

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2009-102

5th & Jackson Office Space Lease

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Board	12/10/09	Action	Bonnie Todd, Operations Director Nancy Bennett, Property Manager	(206) 398-5367 (206) 398-5401

Contract/Agreement Type:	<input checked="" type="checkbox"/>	Requested Action:	<input checked="" type="checkbox"/>
Competitive Procurement		Execute New Contract/Agreement	<input checked="" type="checkbox"/>
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate	<input checked="" type="checkbox"/>	Property Acquisition	

PROJECT NAME

Office Space Lease for Sound Transit staff/consultants

PROPOSED ACTION

Authorizes the chief executive officer to execute a ten year lease with two additional one to five year options to renew with Union Street Improvement Company, L.L.C. for office space located at 315 5th Avenue S. in Seattle, WA, in an amount not to exceed \$13,277,315 for the ten year term.

KEY FEATURES of PROPOSED ACTION

- Sound Transit will lease, in a phased approach, approximately 52,952 rentable square feet of office space located at 315 5th Avenue. S in Seattle, WA for Sound Transit staff/consultants in order to accommodate Sound Transit's projected staff/consultant growth.
- The requested amount covers the ten-year lease term. The lease also provides the option to extend the term for two additional one to five year terms (Sound Transit's option) at current market rates.
- The full service gross lease rates for the ten year period average \$27.13 per square foot per year and are estimated as follows:

Year	Base Rent and Operating Expenses per Sq. Ft.	Estimated Building Operating Expense Increase	Total Rent + Expenses
1	22.50	-	22.50
2	23.25	0.26	23.51
3	24.00	0.53	24.53
4	24.75	0.80	25.55
5	25.50	1.08	26.58
6	26.25	1.37	27.62
7	27.00	1.67	28.67
8	27.75	1.97	29.72
9	28.50	2.28	30.78
10	29.25	2.60	31.85

- Each phase of the lease term is as follows:

Phase	Floor	Sq. Ft.	Commencement Date
I	5th	9,239	3/1/2010
II	5th	6,149	6/1/2010
II	4th	15,388	8/1/2010
III	7th & ½ 8th	22,276	11/1/2011

- The first two months for each phase of the lease term shall have the base rent and estimated expenses abated.
- The landlord, Union Street Improvement Company, L.L.C., will complete and pay for tenant improvement construction based on a mutually agreed upon space plan. The estimated cost of the tenant improvements are \$1,712,000. These construction dollars are for construction improvements and can not be used for other purposes.
- The landlord will provide the continuing right of first refusal for any space that becomes available in the building at current market rates.

BUDGET IMPACT SUMMARY

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

BUDGET and FINANCIAL PLAN DISCUSSION

The proposed action would authorize execution of a 10 year lease with Union Street Improvement Company, L.L.C in an amount not to exceed \$13,277,315. In 2010, the full service gross lease rate is approximately \$22.50/sf with an estimated total rent and operating expense of \$317,378. This estimate includes two months of abated rent and operating expenses applied to each phase of the lease.

The Proposed 2010 operating budget for administration facilities rental is \$1,922,940. Approval of the proposed action and the concurrent 625 Union Station lease would leave an estimated remaining balance of \$25,486. Budgets for the remaining years of the lease will be requested in future operating budgets.

The proposed action is consistent with the current Board-adopted budget and is affordable within Sound Transit's current long-term financial plan and the subarea financial capacity. The action will have no new revenue impacts on Sound Transit.

BUDGET TABLE

Summary for Board Action (X \$1,000)

Action Item: 5th & Jackson Office Space Lease

	(A)	(B)	(C)	(D)
Current Year Budget	Proposed 2010 Budget	Contract Expenditures 2010 Proposed Action	Contract Expenditures 2010 625 Union Stn	Remaining 2010 Budget
Administration Facilities Rental	1,922,940	317,378	1,580,076	25,486
		-	-	-
Total	1,922,940	317,378	1,580,076	25,486

Budget Shortfall

Level	Shortfall	Resources	Funding Source
N/A	-	-	N/A

Contract Budget	Current Approved Contract Value	Spent to Date	Proposed Action	Proposed Total Contract Value
Administration Facilities Rental	-	-	13,277,315	13,277,315
Contingency	-	-	-	-
Total Contract	-	-	13,277,315	13,277,315
Percent Contingency	-	-	0%	0%

Notes:

The Administration Facilities Rental budget is located on page 96 of the Proposed 2010 Budget.

SMALL BUSINESS PARTICIPATION

Not applicable to this action.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

The primary locations that house Sound Transit staff and consultants are Union Station and the “Opus” building located at 625 Union Station and both are utilized beyond capacity.

A real estate services contract was competitively procured and executed at no cost to Sound Transit with Pacific Real Estate Partners, Inc. for the purpose of locating suitable office space. The search parameters were related to the total cost, proximity or travel time to Union Station and the ability to incrementally increase space over the next several years.

