

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.2000 Tel
metro.net**SYSTEM SAFETY AND OPERATIONS COMMITTEE
OCTOBER 17, 2013****SUBJECT: ONE SANTA FE – METRO TENANT IMPROVEMENTS****ACTION: ESTABLISH AND APPROVE LIFE OF PROJECT BUDGET AND
FUNDING PLAN FOR TENANT IMPROVEMENTS AT THE
OPERATIONS SUBLEASE IN THE ONE SANTA FE DEVELOPMENT****RECOMMENDATION**

Approve the Life-of-Project (LOP) Budget for tenant improvements at the Operations Sublease in the One Santa Fe (OSF) Development in the amount of \$4,500,000.

ISSUE

This action establishes the authority necessary to proceed with the construction of a 35,000 square foot Metro tenant improvement space at OSF to meet the administrative, educational and operational needs of several Metro Operations departments. In addition, a passageway will be installed connecting the new OSF tenant area to the adjacent Maintenance of Way (MOW) Location 61 office areas to increase efficiency in day-to-day operations.

DISCUSSION

The Board previously approved this lease in June 2011. The lease terms included a tenant improvement allowance of \$1,225,000 to be provided by the Landlord. This allowance ensures developer delivery of design/construction drawings and completion of building modifications to MOW Location 61 resulting from One Santa Fe construction. These items are not funded by Metro; therefore, they are not part of the LOP request.

When the lease was approved in June 2011, the total budget for tenant improvements was not known because the spatial program for the Metro tenant areas had not been designed. Design and construction documents are now complete and are ready for bid. This phase of tenant improvements include buildout of defined office space programming (offices, classrooms, cafeteria, etc.), painted walls/floor finishes, ceilings, and HVAC zones. After several rounds of value engineering, the construction team has estimated the tenant improvement costs at \$4,000,000 and the passageway between OSF and MOW (Location 61) at \$500,000 for a total of \$4,500,000. The

estimate has been reviewed by staff and has been determined to be consistent with current market conditions. The project will be delivered similarly to a Construction Manager-at-risk system where each individual building trade (19 total trades) required for the project will be competitively bid.

Once completed, the project will deliver two large administrative areas for Metro Operations with adjoining offices, several large capacity classrooms, laboratories for the traction power and signals departments and a central lunchroom area. The attached passageway will be fully enclosed, providing safe direct access between OSF and MOW 61.

DETERMINATION OF SAFETY IMPACT

These tenant improvements will ensure a safe work environment for staff and provide co-location of functions critical for operating and maintaining our transit system.

FINANCIAL IMPACT

The total cost of these tenant improvements is \$4,500,000. Upon board approval, funding of \$3,000,000 will be programmed using existing FY14 budget and placed in cost center 3920 – Rail MOW Administration, project 204024 – One Santa Fe Joint Development, line item 50320 – Contract Services.

Since this is a multi-year project, the cost center manager, project manager, and Executive Officer, Wayside Systems will ensure that funds are budgeted in future fiscal years.

Impact to Budget

The source of funds for this project is locally funded enterprise funds. Sources and uses of funds are shown in Attachment A, Funding/Expenditure Plan.

ALTERNATIVES CONSIDERED

The original Ground Lease Agreement allows for a “warm shell space” that will be funded with the remaining balance of the Tenant Allowance. Based on this agreement, following are the options that have been reviewed:

1. Staff and design consultant review shows that remaining funds will provide a bare open “warm shell” floor plan with no finishes (paint, ceilings, flooring). The Board may choose to authorize minimal improvements in finishes and have the space habitable but not designed to meet any specific Operation’s needs.
2. The Board may also consider taking no action and sublease the tenant area to non-Metro tenants.

Neither of these alternatives is recommended. The first option will likely lead to greater cost due to construction price escalation as once a Metro tenant program is in the space, tenant improvements will eventually be required. In addition, these improvements will commence after rent has been initiated; creating a condition where rent is being paid while the space cannot be occupied. The second option provides risks in not locating tenants or dealing with market fluctuations of rental rates which may result in Metro not meeting its monthly rental obligations.

ATTACHMENTS

A. Funding/Expenditure Plan

Prepared by: Diane Corral-Lopez, DEO, Operations Administration and Financial Management Services
Christopher Gallanes, Director Financial Management Services
Paul Whang, Supervising

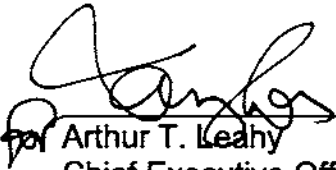
Questions: Michelle Stewart, Transportation Planner I
(213) 922-7270



Roger Moliere
Chief, Real Property Management & Development



Frank Alejandro
Chief Operations Officer



for Arthur T. Leahy
Chief Executive Officer

ATTACHMENT A

FUNDING/EXPENDITURE PLAN

PROJECT 204024: ONE SANTA FE JOINT DEVELOPMENT

	FY14	FY15	Total	% of Total
Uses of Funds				
Tenant Improvements	\$3,000,000	\$1,500,000	\$ 4,500,000	100.0%
Total Project Cost	\$3,000,000	\$1,500,000	\$ 4,500,000	100.0%
Sources of Funds				
Locally Funded Enterprise Funds	\$3,000,000	\$1,500,000	\$ 4,500,000	100.0%
Total Project Funding	\$3,000,000	\$1,500,000	\$ 4,500,000	100.0%

