

MOTION NO. M2014-58

Office Space Lease Amendment for Transit Systems Group

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Operations Committee	7/17/2014	Recommendation to Board	Brian McCartan, Executive Director Finance and Information Technology
Board	7/24/2014	Final Action	Nancy Bennett, Property Management Manager

PROPOSED ACTION

Authorizes the chief executive officer to execute a lease amendment with SREH 2014, L.L.C. to extend the lease term for office space for the Transit Systems Group through February 2020 in the amount of \$1,022,000, for a new total authorized lease agreement amount not to exceed \$1,604,832.

KEY FEATURES SUMMARY

- The Building located at 315 5th Ave. South in Seattle changed ownership from Union Street Improvement Company, L.L.C. to SREH 2014, L.L.C. in May 2014. The original lease was with Union Street Improvement Company, L.L.C.
- The current Transit Systems Group lease for suite 100 expires November 1, 2014.
- The proposed lease amendment will extend the term of the lease through February 2020.
- This lease amendment provides 5,277 square feet of office space and 200 square feet of storage space for the Transit Systems Group in the Sound Transit Finance and Information Technology Department.
- The amount requested covers rent and estimated common area maintenance expenditures for the entire term of the lease.

BACKGROUND

Sound Transit’s Transit Systems Group currently supports Sounder and Link ticket vending machines (TVMs), Sounder and Link ORCA card readers, Sound Transit Closed Circuit Television “CCTV” system equipment, Sounder variable message signs and speaker systems, and Automatic Counters for ST Express and Sounder. The space is occupied by Sound Transit’s IT Transit Systems team to provide support for commissioning and repairing TVMs, ORCA Card Readers and Sounder CCTV equipment. The office location is also used to receive new equipment and store inventory of replacement parts for devices in the field.

The original lease for this office space was approved in October 2009 with an initial term of five years, with two one-year options to renew at 95% of market rate. Sound Transit evaluated the option to renew compared to a longer lease term at current market. Based on current rental market rate trends, Sound Transit determined that it is in the Agency’s best interest to renew the lease for a longer period of time under the terms and conditions in this lease amendment. The lease amendment changes the common area maintenance base year from 2010 to 2015, thus eliminating the requirement for Sound Transit to pay Common Area Maintenance expenses for the first year of the lease amendment. If approved, the lease amendment will provide a \$79,155 tenant improvement allowance that may be used in any of Sound Transit’s leased office space in the building.

The lease provides the right, but not the obligation to purchase parking permits for the use of up to 4 parking stalls inside the building's garage.

FISCAL INFORMATION

The 2014 Adopted Budget for DECM Administrative Facilities under Leases and Rentals is \$3.1 million. Within that amount \$3.2 million has been committed to spend through the end of the year.

The proposed action with previously committed lease payments leaving 2014 Budget shortfall balance of (\$0.2 million) in the DECM Administrative Facilities for the rest of the year. CAM (Common Area Maintenance) expenses of \$0.7 million were higher than budgeted due to higher than anticipated property taxes and deferred building maintenance.

2014 Budget shortfall for administrative facilities lease costs can be covered at Department level. As of the end of May, DECM has underspent variance of \$1.2 million.

The negotiated extension of this lease includes a provision for parking. The new total authorized lease amount includes \$64,000 for parking. The Property Management budget only covers the facility portion of the lease and Service Delivery will budget for the parking provisions.

Transit Systems Group
former Union Street Improvement Company, L.L.C

Current Year Budget	Adopted 2014 Budget	2014 Commitments	Contract Expenditures	Remaining 2014 Budget
DECM Administrative Facilities Leases and Rentals	3,099	3,231	23	(154)

Current Year Budget	Adopted 2014 Budget	YTD Budget	YTD Spending	YTD Remaining Budget
DECM Department Budget	33,383	13,592	12,377	1,215

Contract Spending Plan	Prior Year(s) Spending	Expected 2014 Spending	Future Expenditures	Total
DECM Administrative Facilities Leases and Rentals	508	126	888	1,522
Leased Parking Facility -TVM (Service Delivery)	11	10	62	83
Total Lease	519	136	950	1,605

Contract Details	Current Approved Contract Value	Total Commitments	Proposed Action	Proposed Total Contract Value
Lease Amount	583	583	1,022	1,605
Contingency	0	0	0	0
Total Lease	583	583	1,022	1,605
Percent Contingency	0%	0%	0%	0%
Less Leased Parking Facility -TVM (Service Delivery)	19	19	64	83
Total Lease Amount in DECM	564	564	958	1,522

2014 Budget Shortfall	(154)
DECM YTD Variance	1,215
Remaining DECM Budget variance	1,061

Notes:

Amounts are expressed in \$000s.

Spent to date amounts are as of May 31, 2014.

Design, Engineering & Construction Management budget is located on page 82 of the Adopted 2014 Budget book.

Budget for future years will be requested in future budgets.

SMALL BUSINESS/DBE PARTICIPATION

Sound Transit promotes and encourages small business participation, which also includes Disadvantaged Business Enterprises (DBEs). Small Business and DBE goals are based upon an examination of subcontracting opportunities contained in the work of this contract and the number of Small Businesses/DBEs available to perform such subcontracting work.

Small Business and DBE goals are not applicable to this action.

PUBLIC INVOLVEMENT

Not applicable to this action.

TIME CONSTRAINTS

A one month delay would not create a significant impact to the project schedule.

PRIOR BOARD/COMMITTEE ACTIONS

Motion No. 2009-89: Authorized the chief executive officer to execute a five year lease with two one-year options with Union Street Improvement Company, L.L.C. for office space located at 315 5th Ave. S. in Seattle, WA in an amount not to exceed \$582,832.

ENVIRONMENTAL REVIEW

JI 6/18/2014

LEGAL REVIEW

JV 7/11/2014

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A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a lease amendment with SREH 2014, L.L.C. to extend the lease term for office space for the Transit Systems Group through February 2020 in the amount of \$1,022,000, for a new total authorized lease agreement amount not to exceed \$1,604,832.

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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 lease amendment with SREH 2014, L.L.C. to extend the lease term for office space for the Transit Systems Group through February 2020 in the amount of \$1,022,000, for a new total authorized lease agreement amount not to exceed \$1,604,832.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on July 24, 2014.



Dow Constantine
Board Chair

ATTEST:



Marcia Walker
Board Administrator