

CITY OF SEATTLE
ORDINANCE 126908
COUNCIL BILL 120663

AN ORDINANCE relating to the Department of Finance and Administrative Services; authorizing the Director of the Department of Finance and Administrative Services or the Director’s designee to negotiate and execute a real property lease with PTL Property Limited Partnership, on behalf of the Seattle Fire Department; and ratifying and confirming certain prior acts.

WHEREAS, PTL Property Limited Partnership (“Landlord”) owns the premises located at 220 Third Avenue South, Seattle, Washington (“Third and Main Building”); and

WHEREAS, the Third and Main Building consists of approximately 31,587 square feet, of which 9,462 square feet of office space is currently occupied by the Fire Marshal’s Office of the Seattle Fire Department; and

WHEREAS, Ordinance 118967, adopted in 1998, authorized a predecessor department to the Department of Finance and Administrative Services to lease office space for the Seattle Fire Department Fire Marshal’s Office at the Third and Main Building; and

WHEREAS, Ordinance 122662, adopted in 2008, amended and extended the term of the original lease for the Third and Main Building; and

WHEREAS, Ordinance 124315, adopted in 2014, amended and restated the lease at the Third and Main Building, and extended the term through 2018, with an option to extend through May 31, 2023; and

WHEREAS, the location continues to meet the operational needs of the Seattle Fire Department Fire Marshal’s Office, in terms of proximity to Fire Headquarters, public access requirements, and parking for fleet vehicles; and

1 WHEREAS, the Landlord has agreed to extend the lease of the Property to the City for a five-
2 year lease term with one five-year renewal option beginning June 1, 2023; and

3 WHEREAS, the authority of the Director of Finance and Administrative Services under Seattle
4 Municipal Code Section 3.127.020 is limited to negotiating and executing leases, for and
5 on behalf of the City, that do not exceed a lease term of five years and that do not consist
6 of leased office space greater than 5,000 square feet; NOW, THEREFORE,

7 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

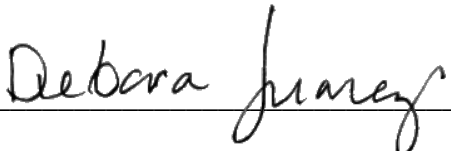
8 Section 1. The Director of Finance and Administrative Services (“Director”) or the
9 Director’s designee is authorized to negotiate and execute, for and on behalf of The City of
10 Seattle (“City”), a lease, with the PTL Property, Limited Partnership, substantially in the form of
11 Attachment A to this ordinance and identified as the Fifth Amendment to the Original Lease
12 (“Fifth Amendment”), providing for the City’s continued use and occupancy of the real property
13 known as the Third and Main Building in Seattle.

14 Section 2. The lease payments contemplated by the terms of the Fifth Amendment shall
15 be charged to the appropriate Budget Control Level in the Finance and Administrative Services
16 Fund and charged back to the appropriate Budget Control Level in the Seattle Fire Department.

17 Section 3. Any act consistent with the authority of this ordinance taken after its passage
18 and prior to its effective date is ratified and confirmed.

1 Section 4. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.


4 Passed by the City Council the 26th day of September, 2023,
5 and signed by me in open session in authentication of its passage this 26th day of
6 September, 2023.

7 
8 _____
President _____ of the City Council

9 Approved / returned unsigned / vetoed this 2nd day of October, 2023.

10 
11 _____
Bruce A. Harrell, Mayor

12 Filed by me this 2nd day of October, 2023.

13 
14 _____
Scheereen Dedman, City Clerk

15 (Seal)

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17
18
19
20 Attachments:
21 Attachment A - Fifth Amendment of Lease - 220 Third Avenue South, Seattle

**FIFTH AMENDMENT OF LEASE
220 Third Avenue South, Seattle**

THIS FIFTH AMENDMENT OF LEASE is made this ____ day of _____, 2023 by and between **PTL PROPERTY Limited Partnership**, a Washington limited partnership (“Lessor”) and **THE CITY OF SEATTLE**, a municipal corporation duly organized and existing under the laws of the State of Washington (“the City”).

