

## SOUND TRANSIT

### MOTION NO. M99-29

#### Lease for office space for Co-Location of Light Rail Final Design Consultants

#### BACKGROUND AND COMMENTS

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Executive Committee	5/7/99	Discussion/Recommend Board Approval	Paul Bay	398-5134
Board of Directors	5/13/99	Approval	Bill Houppermans	398-5125

#### ACTION:

Approval of Motion No. M99-29 would delegate authority to the Executive Director to execute all necessary documents to enter into a five-year lease (with a possible five year option to extend the same) beginning July 1, 2000, at the proposed Opus Union Station development. The proposed lease would be for co-location of consultants for final design of the Link Light Rail project, and would consist of 58,000 square feet. Additionally, a short-term interim lease agreement would be included for approximately 30,000 square feet from February 23, 2000 through July 31, 2000.

#### BACKGROUND:

Sound Transit staff and Board members have discussed the merits of co-locating staff and consultants in order to best carry out the design of the Link light rail project:

- ***Allows for daily hands-on communication between staff.*** Co-location provides better communications, both at the managerial level and at lower staff levels as well. This lower-level discussion is vital in order to get the end product tailored to the dynamic situation. This communication is difficult or even lost when production work is performed at a home office, away from agency staff.
- ***It is very efficient.*** It is efficient because co-location allows daily involvement, enabling staff to manage the work product much more effectively. This helps to avoid the situation of discovering the final product (brought over from the home office) is not what was expected. Consultants will ask more questions when answers are readily available. Co-location results in fewer work deviating from the desired goal.
- ***It saves time.*** It saves travel time that one would spend going back and forth between offices for meetings. This includes both agency time and consultant time that would be billed to the agency.
- ***It produces a better work product.*** Co-location creates the ability to pass on new direction in a timely manner. Any need for redoing or fine-tuning a design feature can be accomplished

more efficiently. Co-location provides the greatest opportunity to obtain the desired results at the highest level of quality.

- ***It streamlines interfaces.*** There are numerous interfaces within and between consultant teams. Co-location allows all consultants to be on a single network so that change in design by one consultant or team member is instantaneously accessible by another. This interaction needs to occur daily and co-location facilitates that. Otherwise, one would have to provide hard copy updates (for very large master reference files) or send updates via overnight mail or over the Internet. Sending large data files over the Internet is very time consuming and sometimes doesn't work for complex drawing formats. Lost time in receiving updates can be critical.
- ***Schedules are better controlled.*** Considering all of the above, co-location allows projects to proceed at a faster pace than could otherwise occur. The *Sound Transit* schedule reflects this. Hands-on management, providing direction, daily interaction, and response to change are all enhanced with co-location which leads to a better controlled project from a scheduling perspective.

The Board has selected Union Station as the new headquarters for Sound Transit. The Board has also directed staff to unbundle the design and construction contracts to help open up the project to local consultants and contractors. A contract packaging plan (Exhibit A) has been developed based on the Board's identified locally preferred alternative. Based on this contracting plan and based on construction costs, a final design staffing plan for all future consultant work has been developed and is included as Exhibit B. Exhibit B shows a need for co-location of 198 civil final design consultants. Exhibit B also indicates the expected start date for each of the final design contracts and where they will be co-located for the two time frames indicated.

In response to the request of the Link Light Rail Department, Sound Transit's real estate division staff began a search for close-location space in November 1998. Critical criteria in the search included adjacency and connectivity to Union Station, strong ability to deliver occupancy by a date certain (as evidenced by financial, design, permitting and other commitments), ability to expand and decrease space as Sound Transit's needs change, flexible lease options and competitive rates.

