

Date: December 14, 2016

To: Board of Directors

From: Neil McFarlane *Neil McFarlane*

Subject: **RESOLUTION 16-12-71 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING AN AGREEMENT WITH THE PORTLAND DEVELOPMENT COMMISSION FOR CONSTRUCTION AND PURCHASE OF PROPERTY FOR A TRANSIT POLICE FACILITY**

1. Purpose of Item

The purpose of this item is to request that the TriMet Board of Directors (Board) authorize the General Manager to enter into an agreement with the City of Portland, acting through the Portland Development Commission (PDC), for the construction and purchase of a portion of a building at the new Convention Center hotel parking garage in the Rose Quarter (Property). TriMet will use the Property to house its Transit Police Central Precinct and vehicles.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other _____

3. Reason for Board Action

Board approval is required for real property transactions obligating TriMet to pay an amount in excess of \$500,000.

4. Type of Action:

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

5. Background

TriMet’s Transit Police Division (TPD) is made up of officers who are members of local police agencies assigned to the TPD. These officers are tasked with riding and patrolling the transit system on a daily basis. TPD officers work out of four locations: the Central Precinct in downtown Portland; the East Precinct in Gresham; the West Precinct in Hillsboro; and the South Precinct at Clackamas Town Center. Of the 67 TPD officers, 33 of them work out of the Central Precinct. Additionally, five police support staff and five TriMet security staff work out of the Central Precinct.

Currently, the Central Precinct is located on NW First and Davis, in an office leased from the City of Portland. The lease is set to expire on June 30, 2017, and TriMet currently pays approximately \$250,000 per year for the space. As the size of the TPD has grown, TriMet requires additional space for the Central Precinct. Furthermore, TriMet expects the size of the TPD to continue to grow, by approximately 30 percent over the next ten years, making a larger space even more important.

Under the current lease, which has been in place since 1997, TriMet occupies about 9,500 square feet of office space and has 29 parking spaces for TPD officers and TriMet security personnel. The lease has been extended twice over the years, and limited remodeling has been done to improve the facility. However, further expansion and updating of the leased facility is constrained by the size of the space itself and the prohibitive cost of further updating the facility.

Given the upcoming expiration of the lease and the need for additional space, TriMet has been searching for replacement locations that might be suitable for the Central Precinct. Last year, TriMet became aware that PDC was in need of a partner to help it develop a building in the Rose Quarter area that will serve as the garage for the Convention Center hotel being built by Metro. In addition to providing parking for hotel guests, the parking garage will contain approximately 19,000 square feet of shell space for which PDC needs a tenant. TriMet has been in discussions with PDC to purchase a condominium interest in the shell space and 47 parking spaces for use as a new Central Precinct location. A conceptual drawing of the parking garage and the office space is attached to this memo as Attachment A.

PDC has been negotiating with its design-build contractor, Mortenson Construction, regarding the cost to develop the parking garage. Currently, the cost of the entire building is estimated to be approximately \$32,000,000. TriMet's contribution to the project will be \$9,000,000, which is its proportional share of the costs based on the square footage of the TriMet space to the entire building, including design, construction, and land value. Currently, Mortenson's estimated project cost is based on 60 percent project design and, although PDC is confident the estimate is accurate, it could vary somewhat as the design is completed. Therefore, TriMet has negotiated with PDC to cap its contribution at \$9,000,000. This resolution authorizes TriMet to enter into an agreement with PDC in this amount. TriMet's contribution will not go above this amount, unless unforeseen site conditions are encountered.

PDC expects construction of the parking garage and shell space to be complete in spring 2019. TriMet will extend the lease for the current space until the new facility is ready. After the shell space is finished, TriMet will hire a contractor to perform the tenant improvement work in its unit. Board authorization for the tenant improvement work, which is estimated to cost between \$3,000,000 and \$4,000,000, will occur through a separate resolution.

Prior to coming to agreement with PDC, TriMet analyzed the cost of moving into the new PDC facility versus the cost of continuing to lease space at its current facility or building its own stand-alone facility, and determined that moving to the PDC location was more cost effective. The cost to remain in the current location for a forty year period would be approximately \$13,700,000 to \$15,000,000, if staying in and expanding that site is even possible over the long term, which is unlikely. The cost to build its own facility in a new building would be even higher, estimated at approximately \$18,000,000.

6. Procurement Process

The agreement is the result of a property search process and negotiations. TriMet has determined that the cost of constructing a new police precinct facility through this agreement is less than the cost of expanding and remodeling the Central Precinct at its current location or building a new facility on its own.

7. Diversity

PDC's contractor Mortenson Construction will be required to comply with PDC's Equity Policy during construction of the building. PDC's Equity Policy contains a Business Equity program designed to increase participation by DBE and M/W/ESB contractors and a Workforce Equity program designed to increase employment and apprenticeship opportunities by women and communities of color. At the time TriMet contracts for the tenant improvement work, TriMet will follow its own diversity policies.

8. Financial/Budget Impact

The Project is included in the Capital Projects FY2016-17 and FY2017-18 budgets.

9. Impact if Not Approved

TriMet could negotiate a long-term extension of its lease for the current Central Precinct facility or continue to explore options for other locations for the facility. However, staff believes entering into the agreement with PDC provides the most cost-effective solution to finding a new Central Precinct facility in a location that is ideal.

**Resolution 16-12-71
Board Memo
Attachment A**



RESOLUTION 16-12-71

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING AN AGREEMENT WITH THE PORTLAND DEVELOPMENT COMMISSION FOR CONSTRUCTION AND PURCHASE OF PROPERTY FOR A TRANSIT POLICE FACILITY

WHEREAS, TriMet has authority under ORS 267.200 to enter into an agreement with the City of Portland, acting through the Portland Development Commission, for the Construction and Purchase of a Condominium Interest in Property for a Transit Police Facility (Agreement); and

WHEREAS, the total amount of the Agreement shall exceed \$500,000; and

WHEREAS, the Board, by Resolution dated November 25, 2009, adopted a Statement of Policies requiring the Board to approve real property transactions obligating TriMet to pay in excess of \$500,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Agreement shall be in conformance with applicable laws.
2. That the General Manager or his designee is authorized to execute the Agreement.

Dated: December 14, 2016

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department