 5) or roughly \$138,400 to \$150,200 annually. The total estimated lease cost over the 5-year term is \$745,000.

Known Support / Opposition

There is no known opposition.

Proposal for Lease

LANDLORD: The 614 Company

LEASED PREMISES: 2550 Walnut Street, Suite A Roseville MN

SIZE: 20,000 square feet

TERM: 62 Months

RENEWAL: 1 x 5-year term

COMMENCEMENT: October 1, 2020 with 2 free months base rent
December 1, 2020 rent commencement date

BASE RENT AND

OPERATING EXPENSES: \$4.50 base rent + \$2.42 operating expenses

RENTAL INCREASES: 2.5% Annual Escalator
(shown above for base rent)

PARKING: 5 stalls included.

TENANT

IMPROVEMENTS: Landlord to build out 2 offices, breakroom and bathroom, update lighting and power, add eye wash station and automatic dock leveler.

UTILITIES: Gas and electric are separately metered and paid directly by Council. Tenant is responsible for janitorial services and trash removal.