

## Motion No. M2025-28

### Agreement with 705 Union Station LLC for 705 Union Station 3rd Amendment

Meeting:	Date:	Type of action:	Staff contact:
Rider Experience and Operations Committee Board	06/5/2025 06/26/2025	Recommend to Board Final action	<b>Victoria Wassmer, Finance and Business Administration Deputy CEO</b> <b>Ahmad Bilal, Administrative Services Director</b>

### Proposed action

Authorizes the chief executive officer to execute a third amendment to the lease agreement with 705 Union Station, LLC to lease the second floor (20,942 square feet) of the 705 Union Station building beginning on July 1, 2025, with a lease term ending on March 31, 2028, to coincide with the term of the agency's existing lease of floors one, four, five, and six, for a new total of 196,685 rentable square feet of space in the 705 Building, in the amount of \$2,700,000, for a new total authorized lease agreement amount not to exceed \$66,249,313.

### Key features summary

- This action will authorize an amendment to the existing lease of the 705 Union Station building (the “705 Building”) to add the second floor, totaling approximately 20,942 additional square feet. The agency currently leases floors 1, 4-7, and 9-11 of the building, totaling 196,685 rentable square feet of space in the 705 Building.
- Rent for the first year will be \$30.00 per rentable square foot, per month, plus monthly operating expenses of approximately \$15.00 per rentable square foot per month, with an annual rent increase of three percent, for a total lease cost not to exceed \$2,700,000.
- The lease of the second floor under the third amendment will expire on March 31, 2028. This termination date is coterminous with the remaining term of the lease for floors 1 and 4-6 of the 705 Building. The lease for floors 7 and 9-11 expires on November 30, 2027.
- The additional office space to be acquired pursuant to the third amendment to the lease:
  - Is necessary in order to co-locate teams, consistent with agency priorities.
  - Will provide sufficient space for all on-campus agency staff and consultants until the agency completes its long-term space planning analysis, which will include both long-term lease and building purchase options.

### Background

In 2023, the agency reduced its core campus from five buildings to two, resulting in an annual cost avoidance of more than \$6.7 million per year. The agency's current core campus footprint is contained in the agency-owned Union Station building and the leased premises (floors 1, 4-7, and 9-11) in the 705 Building.

In late 2024, consistent with Sound Transit's return-to-office initiative, director-level and above employees returned to working on site at least three days per week. Sound Transit's Space Planning team, in partnership with Sound Transit's real estate brokers (CBRE) and workspace consultants (ZGF), began exploring options for acquiring over 120,000 square feet of additional office space. This search was driven by expected return to office needs and projected staffing growth, which resulted in a projection for a total of 1,500 assigned workspaces needed for employees and contractors working onsite at least three days per week.

However, upon revisiting these assumptions in Q2 2025, staff concluded that the anticipated need for space was less than originally anticipated, resulting in only approximately 1,100 assigned workspaces needed for employees and consultants working on site by Q1, 2027. The change in anticipated workspace need was, in part, due to a recent office cleanup initiative, which made an additional 150 additional workstations available, increasing total capacity to over 1,100 across Union Station and the 705 Building—enough to meet demand through at least Q3 2026.

Agency staff concluded that leasing the second floor of the 705 Building was the preferred interim space planning solution until the agency completes its more comprehensive space planning analysis, which will commence in June 2025. The 20,942 additional square feet on the second floor of the 705 Building will:

- Accommodate on-site staff until the lease term for floors 1 and 4-6 of the 705 Union Station building expire on March 31, 2028.
- Allow for the co-location of agency departments and West Seattle and Ballard Link Extension project staff and consultants, which was identified by agency staff as a significant priority and which could not be accomplished within the agency's existing footprint.
- Maintain the agency's footprint within its existing real estate portfolio on the agency's existing core campus.
- Provide agency staff with sufficient time to complete a comprehensive space planning analysis and execute a long-term space planning solution, which may include a long-term lease or building purchase.

