

STAFF SUMMARY


TO: Board of Directors
FROM: Frederick A. Laskey, Executive Director
DATE: November 16, 2022
SUBJECT: Metropolitan Water Tunnel Program
Lease for Core Storage Facility
IC Needham Gould Portfolio, LL, W344



COMMITTEE: Water Policy and Oversight

 INFORMATION
 X VOTE

Vivian Chan, Manager of Geotechnical and Tunneling
Kathleen M. Murtagh, Director, Tunnel Redundancy
Preparer/Title


Michele S. Gillen
Director of Administration

RECOMMENDATION:

To approve the recommendation of the Selection Committee to award lease W344, Metropolitan Water Tunnel Redundancy Program Core Storage Facility, to IC Needham Gould Portfolio LLC and to authorize the Executive Director, on behalf of the Authority, to execute said lease of approximately 19,070 square feet of warehouse and office space for rock core storage at Block 95 (in Block A of the buildings located at 110-116 Gould Street, 95-101 Hampton Avenue, 11 Ellis Street, and 45-55 Kearney Road) in Needham, Massachusetts, for an initial term of ten years from the date of occupancy, for an amount not to exceed the annual rent shown in Attachment A, plus a proportional share of real estate taxes and operational costs, with a five-year option that would be subject to agreement of the parties and further Board approval.

DISCUSSION:

On February 15, 2017, the Board approved the preferred alternative of construction of northern and southern deep rock tunnels from the Hultman Aqueduct and MetroWest Water Supply Tunnel to the Weston Aqueduct Supply Main No. 3 (WASM 3) and to the Southern Spine water mains. These two tunnels and the related work of the Metropolitan Water Tunnel Program (the Program) will provide the needed redundancy for the Metropolitan Tunnel System (which consists of the City Tunnel, the City Tunnel Extension, and the Dorchester Tunnel). The Board also directed staff to proceed with preliminary design, geotechnical investigations, and Massachusetts Environmental Policy Act (MEPA) review of the project.

On May 27, 2020, the Board approved the award of Contract 7159, Metropolitan Tunnel Redundancy Program Preliminary Design, Geotechnical Investigation and Environmental Impact Report (the Preliminary Design Contract). The Preliminary Design Contract includes preliminary geotechnical investigation (deep rock borings), evaluation of preliminary tunnel alignment and shaft site alternatives, preliminary design, preliminary contract packaging, preparation of the required MEPA filings, and development of a comprehensive list of the environmental permits needed.

The Program will include about 14.5 miles of tunnels that will be constructed in rock about 250 to 500 feet deep. Essentially, the infrastructure will be constructed entirely underground. Subsurface investigation on ground conditions is crucial for the design and construction of the Program. Given the length of the tunnels and their depth, a substantial amount of geological samples, including tens of thousands of feet of rock cores, will be collected as part of the Program work. These samples will be examined and recorded in detail and reviewed throughout the Program term by various designers, engineers, consultants and contractors. Since the cores represent the potential ground conditions on which the design and construction will be based, the Program staff must maintain and facilitate access to these samples throughout the design phase and into construction. A similar type of rock core storage facility was established previously at the MWRA Fore River facility in support of the Boston Harbor Project and MetroWest Water Supply Tunnel.

Also, in accordance with the Massachusetts Statewide Records Retention Schedule, all rock cores, rock specimens, cuttings and thin sections are records that are required to be kept permanently. Similar to past tunnel projects, it is anticipated that the samples will be consolidated and moved to an existing MWRA facility for long term storage after the construction is complete and the space is no longer needed.

Since the start of the Preliminary Design Contract in 2020, the Program and design consultant staff have been utilizing approximately 3,000 square feet of the secondary clarifier gallery space at Deer Island Treatment Plant for rock core processing and storage. This space has been adequate at this early stage since the volume of core samples and the scale of the subsurface investigations are still relatively small. The utilization of the existing space at Deer Island has saved costs for the MWRA, as it delayed the need for a dedicated core storage facility for the last three years. However, as the Program progresses into final design and into construction, the need for more dedicated space will grow rapidly. Space for logging, photographing, reviewing, and processing the large amount of data in an accelerated manner will be necessary. Staff estimate that more than five times the amount of rock core samples collected and processed to date will be collected and processed over the next four years. This translates into the need for about 15,000 to 20,000 square feet of warehouse and office space for the Program's Core Storage Facility.