RECITALS

A. On or about June 1, 1998, the City entered into a lease agreement (the “Original Lease”) with John Y. Sato and Victor M. Loehrer, a partnership, for use and occupancy of certain real property located at 220 Third Avenue South, Seattle, Washington, and legally described in the Original Lease (the “Premises”). On or about June 2003, the City and the partnership of John Y. Sato and Victor M. Loehrer agreed to amend the Original Lease (“Lease Amendment No. 1”) to increase the square footage of the Premises to 9,462 square feet on the second floor and extend the term for five (5) additional years. The Original Lease and all subsequent amendments are referred to herein as the “Lease”.

B. PTL PROPERTY Limited Partnership is the successor to all the rights, obligations, and interests of John Y. Sato and Victor M. Loehrer in the Premises and under the Lease.

C. On or about May 30, 2008 the Lessor and the City amended the Lease (Second Amendment) to extend the term for up to an additional five (5) years.

D. On or about April 16, 2014 the Lessor and the City amended the Lease (Third Amendment) to extend the term for up to an additional five (5) years, with an option to extend for another five (5) years.

E. On or about May 30, 2018, the Lessor and the City amended the Lease (Fourth Amendment) to extend the term for up to an additional five (5) years, with an option to extend for another five (5) years and added an expansion area of 2,000 SF of storage area in the basement of the building.

F. The Lessor and the City desire to extend the Lease, subject to the terms and conditions set forth in this Fifth Amendment (the “Fifth Amendment”).

G. Capitalized terms not defined in this Fifth Amendment shall have the meanings given to them in the Lease.

In consideration of the mutual covenants and conditions contained herein and for other good and valuable consideration, Lessor and the City agree as follows:

1. PREMISES: The Lessor and the City agree to terminate any further use of the 2,000 SF basement expansion space and amend the Premises size to 9,462 square feet. The Premises does not include the lower-level storage space as referenced in the Fourth Amendment, and Section 2 “Expansion Area” of the Fourth Amendment is hereby deleted in its entirety.

2. EXTENSION TERM AND RENT: The Lease is hereby extended for a period of five (5) years, commencing June 1, 2023, with the following rental rate during the extension period. The first month’s rent shall be

prorated to be 66% of the normal monthly rent. Effective June 1, 2023, and thereafter on the first day of each month, the City shall pay Lessor Basic Monthly Rent as follows:

<u>Period</u>	<u>Monthly Rent</u>	<u>Annual Rent (\$ PSF)</u>
6/1/2023 – 6/30/2023	\$ 17,174	
7/1/2023 – 5/31/2024	\$ 26,021	\$ 33.00
6/1/2024 – 5/31/2025	\$ 26,801	\$ 33.99
6/1/2025 – 5/31/2026	\$ 27,605	\$ 35.01
6/1/2026 – 5/31/2027	\$ 28,433	\$ 36.06
6/1/2027 – 5/31/2028	\$ 29,286	\$ 37.14

The annual rent of thirty-three (\$33.00) per square foot includes Base Year 2022 Operating Expenses of nine dollars (\$9.00) per square foot.

Rent payments shall be delivered to the Lessor at the following address: PTL Property LP 220 3rd Avenue South #100, Seattle, WA 98104.

3. OPTION TO EXTEND: The City shall have the right to extend the Lease for One (1) additional term of five (5) years (Option Term). The City shall exercise its right by notifying the Lessor in writing no more than eighteen (18) Months and no less than twelve (12) Months prior to the expiration of the Term. Beginning on June 1, 2028, the monthly rate shall be based on market value as determined by Lessor pursuant to this Section.

Upon receipt of the City's notice of intent to renew beyond the Option Term, the Parties will execute a new lease containing the terms and conditions as set forth in this Fifth Amendment, in lieu of a Sixth Amendment.

Lessor shall notify the City in writing of the Lessor's determination of Fair Market Rent not less than eighteen (18) months prior to June 1, 2028. Lessor's notice shall include an explanation and documented evidence of how the Fair Market Rent was determined. If the City does not agree with Lessor's determination, the City may elect to counter the Lessor's Fair Market Rent by providing written notice to Lessor (the "**Dispute Notice**") within ninety (90) Business Days after receipt of Lessor's determination of Fair Market Rent. Time is of the essence and if the City does not deliver a Dispute Notice within such a period, the City shall be deemed to have accepted the Fair Market Rent as determined by Lessor. If the City delivers a Dispute Notice and Fair Market Rent has not been finally determined prior to the Option Term, the City shall pay Base Rent to Lessor after the Option Date at the Fair Market Rent set forth in Lessor's notice. If the amount of Fair Market Rent as finally established is greater than or less than Lessor's determination, then any adjustment required to correct the amount previously paid shall be made by payment by the appropriate party within Sixty (60) business days after such final written notice of agreement of determination of Fair Market Rent.

