

**MOTION NO. M2017-34**  
**Lynnwood Warehouse and Office Lease**

<b>MEETING:</b>	<b>DATE:</b>	<b>TYPE OF ACTION:</b>	<b>STAFF CONTACT:</b>
Board	03/23/2017	Final Action	Bonnie Todd, Executive Director of Operations <b>Nancy Bennett, Property Management Manager</b>

**PROPOSED ACTION**

Authorizes the chief executive officer to execute a lease with Argonaut Properties Inc. for warehouse and office space located at 20420 56th Ave. West, Lynnwood, Washington, for a seven-year term with one five-year renewal option, for a total authorized lease amount not to exceed \$4,771,185.

**KEY FEATURES SUMMARY**

- Resolution No. 78-2 states that Real Property Agreements with a term greater than five years must be approved by the Board.
- This action will authorize the lease of 26,045 square feet of warehouse and office space for Sound Transit staff. This lease shall be for a term of 84 months commencing on May 1, 2017. The lease also contains the option to extend for an additional five-year period at the current fair market rental rate at the time of renewal.
- The first year's rental rate is the fair market rate of \$21,000 per month and estimated operating expenses are \$5,730 per month. Rent will increase three percent annually. Operating expenses will be adjusted annually based on actual costs.
- Sound Transit will be provided with a Tenant Improvement Allowance equal to \$10/RSF on downstairs office area only for a total allowance of \$46,550.
- The amount requested is sufficient to cover the seven year term and the five-year option.

**BACKGROUND**

Sound Transit currently leases warehouse space in Auburn, Washington in order to accommodate storage needs and provide a remote office for Sound Transit Facilities staff in the field.

Due to expanding transit service in the northern and eastern Sound Transit service area, additional warehouse space is needed.

This motion is for a new warehouse, strategically located in Lynnwood, Washington, that will provide an additional 18,400 square feet of warehouse, 4,655 square feet of office space and 2,900 square feet of partially finished office space for a total of 26,045 square feet. It will be the primary storage location for surplus furniture currently being housed in Sound Transit office buildings and will free up additional office space for Sound Transit employees within the agency's core campus in Seattle.

The warehouse will also be used as a base for Facilities staff working in the area, providing a workshop for painting, wood and metal fabrication, preparing and assembling equipment, and storage for critical space parts, maintenance supplies, and furniture. The warehouse has roughly 30 surface parking spaces. Of these about eight parking spaces will be fenced off and used for Sound Transit non-revenue vehicles, service vehicles, trailers. An additional paved area will be fenced for storage of emergency lighting, and inclement weather equipment (snow blowers and

brooms, ice melt spreaders, and snow plow). The building also provides office space initially for six maintenance staff members with room to expand. Sound Transit will have exclusive use of the premises 24 hours a day, 365 days per year.

The strategic location will allow Sound Transit Facilities staff members to efficiently support the growth of transit operations to the north and east side.

Operating expenses are standard for an industrial lease and include all utilities, janitorial, maintenance, and repairs. Sound Transit’s commercial real estate broker assisted with the lease negotiations for this warehouse. Based on market data, the financial terms of this Lease are considered fair market.

**FISCAL INFORMATION**

The proposed action will be funded from the Leases & Rentals category within the Operations department’s annual operating budget. The Leases & Rentals category budget is \$8,600,652, of which a total of \$187,109 is estimated to be spent in the first year of the contract and is within the agency’s budget authority. After approval of this action, the remaining annual budget amount will be used to fund other department expenditures anticipated in the 2017 annual budget.

Funding for the additional years of the contract will be included in future annual budget requests.

**Operations Department**  
(in thousands)

	2017 Annual Operating Budget	Actuals to Date	This Action	Actuals to Date Plus Action	Remaining Annual Operating Budget
Salaries and Benefits	\$15,055	\$1,875		\$1,875	\$4,584
Services	57,993	7,928		7,928	50,065
Materials and Supplies	10,785	776		776	10,009
Utilities	5,270	799		799	4,471
Insurance		12		12	
Taxes	2,595	369		369	2,226
Purchased Transportation Services	163,027	26,632		26,632	136,395
Miscellaneous	376	37		37	339
<b>Leases and Rentals</b>	<b>8,601</b>	<b>1,370</b>	<b>187</b>	<b>1,557</b>	<b>7,044</b>
<b>Total Annual Operating Budget</b>	<b>\$263,701</b>	<b>\$39,797</b>	<b>\$187</b>	<b>\$39,985</b>	<b>\$215,133</b>

  

Contract Spending Plan	Prior Year Spending	Forecast 2017 Spending	Future Expenditures	Total
Argonaut Properties Inc.	-	187	4,584	4,771

  

Contract Detail	Board Approved Contract Value	Contract Actuals to Date	Proposed Action	Proposed Revised Board Approved Contract Value
L & R Linden LLC				
Argonaut Properties Inc.	-	-	\$4,771	\$4,771
Contingency			-	-
<b>Contract Amount - Total</b>	<b>-</b>	<b>-</b>	<b>4,771</b>	<b>4,771</b>
Percent Contingency	0%	0%	0%	0%

Notes:  
Amounts are expressed in Year of Expenditure \$000.  
Operations Department budget can be found on page 25 of Proposed 2017 Budget book.

**SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION**

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.

Sound Transit determined that there were few Small Business and DBE subcontracting opportunities based upon the work described in this contract, so Small Business/DBE goals were not established.

### **TIME CONSTRAINTS**

A one-month delay could result in the loss of this space for Sound Transit.

### **ENVIRONMENTAL REVIEW**

JI 3/10/2017

### **LEGAL REVIEW**

JB 3/17/2017

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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 with Argonaut Properties Inc. for warehouse and office space located at 20420 56th Ave. West, Lynnwood, Washington, for a seven-year term with one five-year renewal option, for a total authorized lease amount not to exceed \$4,771,185.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on March 23, 2017.



Dave Somers  
Board Chair

ATTEST:



Kathryn Flores  
Board Administrator