

**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Finance and Administrative Services	Bill Craven/733-9238	Jennifer Devore/615-1328

**Legislation Title:** AN ORDINANCE authorizing the Director of Finance and Administrative Services to enter into a lease agreement with Block 24 Seattle, LTD, L.P. for office space in the Bank of America Fifth Avenue Plaza, for office use by various City Departments.

**Summary of the Legislation:**

This legislation authorizes the Director of Finance and Administrative Services (FAS) to enter into a lease agreement with Block 24 Seattle, LTD, L.P. (“Landlord”) for up to approximately 131,000 square feet of office space in the Bank of America Plaza (BofAP) located at 800 Fifth Avenue in Seattle. 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). The Director is seeking greater flexibility in negotiating and finalizing the Lease Agreement, as negotiations for the office space and lease document are ongoing. 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.

**Background:**

In March 2007, FAS’ predecessor department entered into a Sublease Agreement for one floor of office space in the BofAP. This existing lease agreement was authorized by Ordinance 122367. The intent of this new Lease Agreement is to renegotiate the existing leased space for a lower rental rate and to provide additional office space to the City of Seattle. The BofAP is located immediately north of the Seattle Municipal Tower, and is connected by a tunnel under Columbia Street.

FAS and other departments either have existing office space expansion needs or near term office space expansion needs that exceed the city’s current available inventory of office space. In order to assist FAS’ needs as well as other city departments with their space needs more effectively, FAS has negotiated with the Landlord to provide a flexible lease agreement that immediately addresses the needs of the City and allows future growth as needed under pre-negotiated terms. This legislation will allow the Director, at his discretion, to expand the leased area up to five additional floors.

The city and the Landlord have a good working relationship, which has allowed for productive

and open-ended negotiations; the lease agreement will allow the City to be flexible with its space needs now and in the future. By negotiating a lease agreement that exceeds the city's immediate needs the city is able to secure better lease terms and conditions (See Attachment 2, basic lease terms.)

The Lease Agreement allows the City to take up to 6 floors in the BofAP building. This includes floor 30 which is presently occupied by the Department of Transportation and will continue to use that floor under this new lease. The city negotiated the right of first offer on floor 31, with the intent that the Department of Transportation may require contiguous space at some time in the future. Additionally, the City has the right of first offer for 4 floors located between floors 7 and 14. The City will not be charged rent, or any other fee until such time that the city begins occupying a floor. The Lease Agreement allows for the City to take a single floor at a time.

Before selecting this building, FAS considered proposals from the Columbia Center as well as the BofAP. The BofAP was determined to be the best option because of the location, the lease rate, and the efficiency of the floor plan.

Please check one of the following:

**This legislation has financial implications.**

**Appropriations:**

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
<b>TOTAL</b>				

*\*See budget book to obtain the appropriate Budget Control Level for your department.*

Appropriations Notes:

FAS will pass through the rental cost of the office space that is used by each user of the space..

**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
<b>TOTAL</b>				

Revenue/Reimbursement Notes:

FAS will be reimbursed by the individual departments for the rental of their portion of the lease space as detailed in the lease agreement.

**Spending/Cash Flow:**

Fund Name & #	Department	Budget Control	2013	2014 Anticipated
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		<b>Level*</b>	<b>Expenditures</b>	<b>Expenditures</b>
<b>TOTAL</b>				

\* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:

Table 1 and 2 below illustrates the lease costs for the different floors during the initial lease period of 10 years. In addition to the yearly rent FAS charges a 3% overhead fee in addition to the base rent to each department that is utilizing the office space.