4. OPERATING EXPENSES BASE YEAR: Operating Expenses are Lessor's cost of operating the building; which costs shall include real estate taxes and assessments; water, sewer, garbage, and electrical utility expenses; elevator and HVAC systems maintenance; and janitorial services; and other expenses constituting direct operating costs according to the generally accepted accounting principles.

The City's pro-rata share of the building shall be thirty percent (30%). Effective upon execution of this Fifth Amendment of Lease, the base year used for the calculation of any adjustments to the Operating Expenses shall be 2022 and shall be \$9.00 per square foot annually for the City. Lessor shall retain the right to charge any Operating Expenses above the set 2022 Base Year Operating Expenses of \$9.00 per square foot. Should the building Operating Expenses increase thereafter, City shall be responsible for its pro-rata increase thereafter as stated in the rental adjustment section of the Master Lease.

Lessor shall notify the City in writing, no later than April 1st of each calendar year, of Lessor's estimate of the operating costs and real estate taxes for the building for the upcoming lease year (from June 1st of the year in which such notice is to be given through May 31st of the next succeeding calendar year). Lessor's notice will also include the amount of the estimate that is allocable to the City, based on the percentage of the building that the City occupies under this lease. Beginning June 1st of each calendar year, the City shall adjust its monthly payment of rent to reflect the increase in the base year Operating Expenses pursuant to this Section.

This Section supersedes the Rental Adjustment Section of the original Lease in its entirety.

5. LESSOR'S RIGHT TO TERMINATE: Notwithstanding any contrary provision hereof, if the City breaches any material term of this Fifth Amendment, Lessor, by written notice to the City identifying the nature of the alleged breach with reasonable specificity, may inform the City of its intent to terminate Sections 3, 6, 10, and/or 11 herein. Within sixty (60) business days after receipt of such written notice, the City may cure the alleged breach or, in a written response to the Lessor refute the allegation or state that the breach will be cured in the time and manner set forth in the response. If the breach is not cured within sixty (60) business days or as otherwise set forth in the City's response, then the Sections of this Amendment referred to in the Lessor's notice shall be of no force or effect.

6. IMPROVEMENTS: Within six (6) months from the date of execution of this Fifth Amendment of Lease, Lessor, at its sole expense, shall perform the following Improvements to the Premises on the areas identified in Exhibit A attached hereto (approximately one-third (1/3rd) of the Premises):

- (a) Ceiling tile cleaning,
- (b) painting and/or replacement, new flooring, and base (to match existing in previously remodeled portion), and
- (c) paint (utilizing Benjamin Moore Simply White and one accent color to be determined).

The City's cost responsibility for these Improvements shall be limited to costs to move its furniture and voice/data cabling and other IT infrastructure. This Section supersedes any obligation in the Lease or any Lease amendments related to Premises Improvements.

7. FUTURE IMPROVEMENTS ALLOWANCE: Lessor shall provide an allowance not to exceed \$10,000 to the City in June of 2026 and a separate allowance not to exceed \$5,000 to the City in June of 2027, to make physical improvements, and security and life safety upgrades to the Premises. The City shall coordinate its work and submit to the Lessor receipts for work completed and paid for, with proof of payment and all lien releases. The Lessor shall remit reimbursement/allowance to the City within ninety

(90) business days of receipt of such proof of payment. Should City fail to remit said invoices in the period due, then Lessor shall not be liable for reimbursement, and City shall lose the benefit of the allowance.

8. SECURITY UPGRADES: Within nine (9) months of amendment execution, Lessor shall install badge reader as well as video/voice capable system connecting the main floor elevator foyer to the FPD reception desk and prevent access by the elevator to floor 2 except to those with a badge or those who are “buzzed” in by the FPD reception (“Security Upgrades”). The cost of the Security Upgrades shall be offset by the existing pre-paid rent held by Lessor, the Storage Rent Credit as described below in Section 8. Any cost of Security Upgrades that exceeds the Storage Rent Credit may be charged to the City or offset by the future improvement allowances due to the City, as outlined in Section 5 above, at the City’s election. Unless due to City’s delay or an unavoidable delay caused by selected vendors (ECI or Shaw), in the event that a new security access system is not in place by the completion of the ninth month from amendment execution, City’s monthly rent shall be reduced by 10% until Lessor has installed the system.

