

SUMMARY and FISCAL NOTE*

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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

Legislation Title: AN ORDINANCE authorizing the Director of Finance and Administrative Services to execute an amendment that extends and modifies a certain lease agreement 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 Second Amendment to an existing lease agreement on behalf of the Office of Labor Standards (OLS) for space in the Central Building, located at 810 Third Avenue.

OLS is currently leasing temporary space in the Central Building. As OLS has grown from 11 FTE in the 2016 Adopted Budget to 23 FTE in the 2017 Adopted Budget, along with an expanded scope and mission to enforce recently-enacted labor laws and as the Mayor and Council have doubled funding and established OLS as an independent office, permanent office space is needed. The proposed lease will be for approximately 5,534 rentable square feet located in Suite 375. The Second Amendment to the lease also removes the option of leasing additional space on the 7th floor and returns several storage spaces that are no longer needed by the City. FAS looked at several options in the downtown core and determined that leasing space in the Central Building is the most ideal given its proximity to transit and other City services. Additionally, FAS has determined that the rental rate for this lease is competitive with similar types of office space in the downtown core.

The commencement date for this Second Amendment is April 1, 2017, and will expire with the existing lease, which is October 2025. The amendment includes two five-year extension periods which could be enacted by the Director to lease the space until 2035. The proposed cost for base rent is \$33.94 per square foot in the first year, rising one dollar per square foot annually over the eight-year lease term. Consistent with typical lease provisions, the rental rates for both 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.

2. CAPITAL IMPROVEMENT PROGRAM

None

3. SUMMARY OF FINANCIAL IMPLICATIONS

This legislation has direct financial implications

Proposed rental rate:

<u>Period</u>	<u>Annual Rate/rsf for 5,534 rsf</u>	<u>Monthly Installment</u>	<u>Annual Total</u>
04/01/2017 to 08/31/2017	\$33.94	\$15,652.00	\$78,260 (5 months)
09/01/2017 to 08/31/2018	\$34.94	\$16,113.16	\$193,358
09/01/2018 to 08/31/2019	\$35.94	\$16,574.33	\$198,892
09/01/2019 to 08/31/2020	\$36.94	\$17,035.50	\$204,426
09/01/2020 to 08/31/2021	\$37.94	\$17,496.66	\$209,960
09/01/2021 to 08/31/2022	\$38.94	\$17,957.83	\$215,494
09/01/2022 to 08/31/2023	\$39.94	\$18,419.00	\$221,028
09/01/2023 to 08/31/2024	\$40.94	\$18,880.16	\$226,562
09/01/2024 to 08/31/2025	\$41.94	\$19,341.33	\$232,096

Note that the above costs are based on the lease rate and do not include other charges like Common Area Maintenance (CAM) charges.

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

Appropriations Notes:

The 2017 Adopted Budget for OLS and FAS provides adequate appropriation authority for this lease.

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 OLS, whether it is in the Central Building or another similar office building. FAS determined that the least cost scenario is to enter into this Second 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 of Labor Standards. 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 public hearing is required.
- e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**
No, though this is a real estate transaction, this Second Amendment does not fall within the requirements of RCW 64.06.080.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No publication is required for this legislation.
- g) **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.
- h) **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 will advance RSJI principles and positively impact vulnerable and historically disadvantaged communities by increasing the capacity of the Office of Labor Standards to develop and direct innovative and collaborative programs to achieve compliance with labor standards ordinances. While all Seattle workers will benefit from implementation of labor standards that protect wages and promote workplace equity, people of color, women, LGBTQ workers, people with disabilities and immigrants and refugees represent a substantial portion of the low income working community that would otherwise not have access to the minimum requirements and protections of these ordinances.
- i) **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.**
The long-term and measurable goals of the work of the Office of Labor Standards

promote workplace equity for all Seattle workers, with a particular focus on vulnerable and historically disadvantaged workers. OLS's mission is to advance labor standards through thoughtful community and business engagement, strategic enforcement and innovative policy development, with a commitment to race and social justice.

OLS works toward these goals by providing education and outreach to Seattle's workers and businesses about labor standards requirements, with an emphasis on our most vulnerable communities; identifying and resolving labor violations in a timely manner that recovers money owed to workers, penalizes bad actor businesses, and equips all businesses with the necessary tools to achieve compliance in the future; and developing innovative labor standards policies through collaboration with community, City leaders, and other jurisdictions.

OLS measures progress toward these goals by creating internal data collection systems and tracking enforcement and outreach outcomes. OLS publicly shares information through an online dashboard tracking its progress each month, including but not limited to the number and type of employer inquiries it has responded to, the number and type of employee inquiries it has responded to, the number and type of investigations opened and closed, and the amount of money assessed and recovered for workers across each of the ordinances it enforces. OLS also submits information to the Mayor on performance measures including the amount of technical assistance provided to employers and the percentage of money collected for violations. OLS's goal is to collect 90% of money assessed for violations; this is an important measure of success since research shows that other labor standards agencies encounter significant obstacles with collections, sometimes collecting less than 50% of the amount assessed for workers. OLS also closely monitors the contracts with community and business organizations, maintaining a close relationship that strengthens our relationships, deepens the impact of these funds, and builds trust in the community.

This legislation will help reach the desired goals by providing critical work space allowing for OLS to expand as proposed and effectively meet its mission.

j) Other Issues:

List attachments/exhibits below:

Summary Attachment 1 – Summary of Lease Terms
Summary Attachment 2 – Central Building Location