

## **SUMMARY and FISCAL NOTE**

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### **1. BILL SUMMARY**

#### **Legislation Title:**

AN ORDINANCE authorizing the Director of Finance and Administrative Services to execute an amendment extending certain lease agreements between The City of Seattle and KBS SOR CENTRAL BUILDING, LLC, a Delaware limited liability company, for office space the City leases at 810 Third Avenue; and ratifying and confirming certain prior acts.

#### **Summary and background of the Legislation:**

This legislation authorizes the Finance and Administrative Services (FAS) Director to execute a First Amendment to existing lease agreements on behalf of the Human Services Department (HSD) and the Seattle Office for Civil Rights (SOCR) for space in the Central Building, located at 810 Third Avenue.

Both HSD and SOCR originally moved into the space in the Central Building in 2005. The location offers good transit access for visitors at the Third Avenue location, the location is also nearby other services for the community and by City offices. The users of both Departments know that HSD and SOCR are located in the Central Building.

The commencement date for this First Amendment is August 25, 2015. The First Amendment makes the existing two leases run parallel to each other, essentially acting as one lease; the new expiration date is October 31, 2025. After this period, the amendment includes the option for two five-year extension periods. The proposed cost for base rent is \$28.00 per square foot in the first year, rising one dollar per square foot annually over the ten year lease term. Consistent with typical lease provisions, the rental rates for both of the five-year extension options will be negotiated at fair market rental rates at time the options are exercised. The landlord is providing approximately \$30.00 per square foot for tenant improvement allowances; these funds may be used for new carpet, paint, wall reconfiguration and furniture. A concise description of the basic terms of the lease agreement is attached as Attachment 1 to this Fiscal Note.

Currently SOCR occupies 9,458 square feet; however, it is necessary for additional office space to be leased for and additional work-load and staffing within SOCR. To accommodate SOCR's current and future needs, this Amendment allows for the City to lease an additional 1,745 square feet in the adjoining suite on the 7<sup>th</sup> floor in the Central Building. The total amount of square feet is authorized to lease by this legislation is 11,203.

SOCR enforces local and federal civil rights laws (illegal discrimination in housing, employment, public places and contracting). SOCR is the home of the City's Office of Labor

Standards, which administers the Minimum Wage, Wage Theft, Paid Sick and Safe Time and Job Assistance Ordinances. SOCR also leads the City of Seattle's Race and Social Justice Initiative, a citywide effort to end institutional racism in City government and achieve racial equity across our community. SOCR's Policy team provides support across SOCR, including coordination of the City's Gender Justice Project. In addition, SOCR provides staff support to the Seattle Human Rights Commission, Seattle Women's Commission, Seattle LGBT Commission and Seattle Commission for People with disAbilities.

HSD currently occupies approximately 28,523 rentable square feet between floors 3 and 4 of the Central Building. Through space consolidation, FAS and HSD are able to reduce the amount of office space leased for HSD's programs within the Central Building; HSD will only occupy office space on floor 4; giving up approximately 7,093 rentable square feet. This space consolidation is being generally achieved by using smaller work stations and through more efficient use of the space.

See Table 1 for detailed rental costs.

<u>Period</u>	<u>Annual Rate</u> <u>Per Square Foot</u>	<u>Monthly</u> <u>Installment</u> <u>for 32,633 rsf</u>
8/25/15 to 08/31/16	\$28.00	\$76,144
09/01/16 to 08/31/17	\$29.00	\$78,863
09/01/17 to 08/31/18	\$30.00	\$81,583
09/01/18 to 08/31/19	\$31.00	\$84,302
09/01/19 to 08/31/20	\$32.00	\$87,021
09/01/20 to 08/31/21	\$33.00	\$89,741
09/01/21 to 08/31/22	\$34.00	\$92,460
09/01/22 to 08/31/23	\$35.00	\$95,180
09/01/23 to 08/31/24	\$36.00	\$97,899
09/01/24 to the 8/31/25	\$37.00	\$100,618

## **2. CAPITAL IMPROVEMENT PROGRAM**

*Intentionally omitted*

## **3. SUMMARY OF FINANCIAL IMPLICATIONS**

  X   **This legislation has direct financial implications.**

The 2015 approved budgets for SOCR and HSD provide adequate appropriation authority for this lease. The 2016 SOCR and HSD appropriation for lease payments will be addressed during the 2016 budget process.

#### 4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

This legislation will obligate the City to pay to the Landlord the monthly rental amount as described in Table 1 for the duration of the lease agreement.

- b) **Is there financial cost or other impacts of not implementing the legislation?**

The need for additional office space still remains in the event that this legislation is not approved. Additional office space will need to be secured for SOCR, whether it is in the Central Building or another similar office building. FAS examined several scenarios where HSD's programs would be placed within the Seattle Municipal Tower and found that while most of the programs could be accommodated, the co-located organization could not be. It was determined that the least cost scenario is to enter into this First Amendment to the existing Central Building lease.

FAS engaged the services of a FlinnFerguson Corporate Real Estate to assist in the negotiations of this First Amendment. In doing so, FAS sought proposals from other nearby office buildings and at the conclusion of the survey the Central Building provided the most comprehensive and financially advantageous lease terms to the City. With the assistance of FlinnFerguson we believe that this lease is competitive with other commercial office leases in the Central Business District.

- c) **Does this legislation affect any departments besides the originating department?**

Yes, this legislation affects the Seattle Office for Civil Rights and the Human Services Department. FAS administers and manages the lease agreement and passes through any charges, including rent, and operating costs.

- d) **Is a public hearing required for this legislation?**

No

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

No

- f) **Does this legislation affect a piece of property?**

Yes, this legislation authorizes the Director of Finance and Administrative Services to execute a lease agreement on a portion of property located at 810 Third Avenue. Please see Attachment 2, proximity map of the leased office space.

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

SOCR's office space houses the City's RSJI program staff. The current space is inadequate for SOCR's expanded business needs with the increase in staffing and new programming that was transferred to SOCR in the 2015 Adopted City Budget. This

request directly supports the City's efforts to positively impact vulnerable and historically disadvantaged communities in Seattle.

**h) If this legislation includes a new initiative or a major programmatic expansion:  
What are the long-term and measurable goals of the program? Please describe how  
this legislation would help achieve the program's desired goals.**

With the addition of the Office of Labor Standards, SOCR has taken on a new initiative and undergone a major programmatic expansion. This legislation will provide critical working space that will enable SOCR staff to meet public expectations for customer service and effective administration of all the programs that SOCR administers.

**i) Other Issues:**

**List attachments below:**

**Attachment 1:** Basic Lease Terms

**Attachment 2:** Vicinity Map