

SUMMARY and FISCAL NOTE*

| Department: | Dept. Contact/Phone: | Executive Contact/Phone: |
|--------------------|-----------------------------|---------------------------------|
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

- a. **Legislation Title:** AN ORDINANCE relating to a lease agreement for office space; authorizing the Director of Finance and Administrative Services to enter into a lease agreement with NearSU, LLC, a Washington limited liability company for office space in the 464 12th Avenue Building, for use by the Central Customer Service Center; and ratifying and confirming certain prior acts.

- b. **Summary and background of the Legislation:**

This legislation authorizes the Director of Finance and Administrative Services (FAS) to enter into a lease agreement with NearSU, L.L.C. (“Landlord”) for approximately 3,941 square feet of office space in the 464 12th Avenue Building located at 464 12th Avenue in Seattle. Legislation is required, term of the lease exceeds FAS’ leasing authority under Seattle Municipal Code 3.127 020 of five years. This legislation will allow the Director to enter into an agreement for an initial period of ten years, with two additional five-year extensions; commencing upon substantial completion of the tenant improvements as generally depicted in the Lease Agreement (see Attachment 1).

The existing Central Customer Service Center (CCSC) is located at the Promenade 23 shopping center located at 23rd Avenue and South Jackson Street in Seattle’s Central area. The current property owner has filed plans intending to redevelop the property; that owner plans to demolish the building in late 2017 and FAS must be able to relocate to the new location in that time frame or it will have to suspend service to this neighborhood. FAS has spent a considerable amount of time and effort to relocate the CCSC within the Central area, close to transit and close to the existing location, to be able to serve the existing customers.

The proposed new location of the CCSC is slightly larger than the existing location but comparable in size to other City CSCs. The proposed new location includes a public lobby, conference room, payment and information service windows, and drop-in work areas that will support occasional interdepartmental promotions and outreach. The new location is on the corner of 12th Avenue and East Jefferson Street, across the street from Capitol Hill Housing’s Jefferson apartment building. Nearby transit routes that serve the area include the 2, 3, 4, 63, 64, 193, 303 and the First Hill Streetcar. In addition, there are two parking stalls that will be designated for the use of CCSC customers. FAS anticipates an increase in foot traffic at the proposed new CCSC because the location has more pedestrian and vehicular traffic than does the current location and is sited prominently on a corner.

The negotiated lease agreement includes landlord concessions of up to \$50.00 per square foot for tenant improvements (TI) in the space and free rent for the first three months. The space is currently raw and FAS anticipates spending the TI allowance, along with \$200,000 in REET funding allocated in 2015, on preparing the walls, flooring, bathrooms, and ceiling for occupancy, painting the space when these improvements have been completed, and for design and construction that will support specific business needs.

Table 1 below compares the current lease in Promenade 23 to the proposed lease.

Table 1

| | Promenade 23 – Expiring Lease | 464 12th Ave – Proposed Lease |
|------------------------------|---|--|
| Lease Commencement Date | September 1, 2010 (Prior Lease agreement as amended: 1999-2010) | July 1, 2017 or substantial completion of tenant improvements |
| Lease Term | Expired in 2015, has been month to month. Building will be demolished in late 2017. | 10 years, beginning July 2017 |
| Options | Building will be demolished | Two five-year extensions |
| Premises (Leased area) | 2,235 sf | 3,941 sf |
| Annual Lease Rates | \$4,050.94/month. Current lease rate is extremely low due to the poor property condition. | \$7,675.16/month |
| FTEs | 8.0 FTE (5.0 NPIS FTE, 3.0 DON FTE) | 8.0 FTE (6.0 NPIS FTE, 2.0 NPIS Drop In FTE) – will support an NPIS manager and supervisor |
| Landlord concessions | N/A | 3 months free rent |
| Tenant Improvement Allowance | N/A | \$197,050 |

2. CAPITAL IMPROVEMENT PROGRAM

a. Does this legislation create, fund, or amend a CIP Project? ___ Yes ___ X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

a. Does this legislation amend the Adopted Budget? ___ Yes ___ X No

b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

Yes, this legislation will authorize the City to enter into a lease agreement that has financial obligations. Table 2 below shows the base rent obligation for each year of the lease. The anticipated lease year is July to June, but the lease and its term will not be

finalized until the space has been fully built out.

Table 2

| | |
|---------|--------------|
| Year 1 | \$69,076.44 |
| Year 2 | \$94,864.92 |
| Year 3 | \$97,710.87 |
| Year 4 | \$100,642.19 |
| Year 5 | \$103,661.46 |
| Year 6 | \$106,771.30 |
| Year 7 | \$109,974.44 |
| Year 8 | \$113,273.68 |
| Year 9 | \$116,671.89 |
| Year 10 | \$120,172.04 |

c. Is there financial cost or other impacts of *not* implementing the legislation?

If this legislation is not implemented, the Central Customer Service Center will be shut down in late 2017 when its current location is shuttered to accommodate redevelopment, and there will no longer be a Customer Service Center in the Central District.

3.d. Appropriations

X **This legislation adds, changes, or deletes appropriations.**

| Fund Name and number | Dept | Budget Control Level Name/##* | 2017 Appropriation Change | 2018 Estimated Appropriation Change |
|----------------------------|------|-------------------------------|---------------------------|-------------------------------------|
| FAS Operating Fund – 50300 | FAS | | * | \$43,491.00 |
| TOTAL | | | | \$43,491.00 |

* Due to landlord concessions, FAS does not need additional appropriation for this lease in 2017. FAS will request a baseline adjustment for 2018 to cover the incremental increase.

Is this change one-time or ongoing?

This is an ongoing obligation to the City for ten years, as detailed in Table 2 above.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

Yes, this legislation will indirectly affect Seattle City Light and Seattle Public Utilities in that FAS allocated lease charges to these departments will increase incrementally. Lease charges are allocated because CCSCs provide information resources and bill payment abilities to the utilities' respective customers. Currently (2017), Neighborhood Payments and Information Services charges are billed 57.6% to City Light funds, 28.8% to Seattle Public Utilities funds, and 13.8% to the General Fund.

b. Is a public hearing required for this legislation?

No public hearing is required for this legislation

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

Though this legislation is for a lease, it does not require the landlord to make any notification, nor does it require the City to make notification.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No, this legislation does not require public notice.

e. Does this legislation affect a piece of property?

Yes, this legislation affects the parcel located at 464 12th Avenue, Seattle, King County Parcel Number 794930-0005. See Exhibit A, a map illustrating its location.

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

This legislation allows the CCSC to continue serving a racially, ethnically and socioeconomically diverse customer base. The primary users of the current CCSC are older African Americans with deep roots in the Central District community.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).

This legislation does not include any new initiatives or major programmatic expansions.

h. Other Issues:

List attachments/exhibits below:

Summary Exhibit A: Location Map
Summary Exhibit B: Basic Lease Terms