







Seattle Parks & Recreation – Property Contracts and Food Service Analysis

# Overall Project Objectives

- Identify best practices, processes, and successful operating models for the Department of Parks and Recreation (DPR) to consider related to landlord leasing and food services in City parks
- Understand DPR's mission and take this into account while evaluating the process
- Identify current risks and suggest ways in which DPR can improve its landlord leasing process
- Identify current risks and suggest ways in which the DPR can improve food service, help support small business, and further activate parks
- Identify opportunities for improving practices going forward
- Outline recommendations

#### **DPR's Mission**

Seattle Parks and Recreation provides welcoming and safe opportunities to play, learn, contemplate and build community, and promotes responsible stewardship of the land.



# Project Methodology

#### Overall

- Interviewed key staff from DPRs in multiple cities and representatives from the City of Seattle's Department of Transportation (DOT), Office of Economic Development (OED), Finance and Administration (FAS), and DPR
- Performed numerous park site visits to observe level of activation and success of concessionaire operations
- Interviewed and assessed the private sector

### **Property Contracts**

- Detailed comparisons of private sector best landlord practices
- Evaluation of DPR historic contracts
- Detailed evaluation of the assets under review and the real estate submarkets surrounding them



# Project Methodology

#### **Food Service**

- Interviews with food trucks, brick/mortar operations and concession owners/managers in 3 cities
- Evaluated leases and permit process in 4 cities
- Evaluated the method in which concessionaires are identified and selected in Seattle and comparative cities
- Explored common issues and relationships that affect each city's concessionaires



# Findings

#### Overall

- DPR process for both leasing and food service has continued to improve over time
- There is room for improvement in the process by which DPR negotiates its agreements
- DPR currently has no method in place for evaluating costs against income and needs to implement a method

### **Property Contracts**

- The quality of the contracts executed by DPR has improved over time
- The contracts cannot be directly compared against typical private real estate contracts due to the location of the assets and the nature of the agreements
- The contracts reasonably identify and reduce the risks to the City
- DPR does not have good data on what it costs to run its facilities
- Most city departments carry a different methodology in handling leasing



# Findings

#### **Food Service**

- All cities share a similar desire to use concessions to provide a public amenity and support positive park activation, but each approach it differently
- Seasonality is an issue with concessionaires and revenues fluctuate accordingly
- Short term leases are problematic for brick, mortar concessionaires
- Illegal vendors cannibalizing the business of legally permitted vendors is a major issue
- DPR does not have sufficient tools to enforce against illegal vendors
- Many vendors complained that the City's permitting and payment process is laborious and time consuming



### Primary Recommendations

### **Property Contracts**

- Determine income versus costs by developing rent income less facility cost documents so that each opportunity can be assessed and monitored
- Phase out capital offsets and other offsets that continue throughout the entire leasing process
- Determine market conditions to reconcile
- Track and monitor all leases and critical dates.
- Mandate security deposits or other forms of securitization whenever possible
- Follow private sector real estate practices when possible in order to increase probability of procuring tenants
- Prepare vacant space for marketing if possible



### **Primary Recommendations**

#### **Food Service**

- Adjust base rent terms to allow for seasonality (by fluctuating base rent requirements)
- Accept extended lease term lengths for concessionaires
- Incorporate a maintenance fund and/or personal property clause within lease agreements
- Conduct facilities assessments to determine deferred maintenance
- Standardize the leasing process
- Streamline the permitting process
- Provide more food truck pads with utility hookups in areas with ready access to bathrooms and seating
- Provide DPR with more authority to cite illegal vendors



### **Contract Review Matrix**

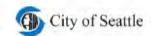
	Magnuson Park Cascade Bicycle Club	Seacrest Boathouse Marination LLC	Seward Park Audubon Society	Magnuson Park Waldorf School	Magnuson Park Earthcorps	Magnuson Park Arena Sports	Pratt Park Park PRATT Fine Arts
Building	ALL	A DECEMBER OF THE PARTY OF THE		A A			
Rent Schedule	0	•	*	•	*	*	*
Improvement Allowance	0	•	**	*	•	*	*
Concessions	•	•	•	•	•	•	•
Security Deposit	*	*	•	*	*	*	*
Renewal Language	*	0	0	*	*	0	*
Restoration Obligations	0	•	*	•	•	•	•
Construction	0	*	O	0	*	*	*
Operation / maintenance of the facility	0	0	•	0	0	•	0

Legend

Neutral

Landlord Favored Tenant Favored







Contract Summary for Parks Department

DPR Lease: Cascade Bicycle Club – Magnuson Park

**Building 11** 

7777 Sand Point Way NE, Seattle WA 98115



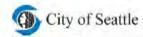


#### Ordinance

Authorizing the Superintendent to enter into a lease agreement with Cascade Bicycle Club to occupy and use a portion of Building 11 at Warren G. Magnuson Park

Property Information		
Building	Building 11	
JLL Comments		
Premises / RSF / Description	9,050 square feet located on the first floor	
JLL Comments	Well defined	
Expansion	None provided	
JLL Comments		

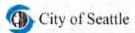
General Details			
Ordinance Number	124455		
Council Bill	118065		
Ordinance Date Passed	4/21/2014		
Lease Execution Date	4/28/2014		
Contract Type	Lease		
Contract Description	Modified Gross Rent	Lessee doesn't have base year, pays janitorial	