**Table 1: Floors 30 and 31 base rental rate and projected NNN charges:**

Months:	Yearly Rent/SF	NNN Charges/ SF/Year <sup>1</sup>	Yearly Total/SF
1 – 9	\$0.00	\$11.22	\$11.22
10` – 12	\$24.50	\$11.22	\$35.72
13 – 24	\$25.50	\$11.78	\$37.28
25 - 36	\$26.50	\$12.37	\$38.87
37 - 48	\$27.50	\$12.99	\$40.49
49 - 60	\$28.50	\$13.64	\$42.14
61 - 72	\$29.50	\$14.32	\$43.82
73 - 84	\$30.50	\$15.03	\$45.53
85 - 96	\$31.50	\$15.79	\$47.29
97 - 108	\$32.50	\$16.58	\$49.08
109 - 120	\$33.50	\$17.40	\$50.90

**Table 2: Floors 7 through 14 base rental rate and projected NNN charges:**

Months:	Yearly Rent/SF	NNN Charges/SF/Year <sup>1</sup>	Yearly Total/SF
1 – 5	\$0.00	\$11.22	\$11.22
6 - 12	\$18.25	\$11.22	35.72
13 – 24	\$19.25	\$11.78	\$31.03
25 - 36	\$20.25	\$12.37	\$32.62
37 - 48	\$21.25	\$12.99	\$34.24
49 - 60	\$22.25	\$13.64	\$35.89
61 - 72	\$23.25	\$14.32	\$37.57
73 - 84	\$24.25	\$15.03	\$39.28
85 - 96	\$25.25	\$15.79	\$41.04
97 - 108	\$26.25	\$16.58	\$42.83
109 - 120	\$27.25	\$17.40	\$44.65

<sup>1</sup> NNN Charges are an industry term referring to the operating charges of the building and typically include the building taxes, insurance and common area expenses. Approximate NNN Charges will vary based on occupancy of entire building, the negotiated lease does not

allow these charges to increase any more than 5% per year.

**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 and 2 for the duration of the lease agreement. The City has a one time right to terminate the lease agreement at year seven, with a modest termination penalty. As mentioned previously, the City will not be required to pay any rent or fees for space it is not leasing to hold the space in the building.

**b) What is the financial cost of not implementing the legislation?**

If the lease is not implemented for the office space, FAS and other departments will need to reassess their project plans; and or find office space in other buildings that may not have as favorable office rates as FAS has negotiated with the Landlord.

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

Yes, this legislation affects the Department of Transportation, as they are currently leasing floor 30 in the BofAP building, FAS administers the lease agreement and passes along any charges.

**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 a property that would likely be inferior to this office space, while not achieving any financial advantage.

**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 800 Fifth Avenue. Please see Attachment 2, proximity map of the leased office space.

