

# Business Item

Transportation Committee



Committee Meeting Date: August 26, 2024

For the Metropolitan Council: September 11, 2024

## Business Item: 2024-220

Authorization to Purchase Property – Material Management Warehousing Building

<b>District(s), Member(s):</b>	District 7, Yassin Osman
<b>Policy/Legal Reference:</b>	FM 14-2 Expenditures for the Procurement of Goods, Services, and Real Estate Policy; Minn. Stat. 473.129; and 473.405
<b>Staff Prepared/Presented:</b>	Lesley Kandaras, General Manager, 612-349-7513 Brian Funk, Deputy General Manager, COO, 612-349-7514 Marilyn Porter, Director of Engineering & Facilities; 612-349-7689 Jim Harwood, Assistant Director, Engineering & Construction, 612-349-7339
<b>Division/Department:</b>	Metro Transit/Engineering and Facilities

### Proposed Action

That the Metropolitan Council authorize the Regional Administrator to purchase the property at 755 Industrial Boulevard in Minneapolis, from Alcat Broadway LLC, for the purpose of material warehousing for Metro Transit Material Management Group in an amount not to exceed \$26,500,000.

### Background

As the transit system grows the need for additional materials management warehousing has become crucial to support Metro Transit maintenance activities. The majority of Metro Transit's centralize materials and parts storage, and warehousing occurs at the Overhaul Base (OHB) Materials Management Warehouse and a secondary satellite warehouse that is leased. Metro Transit is currently running a deficit in terms of material warehousing space. It is also estimated that Metro Transit's future materials storage need is 193,000 square-feet. This assumed warehousing need is based on a building ceiling clearance of 20 feet.

Metro Transit is proposing to purchase a newly constructed warehouse facility. The main structure contains a gross building area of 182,342 square feet. Although the building's square footage is less than Metro Transit's anticipated future needs, the building ceiling clearance is 32-feet and thus will provide the needed storage space. The underlying land area is 436,991 square feet, or 10.03 acres. The grounds surrounding the subject structure are improved with 100 parking stalls, 20 trailer parking spaces, a rear dock loading/unloading area, and good-quality landscaping. All these improvements are brand new as construction of this facility started in 2023 and finished earlier in 2024. Metro Transit staff have determined that the building will mitigate existing and future materials warehousing space deficits.

This new warehouse would be large enough to accommodate all Material Management warehouse functions in one location, eliminating the need for separate hubs for bus (currently at OHB) and LRT (currently at a leased facility in Roseville). It would address the existing storage area deficiencies, deficiencies in truck delivery circulation and exterior loading dock areas. It would

make space available at the Overhaul Base for ongoing increases in capacity and needed efficiency focused on articulated bus maintenance.

Metro Transit worked with the Real Estate Office over the last year to explore properties and land on the market for sale or lease in the desired central location. Council staff have evaluated twenty-one properties with potential to meet the criteria set for selection. Staff have determined 755 Industrial Boulevard best meets the criteria based on size, amenities, price and location. This property is not on the market for sale, but the property owner has agreed to sell the property to the Council after a year of marketing the building for lease. An appraisal was completed on the property to determine value, and although competitive sales were hard to rely on since there is no new construction in this built-up area of Minneapolis, staff have determined that the market price of \$26,500,000 is fair and reasonable and in the best interest of the Council. It provides a cost and time savings over the need to acquire land, design and build a new facility.

### **Rationale**

Real estate acquisitions over \$1,000,000 require Council approval.

### **Thrive Lens Analysis**

This action promotes Stewardship and Prosperity through needed facility expansion to support expanded transit service and transit way investments. The new Materials Warehouse Building will provide additional warehousing space to support continued growth in ridership demand and upcoming service expansion. This purchase promotes Equity and Livability by supporting the expansion of the bus fleet and corridor expansion to increase Mobility and Access to Opportunities.

### **Funding**

The funding for this item is contingent on Council approval of the 2024 Budget Amendment – 3<sup>rd</sup> Quarter 2024-188JT.

### **Small Business Inclusion**

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



