

**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
FAS	Bill Craven / 733-9328	Jennifer Devore 615-1328

**Legislation Title:** AN ORDINANCE authorizing the Director of Finance and Administrative Services to execute an amendment to a lease last authorized by Ordinance 121686, extending the City’s lease of office space at 600 39<sup>th</sup> Avenue SW in Renton, Washington from LBA REALTY FUND II-COMPANY IV, LLC, on behalf of the Human Services Department’s Aging & Disability Services Division.

**Summary of the Legislation:**

This legislation authorizes the Director of Finance and Administrative Services (FAS) to amend a lease agreement with LBA REALTY FUND II-COMPANY IV, LLC for approximately 13,632 square feet of office space, located at 600 39<sup>th</sup> Avenue S.W. in Renton. The tenant is, and will continue to be the Human Services Department (HSD). This action amends an existing lease to add an additional eight years and five months to the term of the lease and, at the City’s discretion, a further five-year extension. If authorized by City Council, the Third Amendment to Office Lease will be retroactively effective to July 1, 2013 upon signature of the Director, and will terminate on November 30, 2021, unless the City exercises its extension option. The legislation is required because the amount of leased space exceeds FAS’ leasing authority under Seattle Municipal Code 3.127.020.C.2 and exceeds the length of term that the Director is authorized to approve by Seattle Municipal Code 3.127.020.A.

**Background:**

In 2004, the City entered into a lease for 8,312 square feet of office space at the Times Square Building at 600 39<sup>th</sup> Avenue S.W. in Renton Washington on behalf of the Case Management Unit of the Aging & Disability Services Division of the Human Services Department. The new lease allowed HSD to move from overcrowded facilities in the Kent Commons yet continue to serve their clients throughout south King County. The lease had an expiration date August 30, 2011, with a five-year renewal option. The lease was authorized by Ordinance 121686.

The lease was first amended in 2006, enlarging the space to 10,934 square feet, consistent with the expansion option provided in the original lease. Another expansion to the current 13,632 square feet was authorized by a second amendment in 2009. With the City choosing to exercise the option to extend the lease the expiration date was reset to February 28, 2014.

In 2013, FAS and HSD toured several other office buildings in south King County to analyze whether moving to a new location would be cost effective. Although several proposals for other office buildings were evaluated, remaining at the Times Square Building proved to be the most cost-effective solution. In addition to a lower rental rate, the City negotiated a nine month rent abatement clause that is retroactively effective from July 2013 through March 2014. Starting in March 2014 the new monthly rent is actually lower than the rent in 2009 and HSD will avoid

move costs by remaining at the current location.

**X** **This legislation has financial implications.**

**Appropriations:**

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

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

Appropriations Notes:

No additional appropriation is necessary for the remainder of 2013 as the lease rate remains the same until July 1, 2014, at which time the lease rate increases by 3.5%. Future year lease rates will be included in the annual budget.

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

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

Revenue/Reimbursement Notes:

No new additional revenue/reimbursement is anticipated in this legislation.

**Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:**

N/A

**Spending/Cash Flow:**

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

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

Spending/Cash Flow Notes:

Table 1 below illustrates the lease costs for the portion of 2013 in which the lease will take effect and the entirety of 2014.

**Table 1: Rent Payments for HSD Aging & Disability Services Division 2013 and 2014 covered by legislation.**

Cost	2013	2014			
	July-Dec 2013	Jan – March 2014	April - June 2014	July - Dec 2014	Total 2014
Yearly Rent	\$0.00	\$0.00	\$48,564.00	\$97,128.00	\$145,692.00
FAS OH 3%	\$0.00	\$0.00	\$1,456.92	\$2,913.84	\$4,370.76
Op Exp (Estimates)*	\$28,388.64	\$14,762.10	\$14,762.10	\$29,524.20	\$59,048.40
<b>Total</b>	<b>\$28,388.64</b>	<b>\$14,762.10</b>	<b>\$64,783.02</b>	<b>\$129,566.04</b>	<b>\$209,111.16</b>

\* This is a full service lease, meaning that janitorial and utility payments are included in the operating expenses as well as common area maintenance charges and taxes and insurance. The cost is comparable to that for operating expenses in other buildings owned and leased by FAS.

**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 above through November 30, 2021.

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

If the lease is not extended for the office space, HSD will need to relocate its Aging & Disability Services Division office in south King County to another leased office property incurring substantial moving costs and potentially higher lease rates. The move could be time consuming and temporarily interrupt the Division’s services to its constituents.

