

## SOUND TRANSIT

### MOTION NO. M98-83

**Contract Amendment with Craig Kinzer and Company for brokerage services provided in the negotiation and procurement of Union Station for the long-term headquarters of Sound Transit**

#### BACKGROUND AND COMMENTS

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Finance Committee	11/5/98	Discussion/Possible Action	Jeri Cranney Manager, Real Estate Division	689-4934

#### **ACTION:**

Approval to amend Contract No. RTA 6A-97 with Craig Kinzer and Company for real estate services in connection with tenant representation and relocation to approve payment of an additional \$148,370 to cover additional services provided in the negotiation and procurement of Union Station for the long-term headquarters of Sound Transit (ST).

#### **BACKGROUND:**

On September 29, 1997, pursuant to Resolution No. 88, Sound Transit's Executive Director executed a contract on behalf of ST for \$384,000 with Craig Kinzer and Company to provide tenant and relocation services associated with the interim and long-term headquarters of ST.

The contract scope called for extensive services associated with the identification, investigation, negotiation and procurement of interim headquarters and allocated \$210,000 of the total contract for this work. In the course of ST's tenancy at 1100 Second Avenue, additional lease negotiations took place that were not anticipated in the existing contract. Craig Kinzer and Company negotiated a second lease agreement. They have received no additional compensation for this work.

The remaining amount of the existing contract (\$174,000) was allocated for services associated with the procurement of a "permanent" location for ST. The contract stated that if the search and procurement of the permanent location involved a rehabilitation or new construction project, instead of a normal tenant build-out, the contract would be reviewed and revised to provide fair compensation for any changes.

Craig Kinzer and Company led a year long process of identifying and analyzing possible long-term headquarter locations for ST. More than 30 buildings were selected for review. Over a process of months, Mr. Kinzer and his associates met with ST staff and the Board to refine the selection criteria. In May 1998, Mr. Kinzer presented a short list of sites to ST. In order to protect ST interests, he simultaneously negotiated for multiple locations leaving the options open

to ST. In June 1998, the Board made a decision to purchase Union Station and a Purchase and Sale Agreement was executed on June 25, 1998.

On June 11, 1998, the Board of Directors delegated authority to the Finance Committee as necessary to secure long-term headquarters for Sound Transit. (Resolution # R98-30). On June 18, 1998, the Finance Committee authorized the Executive Director to enter into a Purchase and Sale Agreement for the purchase of a fully renovated, historic Union Station, to be used as ST long-term headquarters. (Motion # M98-51). The approved budget for the purchase included funds for the payment of pre-development costs including anticipated real estate service fees.

Craig Kinzer and Company's existing contract with Sound Transit anticipated that more complex negotiations and project for headquarters might prove necessary and called for additional negotiations and compensation if this situation occurred. The recommendation for an additional \$148,370 represents compensation for the 2<sup>nd</sup> lease at 1100 2<sup>nd</sup> Avenue as well as additional compensation for the procurement of long-term headquarters at Union Station. The recommended additional compensation is based upon the following:

The recommendation of an additional \$148,370 is based upon \$3.50 per square foot for the 2<sup>nd</sup> lease (33,000sf) and 1.75% of the lowest possible purchase price (\$17,716,081) for the procurement of Union Station. The total using this formula is \$248,370, however ST has negotiated with the Seller to pay \$100,000 of this amount. Therefore, this request is for an additional sum of \$148,370 to be paid to Craig Kinzer and Company.

#### **RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:**

- ◆ Adoption of *Sound Move*, the Ten-Year Regional Transit System Plan (May 31, 1996)
- ◆ Resolution No. 78-1 grants the Finance Committee authority to execute contracts up to \$5,000,000, and allows the Board to authorize non-standard procurements, such as sole source and special circumstance procurements)
- ◆ Resolution No. 88 grants the Executive Director the authority to award a contract for tenant representation and other services to Craig Kinzer and Company.
- ◆ Adoption of Resolution R98-30 authorizing the Finance Committee to secure long-term headquarters for Sound Transit (June 11, 1998)
- ◆ Adoption of Motion M98-51 authorizing the Executive Director to execute all necessary documents to purchase Union Station for long-term headquarters (June 18, 1998)

#### **FUNDING:**

Funding for this request is included in Adoption of Resolution R98-30 authorizing the Finance Committee to secure long-term headquarters for Sound Transit (June 11, 1998).

**ALTERNATIVES:**

Sound Transit could re-negotiate the existing contract.

**CONSEQUENCES OF DELAY:**

The work envisioned under the contract has been completed. Delay in a decision would delay any additional fees to the Contractor.

**LEGAL REVIEW:**

The Background and Comments and Motion have been reviewed and approved by the Legal Department.

**SOUND TRANSIT**

**MOTION NO. M98-83**

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority amending Contract No. RTA 6A-97 with Craig Kinzer and Company for real estate services in connection with tenant representation and relocation to provide for an additional \$148,370 to cover additional services provided in the negotiation and procurement of Union Station for the long-term headquarters of Sound Transit (ST).

**Background:**

On September 29, 1997, pursuant to Sound Transit Board Resolution No. 88, Sound Transit's Executive Director executed a contract on behalf of ST for \$384,000 with Craig Kinzer and Company to provide tenant and relocation services associated with the interim and long-term headquarters of ST. The contract stated that if the search and procurement of the permanent location involved a rehabilitation or new construction project, instead of a normal tenant build-out, the contract would be reviewed and revised to provide fair compensation for any changes. The services provided by Kinzer involved the renovation project and purchase of a fully renovated historic building for which additional compensation was contemplated under the existing contract.

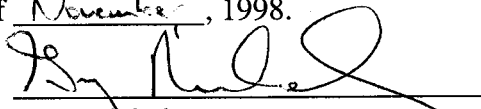
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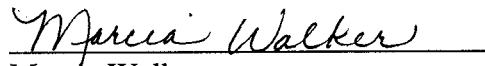
**Motion:**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority to pay additional compensation to Craig Kinzer and Company in the amount of \$148,370.

Approved by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof on the 5 day of November, 1998.

  
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Greg Nickels  
Finance Committee Chair

ATTEST:

  
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Marcia Walker  
Board Administrator