**h) Other Issues:**

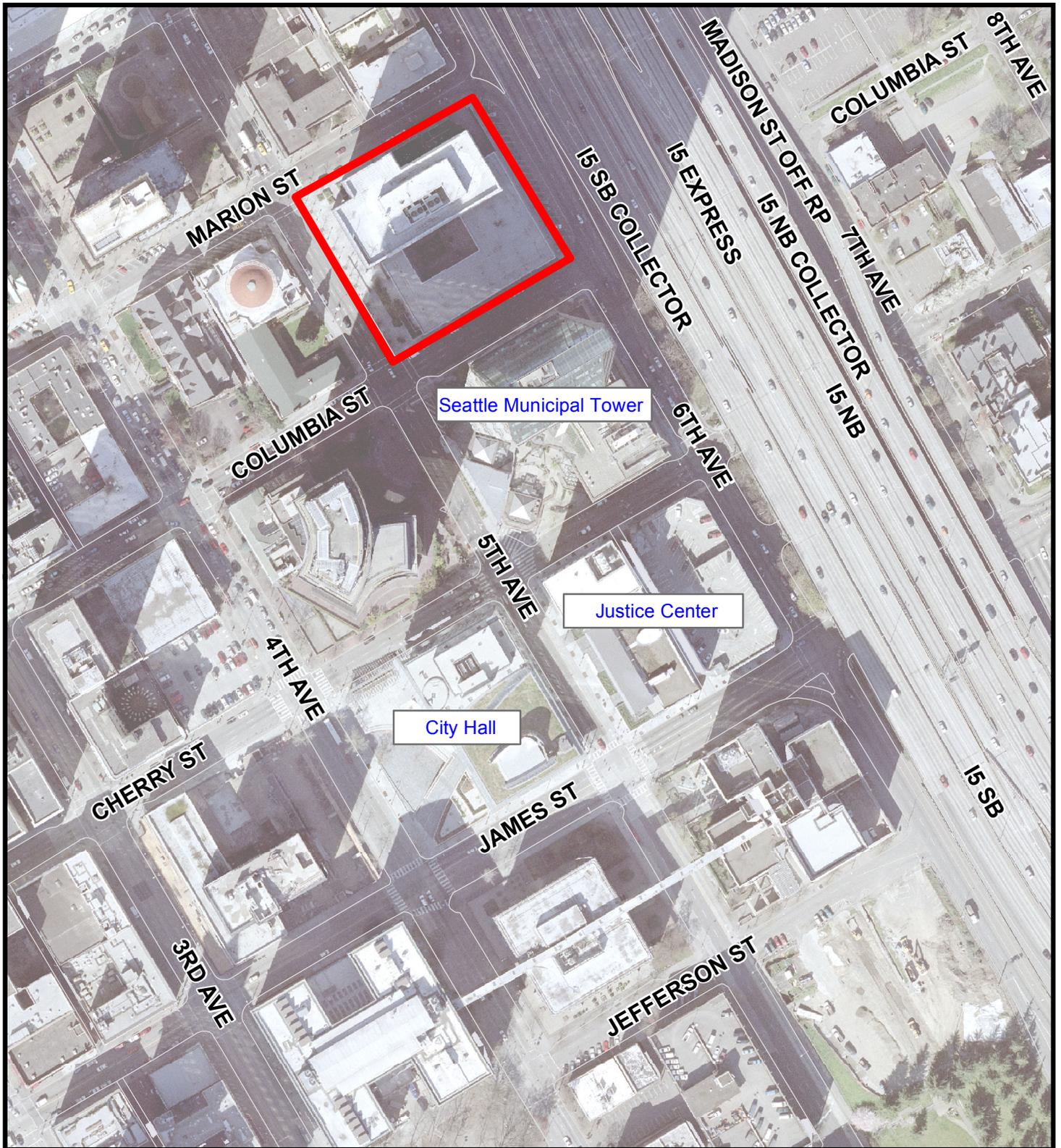
**List attachments to the fiscal note below:**

Attachment 1: Basic lease terms

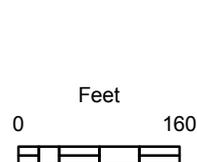
Attachment 2: Proximity map of leased property

Basic Lease Terms  
Bank of America Plaza Lease Agreement

- Premises:** Floor 30 (SDOT currently occupies floor 30) and an option to take floor 31  
Additional option to take up to four additional floors located between floors 7 and 14  
(lower floors)
- Term:** 10 years, plus two 5 year options to extend.
- Rental Rate:** Floors 30 & 31: Free rent for first 9 months, then \$24.50/rsf, plus \$1.00/rsf annual  
increase.  
Lower floors: Occupancy by August 31, 2014, 5 months free rent, \$18.25/rsf plus  
\$1.00/rsf annual increases.  
After September 1, 2014, ability to take up to four additional floors at then market rate.
- OpEx (NNN):** \$11.22/rsf for 2013; cannot increase more than 5.0% annually.
- Tenant Imp:** Floors 30 & 31: \$35.00/rsf  
Lower Floors: \$55.00/rsf  
TI can be combined between floors for 30 & 31 and between the lower floors; for  
example floor 30 may require only \$5.00/sf in T/I's the remainder can be used on floor 31  
for a total of \$65.00/sf.  
Up to \$5.00 of unused T/I allowance can be applied towards move costs.
- Termination:** Right to terminate all or part of the lease (full floors) at year 7 of lease; City will be  
responsible for unamortized free rent, T/I Allowance, 3 months of rent and other  
associated transaction.
- Parking:** Right, but no obligation to lease from landlord up to 1 stall per 2,500rsf of lease space  
(approximately 17 stalls for floors 30 & 31, and up to an additional 17 stalls for the lower  
floors.)



 **City of Seattle**  
Bank of America Plaza  
Office Lease  
800 Fifth Ave



FAS Facility Operations Division  
WCraven July 2013  
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including accuracy, completeness, of fitness for use.