

FISCAL NOTE FOR NON-CAPITAL PROJECTS

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Legislation Title:

AN ORDINANCE relating to a lease agreement for office space; authorizing the Director of Finance and Administrative Services to enter into a lease agreement with 720 3rd Avenue Partners, L.L.C. for office space in the Pacific Building, for use by the Office of Professional Accountability; amending Ordinance 124349 that adopted the 2014 Budget to increase appropriations to provide for necessary costs and expenses related to preparing the leased premises for City use and occupancy; and ratifying and confirming certain prior acts; all by a three-fourths vote of the City Council.

Summary of the Legislation:

This legislation authorizes the Director of Finance and Administrative Services (FAS) to enter into a lease agreement with 720 3rd Avenue Partners, L.L.C. (“Landlord”) for approximately 8,226 square feet of office space in the Pacific Building located at 720 3rd Avenue in Seattle. Legislation is required because the amount of leased space exceeds FAS’ leasing authority under Seattle Municipal Code 3.127 020.C.1 of 5,000 square feet of office space in any one building in one calendar year. This legislation will allow the Director to enter into an agreement for an initial period no longer than ten years, with two additional five-year extensions; commencing upon substantial completion of the tenant improvements as generally depicted in the Lease Agreement (see Attachment 1). Additionally, the City or its employees have the ability to rent at market rate up to 11 parking stalls under this agreement.

Background:

The Office of Professional Accountability (OPA) currently resides in two separate locations. The Director, Deputy Director and one administrative assistant are housed on the 7th floor of the Seattle Police Department (SPD) headquarters building. The remaining 12 OPA staff members are housed on the 16th floor of the Seattle Municipal Tower (SMT) in approximately 4,500 square feet of space. OPA staff shares the 16th floor with City and non-City tenants.

It is important that the civilian Director and other staff be moved out of the SPD headquarters and be housed with the rest of the OPA staff to provide the necessary leadership and oversight the role requires. Due to the numerous investigations that OPA performs and the confidentiality of their work, private offices are a requirement that limit the ability of staff to double up in existing offices to save space. A survey of SMT space provided no viable options to co-locate the OPA team in other parts of the building or into another City-owned facility.

In addition, the current space does not easily accommodate OPA Auditor and Monitor Team member review of cases, nor does it provide a public meeting space for more than six attendees.

Conference room space is essential to ensure proper community outreach and engagement meetings that OPA may conduct.

Before selecting the Pacific Building, FAS and SPD also considered a proposal from the Central Building. However, the Pacific Building was determined to be the best option because of its close proximity to Civic Center, lease rate, and the ability to lease an entire floor which provides increased security and privacy for patrons.

According to the negotiated lease agreement, several concessions from the landlord are financially advantageous to the City. These include the landlord paying up to \$35.00 per square feet for tenant improvement in the space and free rent for the first seven months. This means that SPD will not need any new appropriation to pay rent in 2014. In addition, the five remaining months of the first year of the lease will be priced based on renting only 5,726 square feet of rentable space instead of the full 8,226 square feet that will be used therefore extending reduced rent well into 2015.

FAS estimates that the total tenant improvement costs for the space may exceed the landlord covered improvements by \$330,000; however, true cost estimates for the improvements will be unavailable until the lease is signed and space design is complete. As such, funding for this project will be held in Finance General Reserves and be accessed via the FAS Customer Requested Tenant Improvement Program as required.

The full cost of this lease is estimated to be \$72,000 for the remaining five months of the first year and approximately \$250,000 per year beginning in year two. This amount will be adjusted annually for inflation as agreed upon in the lease. Funding for the lease will not be required in 2014 as lease payments will not begin until 2015.

Table 1:

	Yearly Rent/SF	Annual Rent*
Year 1	\$29.50/sf	\$72,494
Year 2	\$30.25/sf	\$256,302
Year 3	\$31.00/sf	\$262,656
Year 4	\$31.75/sf	\$269,011
Year 5	\$32.50/sf	\$275,365
Year 6	\$33.25/sf	\$281,720
Year 7	\$34.00/sf	\$288,075
Year 8	\$34.75/sf	\$294,429
Year 9	\$35.50/sf	\$300,784
Year 10	\$36.25/sf	\$307,138

*This amount is calculated based on 5,726 sq ft for the first year. Year 2 and beyond is calculated on the full rental space 8,226 sq ft.

X This legislation has financial implications.

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2014 Appropriation	2015 Anticipated Appropriation
General Subfund - 00100	Seattle Police Department	Office of Professional Accountability BCL - P1300	\$0	TBD
General Subfund - 00100	Finance General	Reserves BCL - 2QD00	\$330,000	\$0
TOTAL			\$330,000	\$0

Appropriations Notes:

This item increases appropriation authority by \$330,000 in the Finance General Reserve BCL to provide resources to renovate the Pacific Building to address OPA space requirements. FAS will manage the renovation project via the FAS Customer Requested Tenant Improvement Program which has adequate appropriation for this item. The appropriation in Finance General will carry forward until spent.

The 2015 SPD appropriation for lease payments (that will begin seven months after the start of the lease) will be determined during the 2015-16 Budget process. At this time, it is unknown whether SPD will require any additional appropriation authority or a transfer of existing appropriation within their baseline budget.

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2014 Expenditures	2015 Anticipated Expenditures
General Subfund - 00100	Finance General	Reserves BCL - 2QD00	\$330,000	\$0
TOTAL			\$330,000	\$0

Spending/Cash Flow Notes:

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
 This legislation will obligate the City to pay to the Landlord the monthly rental amount as described in Table 1 for the duration of the lease agreement.

- b) **What is the financial cost of not implementing the legislation?**
 The need for additional office space still remains in the event that this legislation is not approved. Additional office space will need to be secured for OPA, whether it is in the Pacific Building or another similar office building.

c) Does this legislation affect any departments besides the originating department?

Yes, this legislation affects the Seattle Police Departments Office of Professional Accountability. FAS administers and manages the lease agreement and passes through any charges, including rent, and operating costs.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

The only viable alternative would be to secure similar office space at another property. That space would likely be inferior to this office space and lack financial advantages that have been negotiated.

e) Is a public hearing required for this legislation?

No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

Yes, this legislation authorizes the Director of Finance and Administrative Services to execute a lease agreement on a portion of property located at 720 3rd Avenue. Please see Attachment 2, proximity map of the leased office space.

h) Other Issues:

List attachments to the fiscal note below:

Attachment 1: Basic Lease Terms

Attachment 2: Proximity map of leased property

Basic Lease Terms
Pacific Building

- Landlord:** 720 3rd Avenue Partners, L.L.C., a Delaware Corporation
- Premises:** Floor 18, approximately 8,226 rentable square feet
- Term:** 10 years, plus two 5 year options to extend.
- Rental Rate:** Rate begins at \$29.50 per square foot per year, with \$0.75 per square foot annual increases.
- Abated Rent:** The rent is abated for the First 7 months.
Months 8 through 12 City pays rent on only 5,726 square feet of space.
- Tenant Imp:** \$35.00/rsf
- Parking:** Right, but no obligation to lease from landlord up to 1 stall per 750rsf of lease space (approximately 11 stalls.)



City of Seattle

Pacific Building
720 3rd Ave, Seattle
Seattle Police Department
Office of Professional Accountability



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