



Motion No. M2024-34

Second Amendment to 705 Union Station LLC Lease Agreement

| Meeting: | Date: | Type of action: | Staff contact: |
|---|------------|--------------------|--|
| Rider Experience and Operations Committee | 06/06/2024 | Recommend to Board | Terri Mestas, Deputy CEO, Chief Mega Capital Programs Officer |
| Board | 06/27/2024 | Final action | Mary Cummings, Chief Administrative Officer Ron Lewis, Executive Director, DECM Faith Roland, Director, Real Property |

Proposed action

Authorizes the chief executive officer to execute a second amendment to the lease agreement with 705 Union Station, LLC to extend the term for an additional three-and-a-half-year period for the first, fourth, fifth, and sixth floors, consisting of 79,475 rentable square feet of space in the 705 Union Station building, in an amount not to exceed \$14,415,361.

Key features summary

- This action will authorize an amendment to the existing lease of 79,475 square feet of office space for floors one, four, five, and six of 705 Union Station (the 705 Building).
- Under the first amendment to the lease, approved by Motion No. M2019-57, the lease of the first, fourth, fifth, and sixth floors of the 705 Building is set to expire on November 30, 2024.
- The second amendment to the lease will:
 - Extend the term of the lease for the first, fourth, fifth and sixth floors for approximately three and a half years, commencing on December 1, 2024 and ending on March 31, 2028.
 - Include flexible use of the tenant improvement allowance of \$1,993,625, allowing Sound Transit to use these funds for qualified alterations on any of the floors Sound Transit rents in the 705 Building on or before May 31, 2026.
 - Allow Sound Transit to convert \$398,725 of the tenant improvement allowance to a rent credit.
- This lease amendment will continue to provide office space for staff working in the 705 Building, the South Corridor project teams, the West Seattle and Ballard Link Extensions project teams, and the Project Controls team.
- The cost of this lease extension is approximately 25 percent less than the preexisting option to extend in the lease, resulting in a cost avoidance of approximately over \$1 million in current year pricing.
- The terms for the lease of the seventh, ninth, tenth, and eleventh floors of the 705 Building shall remain unchanged.
- There are no applicable sales taxes for this action.

Background

With the passage of ST3 in November 2016, Sound Transit experienced significant space needs to accommodate staff working on the system expansion implementation plan and ongoing service. To accommodate these needs, under the first lease amendment, approved by Motion No. M2019-57, Sound Transit: (1) obtained an extension of the existing 705 Building lease term for the first, fourth, fifth, and sixth floors for one additional year, ending November 30, 2024; and (2) acquired additional leased square footage on the seventh, ninth, tenth, and eleventh floors, ending November 30, 2027.

In 2023, the agency reduced the core campus from five buildings down to two, with an approximate cost avoidance of more than \$5.7 million per year.

The proposed action will extend the lease term of the existing office space located on the first, fourth, fifth, and sixth floors of the 705 Building by three-and-a-half years. The new term will expire on March 31, 2028. The original lease included an option to extend, at pre-Covid rates. This second amendment is a newly negotiated extension at a 25 percent reduced cost from the rent that would have been charged had Sound Transit exercised the option.

Fiscal information

This action will be funded from the following operating budgets and does not have an impact on the affordability of the agency's Financial Plan, as the services are already incorporated in the annual operating plan. After approval of this action, sufficient budget remains to cover remaining annual expenditures. Funding for the additional years of the lease will be included in future annual budget requests.

This action for \$14,415,361 extends the lease in the 705 Building for another 3.5 years and is funded from the operating budgets below:

- Other Expenses - Leases and SBITA (Subscription Based Information Technology Arrangements) category of the agency's annual operating budget. Within the Leases and SBITA category, the 2024 annual budget for long term leases is \$12,943,387, of which \$222,621 is estimated to be spent from this contract in the remainder of 2024.
- DECM department annual operating budget. Within the leases and rental category, the 2024 annual budget for common area maintenance is \$3,273,667, of which \$116,424 is estimated to be spent from this contract in the remainder of 2024.

705 UNION STATION LEASE

(in thousands)

| Contract Detail | Board Approved | | Proposed Revised | |
|-------------------------------------|-------------------------|-------------------|------------------|-----------------|
| | Contract Value | Proposed Action | Contract Value | |
| 705 UNION STATION, LLC | | | | |
| Lease (2nd Amendment) | \$0 | \$9,210 | \$9,210 | |
| Common Area Maintenance | - | 5,206 | 5,206 | |
| Total Contract | \$0 | \$14,415 | \$14,415 | |
| Contract Spending Plan | Contract Spend Forecast | | | Total |
| | Contract Spend to Date | Remainder of 2024 | Future Spending | |
| Lease (2nd Amendment) | \$0 | \$223 | \$8,987 | \$9,210 |
| Common Area Maintenance | - | 116 | 5,089 | 5,206 |
| Total contract spending plan | \$0 | \$339 | \$14,076 | \$14,415 |