## **Fiscal information**

This action will increase the cost of the existing lease agreement by \$2,700,000, for a new total authorized contract amount not to exceed \$66,249,313. This action, estimated at \$494,574 in 2025, will be funded from the Capital Delivery Department and Other Expenses section of the annual operating budget as follows:

- Within the Other Expenses section, the Leases Amortization and Interest Expense category budget is \$13,905,621, of which \$337,509 is estimated to be spent from this action in the remainder of 2025 for base rent payments and is currently within the agency's budget authority.
- Within the Capital Delivery Department, the Leases and Rental category budget is \$1,753,000, of which \$157,065 is estimated to be spent from this action in the remainder of 2025 for common area maintenance payments and is currently within the agency's budget authority.

After approval of this action, sufficient budget remains to cover remaining annual expenditures. Funding for the additional years of the contract will be included in future annual budget requests. This action does not impact the affordability of the agency's Financial Plan, as the services are already incorporated in the annual operating plan.

#### Hudson First & King, LLC

(in thousands)

Contract Spending Plan	Contract Spend to		Contract Spend Forecast		Total
	Date	Remainder of 2025	Future Spending		
Lease (3rd Amendment)		\$ 338	\$1,461		\$1,799
Common Area Maintenance		\$157	\$744		\$902
<b>Contract Detail</b>					
	Board Approvals to Date		Proposed Action		Proposed Total for Board Approval
Lease (3rd Amendment Only)		\$	\$2,700		\$2,700
Contingency					
Contract Total		\$	\$2,700		\$2,700
Estimated Taxes					
Total (with estimated taxes)		\$	\$2,700		\$2,700
Percent Contingency		0%	0%		0%

#### Other Expenses

(in thousands)

Budget Cost Category	2025 Annual Operating Budget	YTD Actuals <sup>1</sup>	Contract Spend Forecast		Remaining Annual Operating Budget
			Remainder of 2025	YTD Plus Action (Current Year Only)	
Debt Service	\$283,674	\$67,392	\$	\$67,392	\$216,282
Tax Collection and Fees	18,099	3,653		3,653	14,446
Contribution to Partner Agencies					
Leases & SBITA Amortization and Interest Expense	19,912	6,046	338	6,383	13,529
Other Non-Operating Expenses	654	224		224	431
Agency Contingency	26,600		495	495	26,105
<b>Total Annual Operating Budget</b>	<b>\$348,940</b>	<b>\$77,314</b>	<b>\$832</b>	<b>\$78,146</b>	<b>\$270,794</b>
<b>Leases &amp; SBITA Amortization and Interest Expense Detail</b>					
Leases Amortization and Interest Expense	13,906	4,546	338	4,884	9,022
SBITA Amortization and Interest Expense	6,007	1,500		1,500	4,507

#### Capital Delivery Department (CDD)

(in thousands)

Budget Cost Category	2025 Annual Operating Budget	YTD Actuals <sup>1</sup>	Contract Spend Forecast		Remaining Annual Operating Budget
			Remainder of 2025	YTD Plus Action (Current Year Only)	
Salaries and Benefits	54,358	16,125		8,491	25,426
Services	3,189	605		88	1,039
Materials and Supplies	29	4		1	20
Utilities	1	34		1	4
Insurance	0	0		0	0
Taxes	25	24		52	(2)
Purchased Transportation Services	0	0		0	0
Miscellaneous	860	344		53	341
Leases and Rentals	1,753	1,016	157	1,282	1,991
<b>Total Annual Operating Budget</b>	<b>\$60,215</b>	<b>\$18,152</b>	<b>\$157</b>	<b>\$9,968</b>	<b>\$28,818</b>

#### Notes:

<sup>1</sup>YTD Actuals as of April 31, 2025

## **Prior Board/Committee actions**

Motion No. M2024-34: Authorized the chief executive officer to execute a second amendment to the lease agreement with 705 Union Station, LLC to extend the term for an additional three-and-a-half-year period for the first, fourth, fifth, and sixth floors, consisting of 79,475 rentable square feet of space in the 705 Union Station building, in an amount not to exceed \$14,415,361.