After an initial review of the market and available buildings/projects, three projects received serious consideration. These three projects (known as 505 Union/Vulcan Northwest, Pad Six/Mahoney and Opus West) are immediately adjacent to Union Station and will share common ownership of the Union Station condominium project with Sound Transit. Comparison was made of these three alternatives (Exhibit G). Staff has held on-going meetings with the owner's representatives from all three projects to determine suitability. Based upon these meetings, market conditions, commitment to project and the criteria established, staff offered a Letter of Interest to Opus West to lease the described space, contingent upon Board approval. On April 2, 1999 staff provided a briefing to Executive Committee, explaining that the volatility of the office market, lack of favorable alternatives and extremely short time frames for this project dictated taking immediate action to secure an option with Opus West. A lease is currently being drafted for execution contingent upon Board approval.

The Opus West space will not be ready for occupancy until June 15, 2000. This presents a need for interim space to house existing and future consultants and staff during the period of time between expiration of Sound Transit's existing lease at 1100 2<sup>nd</sup> Avenue and move to new space. The current lease at 1100 2<sup>nd</sup> Ave. expires in February 2000. Staff is actively and aggressively pursuing an interim lease agreement with Wright Runstad, managers of 1100 2<sup>nd</sup> Avenue that will avoid any interim move. While it is probable that an agreement can be reached to accomplish this interim lease agreement, it is not certain. If interim occupancy at 1100 2<sup>nd</sup> Avenue is not accomplished an interim move of staff and consultants will be necessary. The costs of this move would add approximately \$250,000 to the proposed budget.

Link intends to retain some of the PSTC staff to help manage the final design effort. Similarly, it is planned to retain some of the project control consultants through final design as well. The system consultant team of LTK, who are currently working on the preliminary engineering, will also perform the systems' final design work. Exhibit C shows the total plan for co-location when considering Sound Transit staff, the planned use of existing consultant staff, and the future use of new civil facilities design consultant teams.

Exhibit D presents the cost for computers, workstations, and associated hardware necessary for co-location. Exhibit E presents the facilities (lease, furniture, communications etc.) cost for co-location. Exhibit F presents the anticipated savings from a reduction in overhead rates that will be realized based on the assumptions contained therein.

#### **RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:**

- ◆ Adoption of *Sound Move*, the Ten-Year Regional Transit System Plan (May 31, 1996)
- ◆ Resolution No. 78-1, delegating authority and establishing procurement procedures (April 9, 1998)
- ◆ Resolution No. 98-3 Civil Facilities Contract for Conceptual and Preliminary Engineering (January 22, 1998)
- ◆ Resolution No. 98-11 (April 9, 1998)
- ◆ Adoption of Fiscal Year 1998 Budget (December 11, 1997)
- ◆ Adoption of Implementation Guide (May 22, 1997)
- ◆ Adoption of First Moves (May 22, 1997)
- ◆ Motion No. 35, authorizing the Executive Director to execute a lease for interim space and to implement the move to new interim headquarters, including provision of necessary furnishing and equipment (June 6, 1996)

- ◆ Motion No. 52, authorizing the Executive Director to execute an amendment to the existing lease for RTA office space to include floors 2 and 3 (November 7, 1997).
- ◆ Motion No. 98-9, authorizing the Executive Director to purchase all necessary furnishings and equipment to complete Phase I, 3<sup>rd</sup> floor (January 16, 1998).

### **KEY FEATURES:**

- ◆ Cost Savings
- ◆ Improved Communications
- ◆ Improved Project Coordination
- ◆ Better Work Product
- ◆ More control on Project Schedules

### **FUNDING:**

Monies for the design and construction of the light rail project are included in Sound Move. Although there is a net cost in setting up offices for co-location, there will be a net savings of millions of dollars when considering both design and construction costs as a whole.

### **COST**

Initial Costs can be summarized as follows:

Cost to lease 58,000 SF of Office Space at Opus West	\$3,200,000
Cost to lease 3 <sup>rd</sup> floor of 1100 2 <sup>nd</sup> Ave until Opus West is ready for occupancy	\$300,000
Cost of Facilities (tenant improvements, furniture and implementation)	\$3,600,000
Cost of computer equipment	\$2,500,000
Subtotal	\$9,600,000
Savings in consultant overhead rates	\$7,500,000
Net Cost – hard dollars	\$2,100,000

Additional costs that will be avoided (soft costs) \$10 to \$50 Million or more  
(cost of re-work, travel time, city and third party costs, delay to the work, poor construction bids, risks of schedule delay etc.)