Eleven potential sites were initially identified and after applying our secondary parameters of building construction completion dates, decreasing lease costs, tenant improvements required, tenant improvement allowance, floor plan efficiency, and computer and connectivity costs to Union Station servers, eight sites were eliminated.

The final three locations offered competitive leasing rates and tenant improvement allowances and are located within ½ block of Union Station. However, one was eliminated because the existing tenant move-out date was not soon enough to meet Sound Transit's needs. Together the two remaining buildings – located at 5th and Jackson and our existing leased office space at 625 Union Station – are sufficient to meet the agency's forecasted office space requirements.

Sound Transit has negotiated terms to lease 15,388 square feet as of March 1, 2010, an additional 15,388 square feet as of August 1, 2010, and an additional 22,456 as of November 1, 2011, at a full service gross lease rate of \$22.50 per square foot for the first year with \$.75 per square foot annual increases. The landlord has agreed to complete all tenant improvements as mutually agreed upon by both parties.

Prior Board/Committee Actions

None.

CONSEQUENCES of DELAY

A delay beyond December 10, 2009:

- Will limit the ability to complete tenant improvements in a timeframe that will provide office space for our immediate staff/consultant needs.
- Could place Sound Transit in a position of losing this space to another tenant, resulting in leasing an alternative location that will not accommodate our phased leasing approach.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

SSK 11-10-09

LEGAL REVIEW

DB 12/9/09

SOUND TRANSIT

MOTION NO. M2009-102

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a ten-year lease with two additional one- to five-year options to renew with Union Street Improvement Company, L.L.C. for office space located at 315 5th Avenue S. in Seattle, WA, in an amount not to exceed \$13,277,315 for the ten-year term.

Background:

The majority of Sound Transit's employees and consultants work either in Union Station or in the adjacent Opus Building. Both buildings are utilized beyond capacity.

To assist the agency in obtaining additional suitable office space, Sound Transit competitively procured a no cost real-estate services contact with Pacific Real Estate Partners, Inc.

After evaluating total rental cost, travel time to Union Station, and available expansion space over the next several years, eleven buildings were identified as potential locations. Eight of these locations were eliminated after evaluating building completion dates, long-term lease costs, required tenant improvements, tenant improvement allowance, floor plan efficiency, and computer networking costs.

The three remaining buildings offered competitive rent and tenant improvement allowances, and were each located within ½ block of Union Station. However, one location was eliminated because the space will not be available for occupancy in time to meet Sound Transit's needs.

The two remaining buildings, located at 5th and Jackson, and our existing leased office space at 625 Union Station, are together sufficient to meet the agency's forecasted office space requirements through 2016.

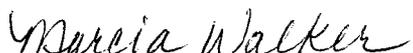
The landlord of the 5th and Jackson Building has agreed to lease 9,189 square feet to Sound Transit on March 1, 2010, an additional 6,149 square feet on June 1, 2010, an additional 15,338 square feet on August 1, 2010, and an additional 22,276 square feet on November 1, 2011, at a full-service gross lease rate of \$22.50 per square foot for the first year with \$.75 per square foot annual base rent increases. The landlord has agreed to make the tenant improvements requested by Sound Transit.

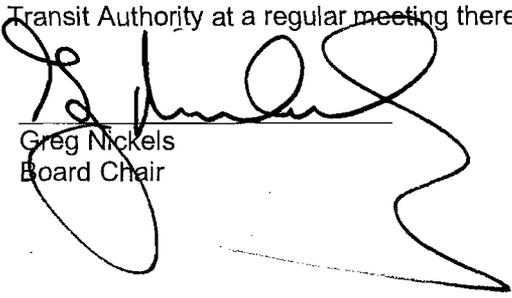
Motion:

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 ten-year lease with two additional one- to five-year renewal options with Union Street Improvement Company, L.L.C., on the terms specified above, for office space located at 315 5th Avenue S. in Seattle, WA, and legally described in Exhibit A attached hereto, in an amount not to exceed \$13,277,315 for the ten-year lease term.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 10, 2009.

ATTEST:


Marcia Walker
Board Administrator


Greg Nickels
Board Chair

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Exhibit A - LEGAL DESCRIPTION

15,338 rentable square feet on the 4th floor, 15,338 rentable square feet on the 5th floor, 15,208 rentable square feet on the 7th floor and 7,068 rentable square feet on the 8th floor levels of the Fifth and Jackson Building, 315 Fifth Avenue South, City of Seattle, State of Washington 98104, the legal description of which is:

A portion of Lots 4, 5, 6, 7 and 8, and the vacated alley, Block 28, D.S. Maynard's Plat of the Town (now City) of Seattle, King County, Washington, according to the plat thereof, recorded in Volume 1 of Plats, page 23, records of King County, Washington.