Procurement Process

To observe the best practice of seeking the most cost efficient and appropriate market rates, MWRA staff issued a one-step Request for Proposals (RFP), to lease approximately 15,000 to 20,000 square feet for core storage and limited office space for a ten-year term with one five-year option to extend (a potential of 15 years). The MWRA Program staff sought locations within a defined area that took into account the proposed Program limits and the advancement in the alignment evaluation.

In July 2022, the RFP was publicly advertised in the Central Register, the Boston Herald, Banner Publications, El Mundo, the New England Real Estate Journal, Banker and Tradesman, and the Commonwealth procurement site, CommBuys. In addition, the RFP documents were made available via the MWRA Supplier Portal. With the assistance of the Division of Capital Asset Management and Maintenance, staff also conducted a COSTAR search for all available industrial and flex properties on the market in the relevant areas to develop a list for outreach. Direct solicitations were made to approximately 30 real estate professionals and owner representatives. Those direct solicitations were followed up with direct calls to representatives encouraging them

to review and respond to the RFP. With minimal initial interest, advertisements were ran again in the New England Real Estate Journal and Banker and Tradesman in August 2022. Staff also spent a significant amount of time following up with real estate agents and representatives, and providing support on the use of the MWRA Supplier Portal. The hesitancy and misconception in the real estate industry on government tenants, the anticipation of a boom in biotech real estate needs in certain Massachusetts communities, as well as general market conditions (the lack of the amount of space, type and locations sought at this time), were cited by agents and owner representatives as reasons for the lack of interest and response.

In September 2022, after extending the proposal deadline three times to garner more interest and response, two real estate agents submitted proposals for the Core Storage Facility on behalf of the following owners/landlords:

- IC Needham Gould Portfolio LLC, offering a property known as Block 95 (which consists of several to be connected buildings at 110-116 Gould Street, 95-101 Hampton Avenue, 11 Ellis Street, and 45-55 Kearney Road) in Needham (“Needham location”), and
- Logan Rand Realty Trust, offering part of a property at 137-139 California Street in Newton, MA (“Newton location”).

The Selection Committee reviewed and scored the Proposals based on the following criteria set forth in the RFP: Cost (25 points); Location (25 points); Favorability of Lease Provisions (20 points); Quality and Condition of Building (15 points); Site, Building and Premises Characteristics (10 points); and Landlord Capacity (5 Points).

Proposers submitted cost information in different formats and the table below equalizes the information provided as follows:

Proposer and Location	Square Feet Available /Proposed	Base Rent ⁽¹⁾ as Proposed for First 10 Years	First Year Base Rent ⁽¹⁾ /sf	Estimated First Year Cost ⁽²⁾ /sf
IC Needham Gould Portfolio, LLC 110-116 Gould Street, Needham	19,070	\$6,950,000	\$32.00	\$6.06
Boston Commercial Properties, Inc., 137-139 California Street, Newton	12,359 ⁽³⁾	\$4,458,303	\$31.47	\$4.01

Notes:

1. Base rent: Both proposers presented a base rent for the first ten years and stipulated that rent for any extension term would be based on fair market rent to be determined and agreed upon by the parties to the lease.
2. Estimated cost includes property taxes, common area maintenance and operating costs. Taxes were based on recent taxes. Common area maintenance and operating costs were based on the proposers’ current year estimates. Actual common area maintenance and operating costs and taxes would be based on the pro-rata share of those costs.

3. Square footage proposed includes approximate 650 square feet for an interior loading dock, which will not be available for core storage.

Even though the Newton location provided less square footage as requested in the RFP, because of the possibility of hidden potential in the Newton location based on initial review of the proposal form, the Selection Committee opted to conduct site visits to both proposed locations to better understand and review the facilities, and to meet the representatives and owners of the properties. After the site visits, the Selection Committee met to discuss and rank the proposals. All of the scores from the Selection Committee members were totaled to determine the first-ranked proposal and location. The following is a summary of scores and rankings:

Proposer	Total Final Score	Order of Preference Points*	Ranking
IC Needham Gould Portfolio, LLC 110-116 Gould Street, Needham	398	5	1
Boston Commercial Properties, Inc., 137-139 California Street, Newton	340	10	2

*Order of Preference represents the sum of the individual Selection Committee members' rankings where the firm receiving the highest number of points is assigned a "1," the firm receiving the next highest number of points is assigned a "2," and so on.