Motion No. M2019-57: Authorized the chief executive officer to execute the first amendment to the lease agreement with 705 Union Station LLC to extend the term for an additional one-year period and to add an additional 97,205 square feet of office space located on the seventh, ninth, tenth, and eleventh floors of 705 Union Station in Seattle, WA through November 30, 2027, in the amount of \$24,044,878 for a total authorized lease agreement amount not to exceed \$66,249,313.

Motion No. M2017-95: Authorized the chief executive officer to execute a lease agreement with 705 Union Station, LLC for office space located on the first, fourth, fifth and sixth floors of 705 Union Station in Seattle, WA through November 30, 2023, with an option to renew for an additional five years, for a total authorized agreement amount not to exceed \$42,204,435.

Motion No. M2017-55: Authorized the chief executive officer to execute a sublease agreement with Amerigroup Washington, Inc. for office space located on the first floor of 705 Union Station in Seattle, WA through January 24, 2020, for a total authorized agreement amount not to exceed \$357,882.

Motion No. M2016-15: Authorized the chief executive officer to execute a sublease agreement with Attachmate Corporation for office space on the eleventh floor of 705 Union Station in Seattle, WA through October 30, 2020, for a total authorized agreement amount not to exceed \$4,104,000.

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**Environmental review** – KH 5/19/25

**Legal review** – NM 5/30/25

## Motion No. M2025-28

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a third amendment to the lease agreement with 705 Union Station, LLC to lease the second floor (20,942 square feet) of the 705 Union Station building beginning on July 1, 2025, with a lease term ending on March 31, 2028, to coincide with the term of the agency's existing lease of floors one, four, five, and six, for a new total of 196,685 rentable square feet of space in the 705 Building, in the amount of \$2,700,000, for a new total authorized lease agreement amount not to exceed \$66,249,313.

### Background

This action will authorize an amendment to the existing lease of the 705 Union Station building (the "705 Building") to add the second floor, totaling approximately 20,942 additional square feet. The agency currently leases floors 1, 4-7, and 9-11 of the building, totaling 196,685 rentable square feet of space in the 705 Building. Rent for the first year will be \$30.00 per rentable square foot, per month, plus monthly operating expenses of approximately \$15.00 per rentable square foot per month, with an annual rent increase of three percent, for a total lease cost not to exceed \$2,700,000.

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Agency staff concluded that leasing the second floor of the 705 Building was the preferred interim space planning solution until the agency completes its more comprehensive space planning analysis, which will commence in June 2025.

The 20,942 additional square feet on the second floor of the 705 Building will accommodate on-site staff until the lease term for floors 1 and 4-6 of the 705 Union Station building expire on March 31, 2028. It will also allow for the co-location of agency departments and West Seattle and Ballard Link Extension project staff and consultants, which was identified by agency staff as a significant priority, and which could not be accomplished within the agency's existing footprint. The lease will maintain the agency's footprint within its existing real estate portfolio on the agency's existing core campus and provide agency staff with sufficient time to complete a comprehensive space planning analysis and execute a long-term space planning solution, which may include a long-term lease or building purchase.

## **Motion**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a third amendment to the lease agreement with 705 Union Station, LLC to lease the second floor (20,942 square feet) of the 705 Union Station building beginning on July 1, 2025, with a lease term ending on March 31, 2028, to coincide with the term of the agency's existing lease of floors one, four, five, and six, for a new total of 196,685 rentable square feet of space in the 705 Building, in the amount of \$2,700,000, for a new total authorized lease agreement amount not to exceed \$66,249,313.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on \_\_\_\_\_.

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Dave Somers  
Board Chair

**Attest:**

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Kathryn Flores  
Board Administrator