

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 a five-year lease agreement with the United States for The City of Seattle to use and occupy space at the Fort Lawton Army Reserve Center located adjacent to Discovery Park in the Magnolia neighborhood in Seattle, Washington; and ratifying and confirming certain prior acts.

- a. Summary and background of the Legislation:** This legislation authorizes the Finance and Administrative Services (FAS) Director to execute a five-year lease agreement on behalf of the City of Seattle (City) for the Fort Lawton Army Reserve Center, located adjacent to Discovery Park in the Magnolia neighborhood in Seattle, Washington, while the City of Seattle explores options for the redevelopment/reuse of the site.

The Fort Lawton Army Reserve Center consists of two large office buildings (Leisy Hall – 66,401 sq. ft. and Harvey Hall – 37,248 sq. ft.) and four storage buildings totaling approximately 22,700 sq. ft. The proposed lease would be for the entire site (buildings and associated land that is approximately 1.2 million sq. ft.). Fort Lawton Army Reserve Center is no longer in use by the Army. The Army was considering making the property available under the public sale process which would have prevented the City from continued exploration of its redevelopment/reuse options of the site. The successful negotiation of the proposed lease between the Army and City is a stopgap measure and preserves the City’s redevelopment/reuse options under the federal Defense Base Realignment and Closure (BRAC) Act during the five-year term of the lease, which options are all subject to environmental reviews and further council action.

Commencement date for the lease is January 1, 2017, and will expire upon conveyance of all or portions of the Fort Lawton Army Reserve Center to the City of Seattle, but no later than December 30, 2021. Under the terms of the proposed lease, the City of Seattle would not pay a fee to the U.S. Army, but would be responsible for all caretaker costs associated with the Fort Lawton Army Reserve Center (e.g. annual stormwater assessments, grounds maintenance costs, utility costs, security costs, and property/liability insurance costs).

Based on the Army’s caretaker costs for the period May 2015 to April 2016, we have estimated that caretaker costs would range between \$125,000 and \$200,000 per calendar year. The higher estimate is based on actual costs incurred by the Army last year. This includes Army contracts for grounds maintenance, security patrols and utilities/water for the VA Administrative Building and Army Cemetery. Going forward, some of these

costs will be reduced or eliminated by having the Department of Veterans Affairs and Army install separate water meters for their facilities, which will be billed to the appropriate organizations (e.g. Veterans Affairs for the VA administrative building and Army for the cemetery). It is estimated that the City's caretaker costs to cover the remaining utilities and bills will be in the \$125,000 per year range.

The caretaker costs for the Fort Lawton property will be covered by City departments based on their proportionate share of the acreage dedicated toward their use.

During the term of the lease, the City of Seattle can use portions of the Fort Lawton Army Reserve Center for applicable City use (e.g. Parks Department maintenance facilities, storage, and potential administrative offices).

A concise description of the basic terms of the lease agreement is included as Attachment 1 to this Fiscal Note.

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?

The City will be responsible for operating and maintenance costs of the leased area, which are expected to be approximately \$125,000 per year. These costs will be covered primarily by the Office of Housing (OH) and the Department of Parks and Recreation (Parks), for preserving the opportunity to acquire the property for affordable housing and parks/open space. The caretaker costs will be further offset if additional departments choose to use space at Fort Lawton for short term storage or administrative functions.

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

If the City of Seattle does not execute the lease agreement the Army has indicated it will move forward with the process to initiate a public sale of the Fort Lawton Army Reserve Center site and City will lose its opportunity to implement its own redevelopment/reuse activity.

3.d. Appropriations

 This legislation adds, changes, or deletes appropriations.

Appropriations Notes:

The caretaker costs for the Fort Lawton property will be covered by the Office of Housing (OH) and the Department of Parks and Recreation (Parks) based on their proportionate share of the acreage that has been identified for the department's use for the Fort Lawton site (e.g. housing, park/open space) until the

property is either conveyed to the City under a federally-approved revised reuse plan or no later than December 31, 2021, at the conclusion of the five-year lease. There is a currently a draft provision in OH's 2017-2018 Administrative and Financial (A&F) Plan to allow funding lease payments with the goal of preserving future affordable housing development options. Such policies are pending Council review and approval. No additional appropriation is required at this time to cover the anticipated caretaker costs. The caretaker costs may be offset if other City departments utilize some of the vacant space in the interim period for storage or maintenance facility needs. It is possible that other City departments may require future supplemental appropriations for additional space rent costs.

3.e. Revenues/Reimbursements

_____ **This legislation adds, changes, or deletes revenues or reimbursements.**

Revenue/Reimbursement Notes:

For the duration of this five-year lease, or until the City of Seattle submits a revised redevelopment/reuse plan to the Army for the redevelopment of this space, Finance and Administrative Services (FAS) will market space at the Fort Lawton site to City departments who may have short-term space needs (i.e. less than five years) for storage and departments will pay space rent to FAS to offset the caretaker costs assumed by OH and Parks.

3.f. Positions

_____ **This legislation adds, changes, or deletes positions.**

4. OTHER IMPLICATIONS

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

Yes, in addition to the Office of Housing (OH), this legislation affects the Department of Parks and Recreation (Parks) and any other departments that potentially want to lease storage space at the site. FAS will administer and manage the lease agreement and will charge the caretaker costs to the appropriate departments and entities, including the Army and VA portion of the utility bills.

b. Is a public hearing required for this legislation?

No public hearing is required.

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

Yes. The Army will provide information on the environmental and physical conditions as well as existing fixtures, appurtenances and improvements as part of the lease agreement.

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

No.

e. Does this legislation affect a piece of property?

Yes. The Fort Lawton Army Reserve Center, a 33.95 acre site, will be leased by the City of Seattle and used during the five year lease period for approved City department uses.

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?

No implications from the interim use allowed by the lease.

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 lease is for an interim use. Any future use will be subject to further Council and environmental review.

h. Other Issues: None.

List attachments/exhibits below:

- Summary Attachment 1 – Summary of Lease Terms
- Summary Attachment 2 – Site Map