The Selection Committee unanimously voted to recommend award of the lease to IC Needham Gould Portfolio LLC (Needham Gould) for the Needham location for the following reasons.

- The Needham location provides the required amount of space that the Program staff sought. While the second ranked location could have possibly worked in the near term, as the Program ramps up, the first ranked location provides sufficient space for the full term of the programmatic use as contemplated.
- The location of the Needham facility is ideal for the Program for the following reasons.
 - The premises are centrally located within the Program area and is directly adjacent to interstate highway routes, providing excellent access for core delivery, staff, consultant, and contractor access. This location will save travel time and contract costs related to transporting and accessing the core samples throughout the Program.
 - This location is also very close (less than a quarter mile) to the I-95-Highland Avenue interchange. Subsequent to the issuance of the RFP, this location was identified as the launch site of two of the tunnel segments in the preferred alternative alignment. This area is anticipated to be a main hub of activity where the majority of the construction staff will be located for the anticipated eight or more years of construction work. As a result, the Needham location offers additional value in supporting the MWRA and the Program over time.

- The cost of the facility is within the range of current market rates based on the range of costs from similar properties in the area listed in the COSTAR reports obtained. The per-square-foot rate of rent for the two proposals was similar. However, the proposal for the Needham property base rent includes tenant space improvements valued at just over \$286,000 (\$15/square foot). This represents a savings for MWRA in tenant fit-out.
- In addition, there are several features and circumstances at this location that make it ideal:
 - Multiple loading docks and at-grade double door entrances on different sides of the premises. This allows for flexibility in layout and use of the warehouse areas, provides easy access for transporting the heavy rock core boxes, and allows different users direct access to relevant work areas.
 - The proposed building has a new roof and windows and doors, will have updated HVAC throughout, and will be a completely renovated space.
 - The property owner has extensive experience managing commercial properties. According to existing tenant references, the property owner is attentive and very proactive in maintaining their facilities.

After the site visit and further review of the proposal for the Newton location, for the following reasons, the Selection Committee ranked this location as second.

- The size of the leasable part of the facility, at 12,359 square feet in total, does not provide the required 15,000 to 20,000 square feet space the Program staff projected would ultimately be needed. The in-door recessed loading dock further takes away the already limited usable storage area by approximately 650 square feet.
- This location does not provide the sought office space and warehouse space. This would put future constraints on Program use and added cost in later years. The lack of space can potentially hinder the execution of the Program if more space had to be procured later.
- The Newton location was outside of the preferred Program area and had more difficult access to interstate highways and routes. Access would have brought Program staff, consultants, contractors, and vehicles through the Newton Center exit from the Mass Pike towards Watertown Square via Galen Street, potentially at high-traffic times of the day.
- The current condition of certain areas within this facility, including the restroom and office, are in poor condition and would need significant renovation. The proposed rent does not include tenant space improvements that would be needed for this property to ultimately meet the Program use goals.
- The site is also located partially within a flood plain.
- In addition, this facility is not currently ADA accessible as required by the RFP, which would further limit its use.

The Selection Committee therefore recommends that the MWRA enter into a lease with IC Needham Gould Portfolio, LLC for the Core Storage Facility.

BUDGET/FISCAL IMPACT:

The FY23 Current Expense Budget includes adequate funding for this lease under Tunnel Redundancy Department budget. The required funding will be included in subsequent budget requests per the executed lease.

MBE/WBE PARTICIPATION:

Due to the specialized nature of these services, there were no MBE/WBE requirements set for this RFP and Lease.

ATTACHMENTS:

- Attachment A: Proposed Annual Rent Expense
- Attachment B: Site Plan, Rendering, and Whitebox Plan

