

MOTION NO. M2018-04**Lease Agreement Correction and Ratification at 605 Union Station with Gateway King LLC**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Operations and Administration Committee	01/04/2018	Recommend to Board	Bonnie Todd, Executive Director of Operations
Board	01/25/2018	Final Action	Nancy Bennett, Property Management Manager

PROPOSED ACTION

Correcting and ratifying a lease agreement with Gateway King LLC for office space located on the second floor of 605 Union Station in Seattle, WA for a period of 78 months, with an option to renew for an additional five years and office space located on the first floor of 605 Union Station in Seattle, WA for a period of six years, with an option to renew for an additional five years, for a total authorized agreement amount not to exceed \$12,249,923.

KEY FEATURES SUMMARY

- The Board approved a lease with Gateway King LLC for office space located on the first and second floor of 605 Union Station in September 2017. The lease period in the Board action should have reflected a lease period of 78 months for the space on the second floor, but the action incorrectly stated that the initial lease period was 6 years.
- This action will correct and ratify the lease for the 78 month term for office space on the second floor of 605 Union Station, a term that is six months longer than the Board originally authorized.
- Sound Transit already executed the lease agreement with Gateway King LLC for the first and second floor and took possession of the second floor space on November 1, 2017, through an early occupancy option.
- All of the other key features and authorized amounts remain the same as those authorized under Motion No. M2017-116.

BACKGROUND

Motion No. M2017-116, approved by the Board in September 2017, authorized a 6 year lease term for both the second floor (Suite 250) and first floor (Suite 100) of 605 Union Station. 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. The space in the 605 building provides room for approximately 80 to 90 staff and consultants.

The required lease term for suite 250 should have been 78 months. This action will correct the lease term error. The authorized agreement amount was correct and included the 78 month term rent and estimated operating expenses for suite 250 and the 72 month term and estimated operating expenses for suite 100.

The rental rate at the beginning of the term will be \$26.75 per square foot for Suite 100 and \$33.00 per square foot for Suite 250. Sound Transit will be receiving four months of free rent for Suite 250. Estimated operating expenses are \$11.77 per square foot and will be adjusted at the beginning of every calendar year based on actual costs.

The office space will be reconfigured to best accommodate Sound Transit's use. The landlord provided a tenant improvement allowance of \$10.00 per square foot for suite 100 and \$20 per square foot for suite 250. Sound Transit will be purchasing the furniture that currently exists in Suite 100 for \$10 and Suite 250 for \$10.

The original amount requested is still sufficient to cover the 6 year lease term for the first floor, 78 month term for the second floor, and the option for an additional five years for both floors.

FISCAL INFORMATION

The current correction has no effect on the fiscal impact to the agency.

The action with Gateway King LLC for \$12,249,923 will be funded from the Leases and Rentals category within the Design, Engineering and Construction Management (DECM) department's annual operating budget.

The Leases and Rentals category budget is \$7,070,000, of which a total of \$116,283 is estimated to be spent in the current year for the additional rent office space and is within the agency's budget authority. With approval of this action, the remaining annual budget amount is sufficient to fund other department expenditures anticipated in the 2018 annual budget.

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

DECM Department

(in thousands)

	2018 Annual Operating Budget	Actuals to Date	This Action	Actuals to Date Plus Action	Remaining Annual Operating Budget
Salaries and Benefits	\$43,227	\$	\$	\$	\$43,227
Services	2,187				2,187
Materials and Supplies	72				72
Utilities	431				431
Insurance	100				100
Tax	235				235
Miscellaneous	402				402
Leases and Rentals	7,071		116	116	6,955
Total Current Budget	\$53,725	\$	\$116	\$116	\$53,609

Leases and Rentals Details

Rental Admin Facilities	\$5,759		\$116	\$116	\$5,643
Other Leases and Rentals	1,312			0	1,312
Total Leases and Rentals	\$7,071	\$	\$116	\$116	\$6,955

Agreement Spending Plan

	Prior Year Spending	Forecast 2018 Spending	Future Expenditures	Total
Gateway King LLC	\$	\$116	\$12,134	\$12,250

Lease Agreement Detail

	Board Approved Contract Value	Contract Actuals to Date	Proposed Action	New Board Approved Contract Value
Gateway King LLC	\$	\$	\$12,250	\$12,250
Contingency				
Contract Amount - Total	\$	\$	\$12,250	\$12,250
Percent Contingency	0%	0%	0%	0%

Notes:

DECM budget is located on page 14 of 2018 Proposed 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 not have a significant impact.

PRIOR BOARD/COMMITTEE ACTIONS

Motion No. M2017-116: Authorized the chief executive officer to execute a lease agreement with Gateway King LLC for office space located on the first and second floors of 605 Union Station in Seattle, WA for a period of six years, with an option to renew for an additional five years, for a total authorized agreement amount not to exceed \$12,249,923.

ENVIRONMENTAL REVIEW

KH 12/19/17

LEGAL REVIEW

AJP 12/28/17

MOTION NO. M2018-04

A motion of the Board of the Central Puget Sound Regional Transit Authority correcting and ratifying a lease agreement with Gateway King LLC for office space located on the second floor of 605 Union Station in Seattle, WA for a period of 78 months, with an option to renew for an additional five years and office space located on the first floor of 605 Union Station in Seattle, WA for a period of six years, with an option to renew for an additional five years, for a total authorized agreement amount not to exceed \$12,249,923.

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MOTION:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority to correct and ratify a lease agreement with Gateway King LLC for office space located on the second floor of 605 Union Station in Seattle, WA to a period of 78 months, with an option to renew for an additional five years and office space located on the first floor of 605 Union Station in Seattle, WA for a period of six years, with an option to renew for an additional five years, for a total authorized agreement amount not to exceed \$12,249,923.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on January 25, 2018.



Dave Somers
Board Chair

ATTEST:



Kathryn Flores
Board Administrator