

SUMMARY and FISCAL NOTE

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Parks & Recreation	Max Jacobs/684-8018	Anna Hurst/733-9317

** 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

1. Legislation Title:

AN ORDINANCE authorizing the Superintendent of Parks and Recreation to execute a lease agreement between The City of Seattle and Selig Holdings Company, LLC, a Delaware limited liability company, for office space in the building located at 300 Elliott Avenue West, commonly known as the Elliott Bay Office Park; and ratifying and confirming certain prior acts.

2. Summary and background of the Legislation:

This legislation authorizes the Superintendent of Parks and Recreation (DPR) to execute an agreement with Selig Holdings Company, LLC to lease 28,000 rentable square feet of office space for a term of fifteen (15) years, along with two options to extend for additional periods of five years each. In addition to the City's leased premises and certain common areas – including a shared conference room that the City can use at no cost for public meetings – the floor also contains two vacant 4,000 square foot areas (called “space pockets”) that will not be used by any other tenant and are not part of the City's premises. Under the terms of the Lease Agreement, the City will take one of these space pockets on or before five years after lease commencement, resulting in an increase of the leased premises to 32,000 square feet. The City may, but is not required to, take the second 4,000 square foot space pocket at any time during the 15-year lease term. The lease also provides DPR the right to rent 28 parking stalls in the building's parking garage.

DPR currently has approximately 113 staff in space leased in the RDA Building at 800 Maynard Avenue South, in Seattle's International District. The RDA Building location, which DPR has occupied for nearly 20 years, houses a significant portion of the department's office staff. The other main office location is the Parks Headquarters building at 100 Dexter Avenue North. Other staff are located in various other buildings throughout the city.

DPR's current lease in the RDA Building will expire in 2019. The building owner recently sold the portion of the property that contains DPR's fleet parking, thus making future parking unavailable at this location. Additionally, significant investments are needed for tenant improvements to address items such as chronic building leaks and replacement of worn carpets. The RDA Building owner also indicated that the owner would be seeking a significant rent increase if DPR renewed its lease. As a result, it is neither operationally feasible nor cost effective to stay in the RDA Building.

As part of its planning to address the expiring RDA lease, DPR, in coordination with the City’s Finance and Administrative Services Department (FAS) and the advisory services of commercial real estate brokers, conducted an extensive site search to locate other office space leasing options. During that site search, which spanned several months in 2017 and 2018, DPR and FAS identified and toured four potential alternative locations, listed below.

Building Name	Address	Asking Rental Rate	Outcome
Elliott Bay Office Park (Subject Lease)	300 Elliott Ave. W	\$33/sf	Best option. Seeking Council approval for negotiated lease.
6 th & Wall	521 Wall St.	\$33/sf	Very promising building and good location close to Parks HQ. Space became unavailable.
6 th & Battery	2326 6 th Ave.	\$38/sf	Very promising building and good location close to DPR HQ. Space became unavailable.
Darigold Building	1130 Rainier Ave. S	\$32/sf	Location and available space not workable for DPR business needs.
830 4 th Avenue S.	830 4 th Ave. S.	\$37/sf	Very promising building but lessor decided to re-lease part of the space to an existing tenant.

After the site search, the Elliott Bay Office Park emerged as the best option, both for its relative proximity to DPR’s other primary office location at 100 Dexter Avenue North, and for its cost, which the team concluded was a market-rate transaction. Furthermore, the Elliott Bay location will allow for co-location of additional staff, which will help reduce overcrowding at other Parks facilities. DPR and FAS, with input and support from the City Attorney’s Office, negotiated the proposed lease with the Elliott Bay Office Park lessor.

The key business terms include a starting rental rate of \$33 per square foot, per year, “fully-serviced,” meaning the first-year base rent includes operating expenses. In subsequent years (starting in 2021), rent will increase \$1 per square foot each year. Under the lease, DPR would have a right to rent up to 28 parking stalls (one per 1,000 square feet of leased space) at a starting monthly rate of \$210 per stall. The City’s office space will be built by the lessor consistent with a negotiated space plan and specifications document attached as exhibits to the Lease Agreement. Except for design services, for which the lessor is providing an allowance of \$3.00 per square foot, the lessor is paying all costs to design, permit and construct the City’s tenant improvements. The City will pay for its furniture and move costs. Lessor Purchasing and installing the furniture and equipment, connecting IT cabling, and the move costs, are included in the \$2,200,000

project budget. FAS and DPR recommend approval of the lease, which is an appropriate market-rate transaction.

2. CAPITAL IMPROVEMENT PROGRAM

- a. **Does this legislation create, fund, or amend a CIP Project?** Yes No
The 2019 Adopted Budget created and funded a new CIP project for the needed tenant improvements to the new office space. The project is currently funded at \$1.7 million, and the remaining \$500,000 will be funded with Park District interest earnings that will be appropriated by the Park District Oversight Committee at their June meeting later this year.

3. SUMMARY OF FINANCIAL IMPLICATIONS

- a. **Does this legislation amend the Adopted Budget?** Yes 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 lease agreement between the City and Selig Holdings Company, LLC, if approved, will result in one-time costs to the City of approximately \$2.2M to purchase furniture, fixtures and equipment, connect IT cabling, construct interior signage and move into the new building. DPR has identified \$1.67 million of one-time funding for this project as part of the 2019 budget process and anticipates identifying the remaining funding needed in 2019 from unappropriated Seattle Park District interest earnings and lapsed Park District operating budget authority.

The increase in ongoing rent from Parks' current rent at the RDA Building will be included in the 2020 Proposed Budget. The initial increase is approximately \$350,000 which will grow annually based on a \$1 per square foot rent increase each year thereafter. Beginning in 2024, Parks will acquire the additional pocket space which will increase the lease by approximately \$200,000 which will grow annually based on a \$1 per square foot rent increase each year thereafter.

- c. **Is there financial cost or other impacts of *not* implementing the legislation?**
Not implementing this legislation would result in DPR paying a similar or higher price to rebuild their current leased space, paying almost the same annual rent per square foot for a building less suited to DPR purposes with a much shorter potential lease term. Furthermore, the RDA facility is at a less efficient location, loses parking spaces for existing DPR fleet vehicles, and cannot accommodate any future staffing growth.

4. OTHER IMPLICATIONS

- a. **Does this legislation affect any departments besides the originating department?**
Yes, Finance and Administrative Services have collaborated on this lease agreement.

- b. Is a public hearing required for this legislation?**
No.
- c. Does this legislation require lessors or sellers of real property to provide information regarding the property to a buyer or tenant?**
No.
- 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. A site map is attached.
- 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.
- 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.

List attachments/exhibits below:
Summary Attachment A – Site Location