**Attachment A
Proposed Annual Rent Expense**

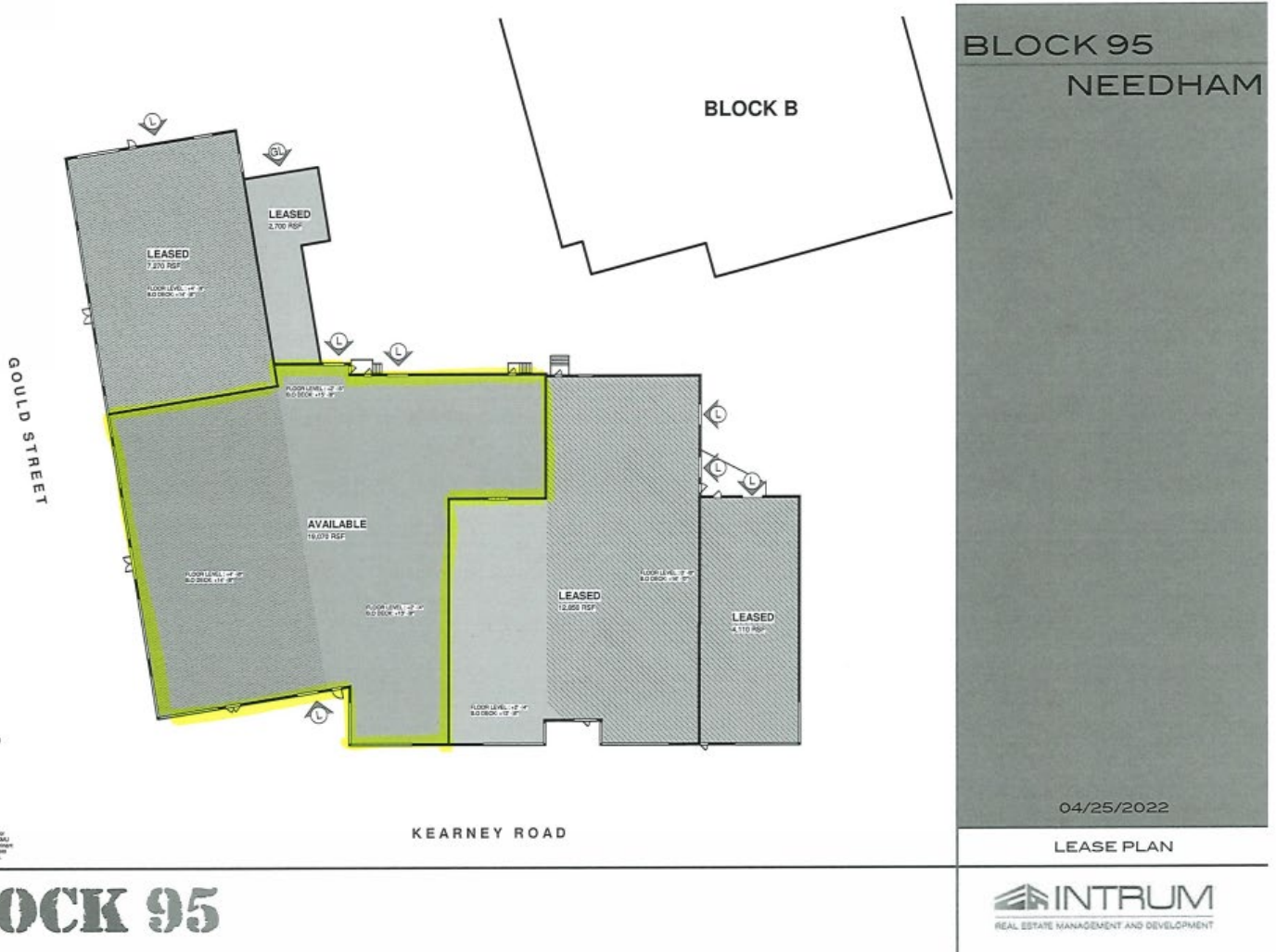
**IC Needham Gould Portfolio, LLC
Block 95, Block A
(110-116 Gould Street, 91-101 Hampton Avenue, 11 Ellis Street, 45-55 Kearney Road)
Needham, MA**

19,070 sq. ft.

Year	Proposed Annual Base Rent (per square foot)	Proposed Annual Base Rent
1	\$32.00	\$ 610,240
2	\$33.00	\$ 629,310
3	\$34.00	\$ 648,380
4	\$35.00	\$ 667,450
5	\$36.00	\$ 686,520
6	\$37.00	\$ 705,590
7	\$38.00	\$ 724,660
8	\$39.00	\$ 743,730
9	\$40.00	\$ 762,800
10	\$41.00	\$ 781,870
11 to 15	Fair Market Rent	Fair Market Rent

* Base Rent does not include maintenance and operating costs, real estate taxes, MWRA's own utility costs and operating costs (e.g. janitorial services).

