

**SUMMARY and FISCAL NOTE\***

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**1. BILL SUMMARY**

**1. Legislation Title:**

AN ORDINANCE relating to a lease agreement for warehouse space; authorizing the Director of Finance and Administrative Services to enter into a lease agreement with MB Warehouse, LLC, a Washington limited liability company, for warehouse space in the building located at 2021 22<sup>nd</sup> Avenue South; and ratifying and confirming certain prior acts.

**2. Summary and background of the Legislation:**

Ordinance 125533 authorized the sale of the City-owned building that currently houses the Communication Shop (“Comm Shop”), which is located at 1933 Minor Avenue in the South Lake Union area, and Ordinance 125534 authorized the spending of those funds, which included funding for relocating the Comm Shop. There is no existing City-owned space available to meet the needs of the Comm Shop and a non-City owned space was sought.

The purpose of the Comm Shop program within Seattle Information Technology is to install, maintain and repair dispatch radio infrastructure and mobile and portable radios for City departments and other regional agencies for common, cost-effective communications. The Comm Shop provides installation, maintenance and related services for wireless communications for city departments and other regional agencies. Comm Shop staff also conduct on-site radio network maintenance on the shared or common portions of the regionwide radio network.

This legislation authorizes the Director of Finance and Administrative Services (FAS) to enter into a lease agreement with MB Warehouse, LLC (“Landlord”) for approximately 15,500 square feet of warehouse space at the building commonly referred to as 2021 22<sup>nd</sup> Avenue South in Seattle. This building is proposed to become the new site of Comm Shop operations. Legislation is required because the term of the lease and size of the leased premises exceeds FAS’ leasing authority under Seattle Municipal Code Section 3.127.020. This legislation allows the Director to enter into an agreement for an initial lease period of ten years, with two additional five-year extensions.

FAS searched for a replacement site for the Comm Shop for almost two years. Over a dozen properties were evaluated, but most of them did not meet the functional needs of the operations of the Comm Shop. Finding a suitable site in the 5,000-7,000 square foot range was very difficult. Late last year, FAS was approached by the City’s Homeless Outreach Navigation Team (“Navigation Team”) to assist in finding a location for its operations that was approximately 4,000 to 5,000 square feet in size. The Navigation

Team has been operating on a temporary basis out of the Office of Emergency Management space. By combining the two space requests FAS was able to expand its search for property, which opened up additional opportunities. FAS, Seattle IT and the Navigation Team are currently working together to analyze and document the specific needs of the two work units.

FAS negotiated a lease rate that is below the market rate for warehouse space. Some starting rates for other sites were nearly double the negotiated lease rate for the 22<sup>nd</sup> Avenue South site. The proposed lease agreement includes landlord concessions of up to \$140,000 for tenant improvements (TI) in the space. FAS estimates that this amount will be sufficient to program, design and obtain permits to build out the leased space and the buildout of the space and relocation costs will be funded by \$2,000,000 of the proceeds from the sale of the 1933 Minor Avenue site, as described in Ordinance 125534.

**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 1 below shows the base rent obligation for each year of the lease. The anticipated lease year is October to September, but the lease and its commencement date will not be finalized until the space has been fully built out.

Ordinance 125534 identified \$430,000 which will help address a gap between the current Comm Shop rent and the rent for the new Comm Shop location over the ten-year lease.

Table 1	Monthly Rent	Lease Year Rent (Oct-Sept)
Year 1	\$13,475.00	\$161,700.00
Year 2	\$13,879.25	\$166,551.00
Year 3	\$14,295.63	\$171,547.56
Year 4	\$14,724.50	\$176,694.00
Year 5	\$15,166.23	\$181,994.76
Year 6	\$15,621.22	\$187,454.64
Year 7	\$16,089.85	\$193,078.20
Year 8	\$16,572.55	\$198,870.60
Year 9	\$17,069.73	\$204,836.76
Year 10	\$17,581.82	\$210,981.84

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

FAS surveyed its inventory of available City-owned property and found that there was no space available in its portfolio that could support Comm Shop operations, so Ordinance 125534 anticipated the need to lease property for the Comm Shop. The City must meet the business need for the Comm Shop even if this legislation is not implemented.

**3.d. Appropriations**

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

Appropriations Notes:

This legislation creates an ongoing obligation of the City for ten years, as detailed in Table 1 above.

**3.e. Revenues/Reimbursements**

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

**3.f. Positions**

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

**4. OTHER IMPLICATIONS**

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

This legislation will affect Seattle IT and the staff assigned to the Comm Shop. There will be modest service impacts to many other City departments including Seattle City Light, Seattle Public Utilities, Seattle Fire Department as these departments are the largest users of radios and receive the greatest maintenance assistance from the Comm Shop. FAS anticipates that these impacts will generally be positive and will be the result of improved access and reduced traffic congestion compared to the current Comm Shop site. The legislation will also affect the Navigation Team, which is currently housed at the Office of Emergency Management.

**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 2021 22nd Avenue South, Seattle, King County Parcel Number 149830-2235. 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 will utilize a currently vacant warehouse in the Rainier Valley. Once Comm Shop operations are relocated to that warehouse, the site will be used 5 to 6 days a week for City purposes, and FAS anticipates that this use will generate indirect economic activity at nearby businesses by the City employees assigned to and visiting the Comm Shop.

**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).**

No, this legislation does not include any new initiatives or major programmatic expansions.

**List attachments/exhibits below:**

Summary Attachment 1 - Map Illustrating Location

Summary Attachment 2 - Basic Lease Terms