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

Yes, FAS administers this lease on behalf of the Human Services Department.

**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

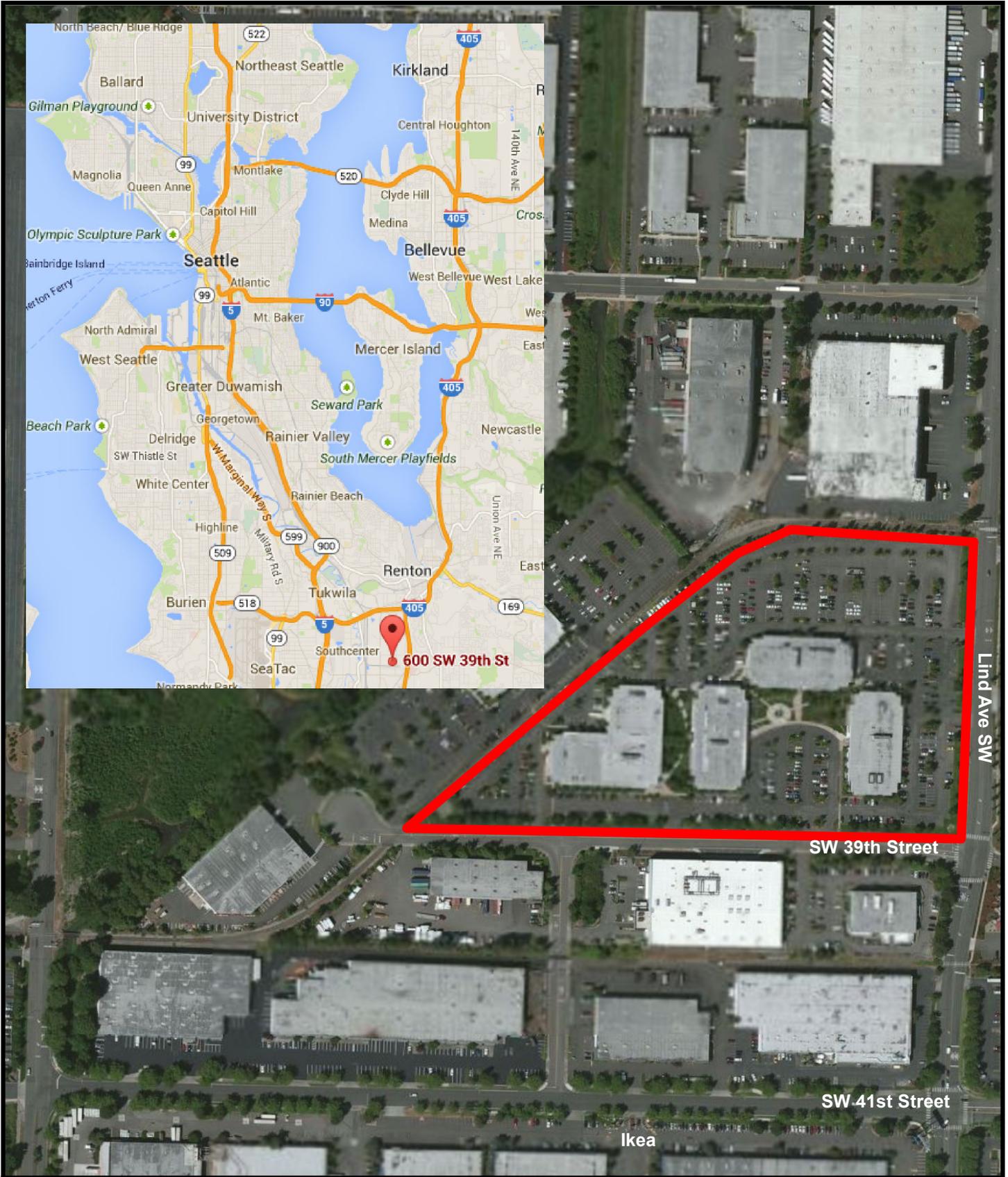
Bill Craven  
FAS Renton Office Lease FISC  
October 3 2013  
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execute a lease agreement on a portion of property located at 600 39<sup>th</sup> Avenue S.W. in Renton. Please see Attachment 1, proximity map of the leased office space.

**h) Other Issues:**

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

Attachment 1: Proximity map of leased property



**Renton Time Square**  
**600 39th Avenue, Renton**  
**Human Services Department**  
**Aging and Disability Services**



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