

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact:	CBO Contact:
Finance and Administrative Services	Katherine Tassery	Lorine Cheung

** 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 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.

Summary and background of the Legislation: The Fire Prevention Division of the Seattle Fire Department is also known as the Fire Marshal’s Office (FMO). The Fire Marshal’s Office includes approximately 66 FTE, all assigned to the Third and Main Building (220 3rd Avenue South). FMO work functions include Compliance, Inspections, Special Events, Permitting, Certification, System Testing, Construction Plan Review, Construction Inspections, and Fire Investigation. The site includes restricted areas and some of the members deployed to FMO work a 24-hour shift. While on shift, they bunk at Headquarters, located one block away. The FMO site must be accessible to the public for permit applications and other functions. In addition, FMO has 29 vehicles that serve inspections, enforcement, and fire scene investigations. The vehicles are parked mainly on the street in designated spaces.

The FMO of the Seattle Fire Department has been in leased space at the Third and Main Building since 1998. The Original Lease, authorized by Ordinance 118967, included 8,382 SF for a five-year term, with a five-year extension option.

The First Amendment, signed in 2003, added 1,082 square feet of space, for a total of 9,462 SF.

The Second Amendment, signed in 2008 and authorized by Ordinance 122662, extended the term of the lease agreement for an additional three years and provided an option to extend the lease for two additional one-year terms.

The Third Amendment, signed in 2014 and authorized by Ordinance 124315, extended the lease by a five-year period, with one (1) five-year extension option, and included a tenant improvement allowance which enabled the Fire Marshal’s Office to upgrade about 2/3 of their space.

The Fourth Amendment, signed in 2018, added 2,000 SF of storage space in the basement of the building.

Fifth Amendment:

The current lease expired May 31, 2023, and the holdover clause of the lease is now in effect. For a new lease or a renewal of the existing lease, Council action is required to authorize the Director to execute an agreement. The Fire Marshal’s Office is interested in continuing to lease this space, as they have an operational need for close proximity to Fire Headquarters and Fire Station 10/the Emergency Operations Center (EOC). FAS Real Estate Services has worked closely with the Landlord and SFD on the terms of the amendment.

This legislation authorizes the execution of the Fifth Amendment, which includes an additional five-year term and one five-year extension option. It also reduces the rented space to the original office area of 9,462 SF, as there is no longer an operational need for the 2,000 SF in the basement authorized in the Fourth Amendment.

The landlord has indicated that they will begin charging operating expenses upon renewal, which they are entitled to charge under the original 1998 lease but have not opted to do until this renewal. To simplify the transaction, the operating expenses are included in the base rent. In addition, FAS has worked with the landlord to apply a rent credit and savings in 2023 to a security improvement project in the elevator of the building. The Fifth Amendment also includes a modest tenant improvement allowance for future security needs, as well as a commitment by the landlord to update the paint and carpet for a portion of the space that requires updating.

Financial Impacts:

There is a one-month discounted rate of \$17,434 that the landlord has agreed to offer the City. Then, the ongoing monthly cost to SFD will rise from \$23,949 (current rent) to \$26,801 per month for the second half of 2023, which includes \$26,021 rent to the landlord, as shown in the table above, plus a 3% administrative fee that goes to FAS. The incremental additional cost for 2023 for the renegotiated lease is approximately \$11,000 and SFD will absorb that increase using existing 2023 budget.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes X No

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 rent memorialized in the Fifth Amendment is discounted by 33% in the first month (June 2023) and then is set at \$33.00 PSF, with a 3% increase each year. The Original Lease also

includes the option for the landlord to charge tenants for operating expenses. These charges are incorporated into the rental rate beginning with the fifth amendment, and onward.

FAS believes that the negotiated rate is a fair rate for the current market and this location.

Period	Dates	Monthly Rental Rate	Rate (Per Square Foot)
Month 1	6/1/2023-6/30/2023	\$17,434	
Year 1	7/1/2023-5/31/2024	\$26,021	\$33.00
Year 2	6/1/2024-5/31/2025	\$26,801	\$33.99
Year 3	6/1/2025-5/31/2026	\$27,605	\$35.01
Year 4	6/1/2026-5/31/2027	\$28,433	\$36.06
Year 5	6/1/2027-5/31/2028	\$29,286	\$37.14

The Fifth Amendment includes one (1) five-year extension option, with a 3% increase in rent each year during the extension period.

This is a Schedule 3 Lease, which FAS pays on behalf of SFD, and then charges back to SFD with a 3% overhead rate.

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

If FAS were to not obtain the authorization to execute this lease amendment, the landlord would have the right to terminate the existing lease, and the Fire Marshal’s Office would be at risk for needing to quickly relocate.

4. OTHER IMPLICATIONS

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

SFD

b. Is a public hearing required for this legislation?

No public hearing is required.

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

No publication of this legislation is required.

d. Does this legislation affect a piece of property?

This legislation affects a piece of property, and a map is attached. The map shows the proximity of the leased site to Fire Headquarters.

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?

The current location of the Fire Marshal’s Office is well served by transit and is publicly accessible. This legislation is not expected to have new implications for the Race and Social Justice Initiative, as this is continuation of occupancy of leased space.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

It is not anticipated that carbon emissions will change.

2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

This action will not impact the ability of the City to respond to climate change.

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 legislation does not include any new initiative or major programmatic expansion.

Summary Attachments:

Summary Exhibit A - Map of Third and Main Building SFD Leased Property

Summary Exhibit B - 1998 Lease Agreement

Summary Exhibit C - Lease Amendment No. 1

Summary Exhibit D - Second Amendment of Lease

Summary Exhibit E - Third Amendment of Lease

Summary Exhibit F - Fourth Amendment of Lease