### **ALTERNATIVES:**

Alt. 1 - Negotiate office space for co-location with another party.

Alt. 2 - Do not co-locate and do not unbundle engineering contracts. This would involve hiring one consultant team to carry out the final design contract for the civil facilities. This would

allow good coordination to occur if co-location was not favored. This would also alleviate a multitude of consultant teams from taxing the resources of the City departments tasked with reviewing, monitoring and commenting on the designs.

Alt. 3 - Do not co-locate yet maintain multiple design/construction contracts. Coordination would be much more difficult. Daily hands-on interaction with consultants would be lost. We would most likely have to either hire additional staff and/or pay additional monies to the various consultants to cover the travel time for meetings and lost time due to bringing each person to a meeting even though that person may only have one item on the agenda. This arrangement would also put a burden on City and other third party resources in trying to accommodate multiple consultants working throughout the region. There is also a higher risk of re-work associated with this alternative.

### **CONSEQUENCES OF DELAY:**

Significant consequences of delay in meeting our project schedule could occur if our final engineering consultants were not co-located with Link Light Rail Engineering. Lack of efficient communication is difficult to measure in dollars and time. However, a well coordinated, complete, thorough set of plans can mean millions of dollars on the construction bids themselves. Experience has shown well coordinated plans result in lower, more consolidated (less of a spread in bid prices) bids.

### **LEGAL REVIEW:**

The Legal Department has reviewed and approved the Background and Comments and the Motion.

## **SOUND TRANSIT**

### **MOTION NO. M99-29**

A motion of the Central Puget Sound Regional Transit Authority authorizing and delegating authority to the Executive Director to execute all necessary documents to enter into a five-year lease (with a possible five year option to extend the same) beginning July 1, 2000, at the proposed Opus Union Station development for 58,000 square feet, for co-location of consultants for final design of the Link Light Rail project, and a short-term interim lease agreement for approximately 30,000 square feet from February 23, 2000 through July 31, 2000.

#### **Background:**

In previous discussions, staff and Board members have identified that the best way to design the Link light rail project is to co-locate staff with the consultants performing the work.

The Board has selected Union Station as the new headquarters for Sound Transit. The Board has also directed staff to unbundle the design and construction contracts to help open up the project to local consultants and contractors. A contract packaging plan has been developed based on the Board's identified locally preferred alternative. Based on this contracting plan and based on construction costs, a final design staffing plan for all future consultant work was developed. The staffing plan shows a need for co-location of 198 civil final design consultants.

Opus will not be ready for occupancy until July 2000. The current lease for 1100 2<sup>nd</sup> Ave. expires in February 2000. Therefore, there will be a need for additional office space for the period from February 2000 to July 2000. This additional space may be obtained by entering into a short term lease at 1100 2<sup>nd</sup> Ave. for the third floor.

There is a projected initial up-front net cost \$2,100,000 to implement co-location that will be more than offset by savings of staff time and third party agency time and from savings in the construction bids themselves.

#### **Motion:**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority to authorize and delegate authority to the Executive Director to execute all necessary documents to enter into a five year lease (with a possible five year option to extend the same) beginning July 1, 2000, at the proposed Opus Union Station development for 58,000 square feet for co-location of consultants for final design of the Link Light Rail project, and a short-term interim lease agreement for approximately 30,000 square feet from February 23, 2000 through July 31, 2000.

Approved by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof on the 27<sup>th</sup> day of May 1999.

ATTEST:

Marcia Walker  
Marcia Walker  
Board Administrator

Paul E. Miller  
Paul E. Miller  
Board Chair