9. STORAGE RENT CREDIT: As clarification, the Premises does not include the lower-level storage space as referenced in the Fourth Amendment, and Section 2 “Expansion Area” of the Fourth Amendment is hereby deleted in its entirety. Previously paid rent payments made by the City for the lower level shall be applied to Lessor’s costs of installing security upgrades in an amount equal to \$50,280.00 (“Storage Rent Credit”) as outlined above in Security Upgrades. Should Security Upgrades not be completed due to a mutual agreement between the City and Lessor, or the cost of the Lessor Work is less than \$50,280.00 the previously paid rent shall be applied as a rent credit during this extension term, or a rent credit check shall be sent to the City for the unused portion of the previously paid rent.

10. TERMINATION DURING EXTENSION TERM: The City’s termination right set forth in the Original lease and its amendments shall remain in effect but modified as set forth in this Section. The City shall have a one-time right, after June 1, 2025, to terminate the Lease with no less than six (6) months’ advanced written notice. Upon City providing such notice, the City shall pay Lessor under this Fifth Amendment an amount equal to the following six (6) months’ rent. This shall be remitted to Lessor within sixty (60) days of the City notifying Lessor of its intent to Terminate. Should City fail to remit payment under the Terms, this Termination shall become void, and the Lease shall continue in full force and effect throughout the remaining Term.

11. EXPANSION: City shall have the one time, first right to lease any additional space that comes available in the building. City may take all or a portion of the available space. Upon Lessor’s intent to Lease, Lessor shall provide the City, in a written proposal to lease, any space in the building that Lessor intends to put on the market. Lessor shall provide the City with the rate and terms of the space. The City shall have twenty (20) business days to review Lessor’s offer and accept the terms as provided. Should the City fail to timely respond within twenty (20) business days, the City shall have no further first rights to lease additional space under this Amendment.

12. HOLDOVER: In the event of a City holdover beyond the existing Expiration Date with the Lessor written consent the City has Lessor’s consent to continue to occupy the Premises on a month-to-month basis at the existing monthly rent until such extension is approved by City Council and mutually executed by both parties. Should the City hold over without Lessor consent, the City shall pay a monthly rental fee equal to 150% of the monthly rent each month thereafter until Terminated by the Lessor at Lessor’s sole discretion.

13. BROKERAGE: The City is represented by Derek Hermsen of Union Street Corporate Real Estate, LLC in this transaction. No commission shall be due by Lessor as associated with this lease extension.

14. EFFECT OF AMENDMENT: As used in this Lease, "Term" means and includes the Extension Term and the Option Terms, if any. All references to "the Lease" mean the Original Lease and all subsequent amendments. Except as expressly amended by this Fifth Amendment, the Lease remains unmodified and in full force and effect as written.

IN WITNESS WHEREOF, Lessor and the City have executed this Fifth Amendment as of the date first above written.

LESSOR:

THE CITY:

PTL PROPERTY Limited Partnership
a Washington Limited Partnership

CITY OF SEATTLE
a municipal corporation duly organized and
existing under the laws of the State of Washington.

By: _____

By: _____

Andrew Lu

Its: _____

Its: COO of Finance and Administrative
Services

Date: _____

Date: _____

Notary for Lessor

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this _____ day of _____, 2023, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared _____, known to me to be the _____ the limited partnership that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited partnership, for the purposes therein mentioned, and on oath stated that he/she/they was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

Signature

Print Name

NOTARY PUBLIC in and for the State of
Washington, residing at _____.

My commission expires _____.

Notary for the City:

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this _____ day of _____, 2023, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared _____, known to me to be the Chief Operating Officer of Finance and Administrative Services of the **CITY OF SEATTLE**, the municipal corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the purposes therein mentioned, and on oath stated that he/she/they was authorized to execute said instrument. I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

Signature

Print Name

NOTARY PUBLIC in and for the State of
Washington, residing at _____.

My commission expires _____.

EXHIBIT A
The City's Improvement Area Indicated in Red Outline