Other Expenses - Leases and Subscription-Based IT Agreements (SBITA)

(in thousands)

| Budget Cost Category | 2024 Annual | | Contract Spend Forecast Remainder of 2024 | YTD Plus Action (Current Year Only) ³ | Remaining Annual Operating Budget |
|---------------------------------------|-------------------------------|--------------------------|---|--|-----------------------------------|
| | Operating Budget ¹ | YTD Actuals ² | | | |
| Other Expenses - Leases and SBITA | \$17,375 | \$5,177 | \$223 | \$5,459 | \$11,916 |
| Other Expenses Category Detail | | | | | |
| Long Term Leases | 12,943 | 3,691 | 223 | 3,973 | 8,971 |
| SBITA | 4,431 | 1,486 | - | 1,486 | 2,945 |
| Total other expense detail | \$17,375 | \$5,177 | \$223 | \$5,459 | \$11,916 |

Design, Engineering and Construction Management (DECM) Department

(in thousands)

| Budget Cost Category | 2024 Annual | | Contract Spend Forecast Remainder of 2024 | YTD Plus Action (Current Year Only) ³ | Remaining Annual Operating Budget |
|--------------------------------------|-------------------------------|--------------------------|---|--|-----------------------------------|
| | Operating Budget ¹ | YTD Actuals ² | | | |
| Salaries and Benefits | \$33,916 | \$8,491 | \$0 | \$8,491 | \$25,426 |
| Services | 1,126 | 88 | - | 88 | 1,039 |
| Materials and Supplies | 21 | 1 | - | 1 | 20 |
| Utilities | 5 | 1 | - | 1 | 4 |
| Insurance | - | - | - | - | - |
| Taxes | 50 | 52 | - | 52 | -2 |
| Purchased Transportation Services | - | - | - | - | - |
| Miscellaneous | 394 | 53 | - | 53 | 341 |
| Leases and Rentals | 3,274 | 865 | 116 | 1,282 | 1,991 |
| Total Annual Operating Budget | \$38,786 | \$9,550 | \$116 | \$9,968 | \$28,818 |

¹2024 Annual Operating Budget is located on page 55 of the Adopted Year Budget book.

²YTD Actuals as of April 30, 2024.

³Includes concurrent action for the Eastside Warehouse.

Time constraints

The lease is set to expire on November 30, 2024. A one-month delay would not have a significant impact.

Prior Board/Committee actions

Motion No. M2019-57: Authorized the chief executive officer to execute the first amendment to the lease agreement with 705 Union Station, LLC to extend the term for an additional one-year period and to add an additional 97,205 square feet of office space located on the seventh, ninth, tenth, and eleventh floors of 705 Union Station in Seattle, WA through November 30, 2027, in the amount of \$27,042,020 for a total authorized lease agreement amount not to exceed \$69,246,455.

Motion No. M2017-95: Authorized 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.

Motion No. M2017-55: Authorized the chief executive officer to execute a sublease agreement 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. M2016-15: Authorized the chief executive officer to execute a sublease agreement with Attachmate Corporation for office space on the eleventh floor of 705 Union Station in Seattle, WA through October 30, 2020, for a total authorized agreement amount not to exceed \$4,104,000.

Environmental review – KH 5/22/24

Legal review – NM 5/29/24



Motion No. M2024-34

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a second amendment to the lease agreement with 705 Union Station, LLC to extend the term for an additional three-and-a-half-year period for the first, fourth, fifth, and sixth floors, consisting of 79,475 rentable square feet of space in the 705 Union Station building, in an amount not to exceed \$14,415,361.

Background

With the passage of ST3 in November 2016, Sound Transit experienced significant space needs to accommodate staff working on the system expansion implementation plan and ongoing service. To accommodate these needs, under the first lease amendment, approved by Motion No. M2019-57, Sound Transit: (1) obtained an extension of the existing 705 Building lease term for the first, fourth, fifth, and sixth floors for one additional year, ending November 30, 2024; and (2) acquired additional leased square footage on the seventh, ninth, tenth, and eleventh floors, ending November 30, 2027.

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The proposed action will extend the lease term of the existing office space located on the first, fourth, fifth, and sixth floors of the 705 Building by three-and-a-half years. The new term will expire on March 31, 2028. The original lease included an option to extend, at pre-Covid rates. This second amendment is a newly negotiated extension at a 25 percent reduced cost from the rent that would have been charged had Sound Transit exercised the option.

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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 second amendment to the lease agreement with 705 Union Station, LLC to extend the term for an additional three-and-a-half-year period for the first, fourth, fifth, and sixth floors, consisting of 79,475 rentable square feet of space in the 705 Union Station building, in an amount not to exceed \$14,415,361.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on June 27, 2024.



Dow Constantine
Board Chair

Attest:



Kathryn Flores
Board Administrator