Attachment B Site Plan, Rendering, and White Box Plan



General Site Plan (the Proposed Premises are highlighted)

**BLOCK 95
NEEDHAM**



05/03/2022

LEASE PLAN W/SITE

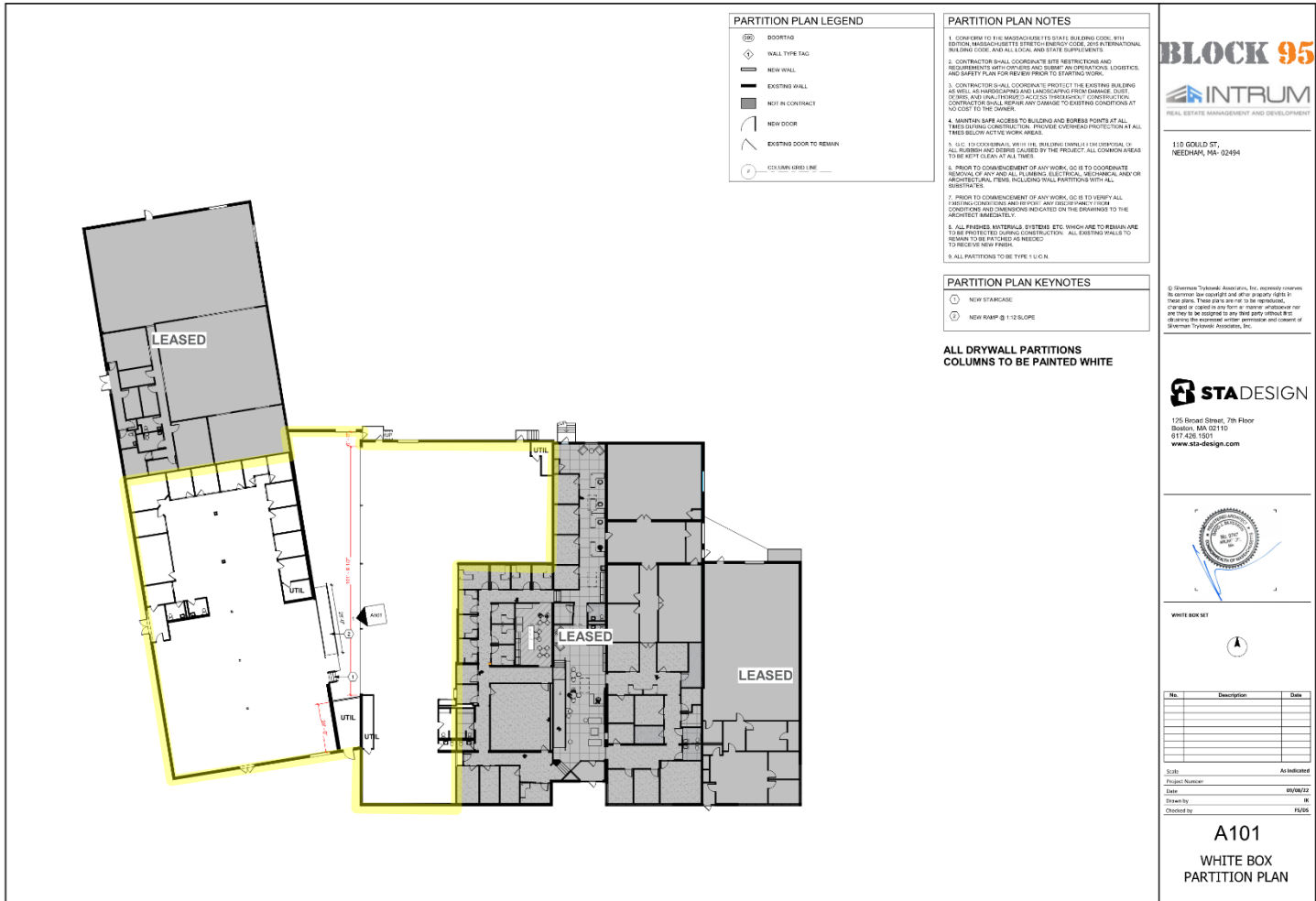
BLOCK 95



General Building Plan (the Proposed Lease Premises are highlighted)



Rendering of Building



White Box Floor Plan of the Proposed Lease Space
(the Proposed Premises are indicated by the white space and highlighted)



White Box Ceiling Plan of the Proposed Lease Space
(The Proposed Premises are indicated by the white space and highlighted.)