

MOTION NO. M2017-95

Lease Agreement at 705 Union Station with 705 Union Station, LLC

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Board	06/22/2017	Recommend to Board Final Action	Bonnie Todd, Executive Director of Operations Nancy Bennett, Property Management Manager

PROPOSED ACTION

Authorizes 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.

KEY FEATURES SUMMARY

- This action will authorize the lease of approximately 78,538 rentable square feet of office space at 705 Union Station for agency staff and co-located consultants.
- The lease will be effective for the fourth, fifth and sixth floors on October 1, 2018 and the first floor on February 1, 2020. The initial term ends on November 30, 2023 and Sound Transit has an option to renew the lease for an additional five years, to November 30, 2028.
- The first year's rental rate will be \$32.00 per square foot and estimated operating expenses are \$11.34 per square foot. Rent will increase \$1.00 per square foot annually on the anniversary date of the lease. Operating expenses will be adjusted at the beginning of every calendar year based on actual costs. Sound Transit will receive two months of free rent.
- Sound Transit will pay a \$726,477 security deposit upon lease execution. The security deposit amount will be reduced to \$242,159 when the lease commences on October 1, 2018.
- The office space needs to be reconfigured to best accommodate Sound Transit's use. The landlord is providing a tenant improvement allowance of \$2,595,950 and will complete the improvements to the office space. The total cost of the tenant improvements is estimated to be \$4,840,512. Sound Transit will pay the landlord progress payments for the actual construction costs over and above the tenant improvement allowance. The Sound Transit portion of the construction costs is included in the total authorized amount requested.
- The existing furniture that Sound Transit purchased under the current sublease agreement with Intel, Inc. will be reconfigured and used in the space. Any excess furniture will be stored for future use.

BACKGROUND

With the passage of ST3 in November 2016, the space needs to accommodate staff working on the service expansion are significant. Current projections show an increase of more than 500 spaces required from 2016 levels. Sound Transit currently subleases the first, fourth and fifth floors of 705 Union Station. This lease agreement commences upon the expiration of Sound Transit's subleases.

FISCAL INFORMATION

The proposed action with 705 Union Station, LLC for \$42,204,435 that provides office space lease located on the first, fourth, fifth and sixth floors of 705 Union Station in Seattle, WA will be funded from Administrative Capital project and leases and rentals category within the Design, Engineering and Construction Management (DECM) department's annual operating budget.

Administrative Capital project

The authorized project allocation to date for the Administrative Capital project is \$17,283,724. Within the administrative capital phase, \$16,936,865 has been allocated for the budget line item for the capital improvements. The action would commit \$2,244,562 for the tenant improvement work under the new lease agreement and leave a remaining budget balance of \$7,688,358 at this line item. The committed amount of \$2,244,562 represents actual current-year payment estimated as construction services cost of \$4,840,512 less tenant improvement allowance of \$2,595,950.

Design, Engineering and Construction Management (DECM) department.

Annual leases and rentals category budget is \$5,810,016. The estimated current-year spending for the security deposit for the proposed action is \$726,477, which 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.

705 UNION STATION LEASE

(in thousands)

705 Union Station, LLC	Board Approved Contract Value	Contract Actuals to Date	Proposed Action	New Board Approved Contract Value
Agreement Amounts	\$		\$39,960	\$39,960
Tenant Improvement cost			2,245	\$2,245
Total Agreement Amount	\$	\$	\$42,204	\$42,204

Agreement Spending Plan	Prior Year Spending	Forecast 2017 Spending	Future Expenditures	Total
705 Union Station, LLC	\$	\$2,971	\$39,233	\$42,204

Administrative Capital	2017 TIP	Board Approvals	This Action	Board Approved Plus Action	Uncommitted / (Shortfall)
Admin Capital	\$16,937	\$7,004	\$2,245	\$9,249	\$7,688
Contingency	347				347
Total Current Budget	\$17,284	\$7,004	\$2,245	\$9,249	\$8,035

DECM Department	2017 Annual Operating Budget	Actuals to Date	This Action	Actuals to Date Plus Action	Remaining Annual Operating Budget
Leases and Rentals	\$5,810	\$2,115	\$726	\$2,842	\$5,084
Other expense categories	40,469	13,075		13,075	27,394
Total Current Budget	\$46,279	\$15,190	\$726	\$15,916	\$32,477

Notes:

Board Approvals = Committed To-Date + Contingency as of May 2017 includes pending Board actions.

Actuals to Date = Expenditures as of May 2017 and committed payments.

For detailed Administrative Capital project information, see page 127 of the Adopted 2017 Transit Improvement Plan (TIP).

DECM budget is located on page 25 of 2017 Adopted Budget book.

SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION

Not applicable to this action.

PUBLIC INVOLVEMENT

Not applicable to this action.

TIME CONSTRAINTS

A one-month delay would create a delay to the tenant improvement and occupancy schedule.

PRIOR BOARD/COMMITTEE ACTIONS

Motion No. M2017-55: Authorized the chief executive officer to execute a sublease 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. M2017-03: Authorized the chief executive officer to execute a sublease agreement with Intel, Inc. for office space on the fourth and fifth floor of 705 Union Station in Seattle, WA through September 30, 2018, for a total authorized agreement amount not to exceed \$2,790,394.

ENVIRONMENTAL REVIEW

KH 6/8/2017

LEGAL REVIEW

JRV 6/15/2017



MOTION NO. M2017-95

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing 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.

BACKGROUND:

This action will authorize the lease of approximately 78,538 rentable square feet of office space at 705 Union Station for agency staff and co-located consultants. The lease will be effective for the fourth, fifth and sixth floors on October 1, 2018 and the first floor on February 1, 2020. The initial term ends on November 30, 2023 and Sound Transit has an option to renew the lease for an additional five years, to November 30, 2028.

The first year's rental rate will be \$32.00 per square foot and estimated operating expenses are \$11.34 per square foot. Rent will increase \$1.00 per square foot annually on the anniversary date of the lease. Operating expenses will be adjusted at the beginning of every calendar year based on actual costs. Sound Transit will receive two months of free rent. Sound Transit will pay a \$726,477 security deposit upon lease execution. The security deposit amount will be reduced to \$242,159 when the lease commences on October 1, 2018.

The office space needs to be reconfigured to best accommodate Sound Transit's use. The landlord is providing a tenant improvement allowance of \$2,595,950 and will complete the improvements to the office space. The total cost of the tenant improvements is estimated to be \$4,840,512. Sound Transit will pay the landlord progress payments for the actual construction costs over and above the tenant improvement allowance. The Sound Transit portion of the construction costs is included in the total authorized amount requested. The existing furniture that Sound Transit purchased under the current sublease agreement with Intel, Inc. will be reconfigured and used in the space. Any excess furniture will be stored for future use.

With the passage of ST3 in November 2016, the space needs to accommodate staff working on the service expansion are significant. Current projections show an increase of more than 500 spaces required from 2016 levels. Sound Transit currently subleases the first, fourth and fifth floors of 705 Union Station. This lease agreement commences upon the expiration of Sound Transit's subleases.

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 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.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on June 22, 2017.



Dave Somers
Board Chair

ATTEST:


Kathryn Flores
Board Administrator