



Motion No. M2019-28

Lease Amendment with Argonaut Properties, Inc. for Warehouse and Office Space in Lynnwood, WA

Meeting:	Date:	Type of action:	Staff contact:
Rider Experience & Operations Committee	04/04/2019	Recommend to Board	Bonnie Todd, Executive Director of Operations
Board	04/25/2019	Final action	Nancy Bennett, Property Management Manager

Proposed action

Authorizes the chief executive officer to execute a lease amendment with Argonaut Properties, Inc. for an additional 16,821 square feet of office and warehouse space located at 20420 56th Ave. W., Lynnwood, Washington for a three-year, nine-month term, with an option to extend for an additional five-year term, in the amount of \$2,845,217, for a total authorized lease amount not to exceed \$7,616,402.

Key features summary

- Resolution No. R2018-40 states the Board must approve real property agreements when the financial obligation of either Sound Transit or the other party exceeds \$5,000,000.
- This action will authorize an amendment to the existing lease for an additional 16,821 square feet of warehouse and office space. Sound Transit already has a lease for 26,045 square feet of space in the same warehouse. The amendment will allow Sound Transit to lease the additional space for Sound Transit staff for a total amount of 42,866 square feet.
- The first year's rental rate for the additional space is the fair market rate of \$14,382 per month and estimated operating expenses are \$4,374 per month. Rent will increase three percent annually. Operating expenses will be adjusted annually based on actual costs.
- The monthly base rent for the additional space shall be free for the first two months.
- Sound Transit will be provided with a \$40,000 tenant improvement allowance.
- The amount requested is sufficient to cover the original lease plus the expansion space for the original lease term and the five-year option.
- The term for the additional space will commence July 1, 2019, and terminate with the original lease term on April 30, 2024.

Background

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

Approximately two years ago, the Board authorized the lease of 26,045 square feet of warehouse space in Lynnwood through Motion No. M2017-34. The warehouse is strategically located and provides 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. The lease included a first right of refusal on the remaining

16,821 square feet of space in the building. This amendment will expand the current lease to include that remaining space.

This additional storage and office space will be utilized to store critical spare parts and supplies for the agency. This includes items such as escalator steps for replacement for each station and janitorial equipment and supplies to service Sound Transit stations that don't have storage space.

The warehouse will continue to 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 strategic location allows Sound Transit facilities staff members to efficiently support the growth of transit operations to the north and east side.

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 amend the current contract by \$2,845,217, of which \$83,769 will be spent in 2019, for a new total authorized contract amount not to exceed \$7,616,402 and will be funded from the Leases & Rentals category within the Operations department's annual operating budget. The Leases & Rentals category budget is \$8,735,144, of which a total \$425,606 estimated to be spent for the contract in 2019 (YTD spending of \$56,756 and estimated spending for the rest of 2019 of \$368,850) 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 2019 annual budget.

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

Operations (in thousands)

Cost Category	2019 Annual		This Action (Current Year Impact Only)	YTD Actuals Plus Action (Current Year Only)		Remaining Annual Operating Budget
	Operating Budget ¹	YTD Actuals ²				
Salaries and Benefits	\$23,515	\$3,188	\$	\$3,188	\$20,327	
Services	76,847	9,660		9,660	67,187	
Materials and Supplies	11,335	1,890		1,890	9,445	
Utilities	5,868	948		948	4,920	
Insurance		-118		-118	118	
Taxes	2,975	433		433	2,541	
Purchased Transportation Service	196,186	32,417		32,417	163,769	
Miscellaneous	567	29		29	537	
Leases and Rentals	8,735	1,451	84	1,534	7,201	
Total Annual Operating Budget	\$326,027	\$49,898	\$84	\$49,982	\$276,045	

Contract Spending Plan	Forecasted Spend for Remainder of 2019			Total
	Spending to Date ³	2019	Future Spending	
Argonaut Properties Inc	\$641	\$369	\$7,248	\$7,616

Contract Detail	Board Approved Contract Value	Proposed Action	Proposed Revised Board Approved Contract Value
Argonaut Properties Inc	\$4,771	\$2,845	\$7,616
Contingency			
Contract Amount - Total	\$4,771	\$2,845	\$7,616
Percent Contingency	0%	0%	0%

Notes:

¹2019 Annual Adopted Operating Budget is located on page 135 of the Adopted Budget book

²YTD Actuals as of February 28, 2019.

³Spending to Date as of February 28, 2019.

Small business 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.

Prior Board/Committee actions

Motion No. M2017-34: Authorized 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.

Environmental review – KH 3/25/19

Legal review – JV 3/27/2019



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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 Argonaut Properties, Inc. for an additional 16,821 square feet of office and warehouse space located at 20420 56th Ave. W., Lynnwood, Washington for a three year, nine month term, with an option to extend for an additional five-year term, in the amount of \$2,845,217, for a total authorized lease amount not to exceed \$7,616,402.

Background

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This additional storage and office space will be utilized to store critical spare parts and supplies for the agency. This includes items such as escalator steps for replacement for each station and janitorial equipment and supplies to service Sound Transit stations that don't have storage space.

The warehouse will continue to 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.

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The monthly base rent for the additional space shall be free for the first two months. Sound Transit will be provided with a \$40,000 tenant improvement allowance.

The amount requested is sufficient to cover the original lease plus the expansion space for the original lease term and the five-year option. The term for the additional space will commence July 1, 2019, and terminate with the original lease term on April 30, 2024.

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 Argonaut Properties, Inc. for an additional 16,821 square feet of office and warehouse space located at 20420 56th Ave. W., Lynnwood, Washington for a three year, nine month term, with an option to extend for an additional five-year term, in the amount of \$2,845,217, for a total authorized lease amount not to exceed \$7,616,402.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on April 25, 2019.



Paul Roberts
Board Vice Chair

Attest:



Kathryn Flores
Board Administrator