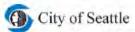
Lease Contract Review				
Description	Content	Section		
Rent Commencement	Rent Commencement Date: November 15, 2014, expiring November 30, 2024	Article 1; 1,3		
JLL Comments	10 year term, common to long for typical contract			
Rent Schedule	Rent: \$15 RSF / YR Modified Gross, excepting janitorial	Article 1: 1.5		
JLL Comments	Below market, pending inspection of interior			
Security Deposit	None	Article 1; 1.6		
JLL Comments	Typically one month minimum			
Premises	"as is" condition	Article 2: 2.4		
JLL Comments	Typical			
Parking	No parking right are associated with this Agreement. Parking shall be available on a first come/first served, unreserved basis	Article 2: 2.4		
JLL Comments	Uncommon to not have allocation, listing agent showing parking ratio in facility next door			
Use	Exclusive to use: classrooms, meeting rooms, storage and administrative offices related to the general operations of Lessee as a nonprofit organization dedicated to promoting the use of bicycles through advocacy, education and bicycle focused events and activities.	Article 2: 2.5		
JLL Comments	Typically more broad in favor of Tenant	Ò i		
Use	Commitment to continue public benefits through bicycle-related public programming at Magnuson Park  Article			
JLL Comments	Needs to be reconciled in rent.			
Extended Term	Four (4) successive individual extended term(s) of five (5) years each (each an "Extended Term") on the same terms and conditions set forth herein  Written notice 90 days prior to the last day of the then-current Term  Article Fair market rent, Applicable any Extended Terms, in no event shall Rent be adjusted, upward or downward, more than twenty (20) percent of the amount Rent due as of the last day of the then-current Term (no cumulative cap)			
JLL Comments	Very uncommon to have more than two, typically 9 months, uncommon to see any "downward" language			
Extended Term Condition	Lessee's right to any extension of the Initial Term conditioned upon Lessee making capital improvements to the Premises or Magnuson Park, or both, which are determined by the Superintendent to cost One Million Two Hundred Fifty Thousand dollars (\$1,250,000)	Article 3: 3.3		
JLL Comments	Transaction specific			
Lease Term	Lessee shall be solely responsible for all costs of ay Lessee improvements, regardless of whether the costs exceed the amount required under Section 3.3	Article 3, 3.5		







Lease Contract Review			
Description	Content	Section	
JLL Comments	Typical		
Annual Rent increases	Three percent (3%) of the Rent then due.	Article 4: 4.1	
JLL Comments	Typical		
Surrender	City has the right to cause Lessee to remove improvements	Article 10.0	
JLL Comments	Typically not seen in this product class		
Tenant Improvement Allowance	They City will allow Lessee a Tenant Improvement Allowance of up to \$20 per square foot for that portion of the Premises comprising Offices 143 and 144 (1,100 square feet), and up to \$10 per square foot for the remainder of the Premises (7,950 sq. ft.) (Collectively, the "TIA"). The TIA will be in the form of an offset against Rent for actual costs associated with Lessee's pre-approved improvements.	Article 10: 10.2	
JLL Comments	Below market		
Surrender of Premises	Lessee shall return the Premises to City in the same condition in which received on the Commencement Date, or with alterations	Article 13: 13.1	
JLL Comments	Uncommon in this product class		
Surrender of Premises	Lessee shall remove all voice and data communication and transmission cables and wiring  Article 1		
JLL Comments	Preference is that City has right to cause to restore		
Termination for Convenience	City may terminate this Lease for any or no reason for City's convenience City will pay to Lessee a termination fee that is greater of: (i) the dollar amount of the previous 12 months' Rent from the notice date that the lessee paid to the City	Article 23	
JLL Comments	Should be considered when reconciling		
Holding Over	Either party may terminate any holdover tenancy by written notice delivered to the other party not later than one hundred-twenty (120) day prior to first day of the final month		
JLL Comments	Typically no holdover with consent, there should be a penalty imposed		
Broker's Commission	None	Article 31	
JLL Comments	Typical for Landlord to pay commissions		

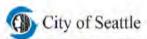




	Tenant Favored	Landlord Favored	Neutra
Rent Schedule	1	2	- 0
Improvement Allowance			. 0
Concessions			
Security Deposit	- 30	1	
Renewal Language	26		
Restoration Obligations	11		- 0
Construction			- 0
Operation/maintenance of the facility	1		- 6

Summary		
Starting Rental Rate	\$15.00 SF / Year	
JLL Comments	Low given the TI contribution	
Rent Type	Modified Gross	
JLL Comments	Not typically seen, would recommend NNN lease for this	
Annual Escalator	3%	
JLL Comments	Common	
Abated Rent	None	
JLL Comments	Typically a few months provided	
Improvement Allowance	\$20 / SF	
JLL Comments	Normal for market, high given circumstance	
Other Concessions	None	
JLL Comments		
Security Deposit	None	
JLL Comments	Typically one month minimum especially when TI involved	
Renewal Number of Options	4	
JLL Comments	Extremely high for a tenant of this size with little capital contribution	
Renewal Term Length	5 years	
JLL Comments	Typical	







Renewal Rental Rate	FMV - with a not less than / not greater than 20% variance	
JLL Comments	Unusual to have any less than language at all	
Renewal Notice Period	3 months	
JLL Comments	Extremely short amount of time, which benefits the tenant in negotiations	
Restoration Obligations	Current condition	
JLL Comments	Better to have the ability to cause Tenant to remove its equipment	
Construction Period	Not defined	
JLL Comments	4 to 6 month period would be standard	
Operations / Management	Tenant minor / landlord major	
JLL Comments	Typical	

#### **JLL General Comments**

- JLL preliminary-assessment: Class C plus / B minus office / flex
- . Area is not otherwise considered commercially viable from a real estate perspective apart from Marine and Public use

