

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title: AN ORDINANCE relating to the Department of Parks and Recreation (“DPR”); authorizing the Superintendent to enter into a lease agreement with Cascade Bicycle Club to occupy and use a portion of Building 11 at Warren G. Magnuson Park.

Summary of the Legislation:

The proposed legislation authorizes the Department of Parks and Recreation (DPR) to enter into a ten-year lease agreement with Cascade Bicycle Club (CBC) to occupy and use a portion of Building 11 at Warren G. Magnuson Park (Magnuson Park) to operate a Bicycling Center. The Bicycling Center shall include support functions such as office space necessary to support the permitted use. The proposed agreement includes four options to extend for five-years each if CBC invests \$1,250,000 (within 7 years) in improvements to the premises or Magnuson Park. The improvements would be pre-approved by the Superintendent. CBC will initially occupy 9,050 sq. ft. year round as their primary space for offices and bicycling oriented activities.

Building 11 transferred to City ownership from the Navy in 1999. At that time the building was in poor condition and in need of substantial upgrades. In 2005, DPR issued a request for proposals looking for someone to redevelop the building, fill it with a mix of parks and recreation and non-parks and recreation oriented tenants, all at no cost to the City. One proposal was received - Building 11 LLC (the LLC). The City entered into a lease agreement with the LLC in 2009. Insurmountable issues arose around implementing the 2009 Lease Agreement and the subsequent desire for amendments by the LLC. In February 2013, The City and the LLC entered into a settlement agreement whereby the LLC will complete certain renovations to the building and terminate the lease agreement in exchange for payments totaling \$7,025,000.

In addition to work being completed by the LLC, CBC will make additional improvements to the first floor of the building that will be occupied by CBC. CBC will be allowed \$101,500 tenant improvement allowance for enhancing the space for their occupancy.

Since March 2013, the City has been approached by various potential tenants interested in occupying portions of Building 11. CBC is one of those tenants. This agreement is the result of negotiations held during May 2013 through March 2014.

Background:

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations: N/A

Fund Name and Number	Department	Budget Control Level*	2014 Appropriation	2015 Anticipated Appropriation
TOTAL	N/A	N/A	N/A	N/A

Appropriations Notes:

None.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2014 Revenue	2015 Revenue
Park and Recreation Fund (10200)	Parks and Recreation	Income from Rent Payment	\$10,181	\$88,543
TOTAL			\$10,181	\$88,543

Revenue/Reimbursement Notes: CBC will pay \$15.00 per square foot for the initial 12 months of their lease. Rent will increase by 3% per year each successive year, on the anniversary of the rent commencement date.

CBC will be allowed to offset its rent to fund up to \$101,500 in tenant improvements to the building. The rent offset maximum is 35% each month until the tenant improvements are fully reimbursed. Estimated rent after tenant improvement allowance reduction each year is shown in Table 2.

Table 2: Estimated Rent Payment schedule

Year	Rent Due	Rent Paid	Offset Used
2014	15,663	10,181	5,482
2015	136,220	88,543	47,677
2016	140,307	91,966	48,341
2017	144,516	144,516	-
2018	148,851	148,851	-
2019	153,317	153,317	-
2020	157,917	157,917	-
2021	162,655	162,655	-
2022	167,535	167,535	-
2023	172,561	172,561	-
Total	1,399,542	1,298,042	\$101,500

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

N/A

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2014 Positions	2014 FTE	2015 Positions*	2015 FTE*
TOTAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Position Notes:

None.

Do positions sunset in the future? N/A

Spending/Cash Flow: N/A

Fund Name & #	Department	Budget Control Level*	2014 Expenditures	2015 Anticipated Expenditures
TOTAL	N/A	N/A	\$29,955	\$29,955

Spending/Cash Flow Notes:

DPR will pay utilities, common area maintenance and tenant management costs associated with this and other tenant agreements in the building. Based on experience with other buildings at Magnuson Park we estimate those costs to be \$3.31 sq. ft. That is estimated at \$29,955 in costs for 2014.

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes, as shown in Table 2 revenues continue to increase during the term of the agreement.

b) **What is the financial cost of not implementing the legislation?**
DPR will have to start searching for a different tenant or tenants to occupy the space.
Rental revenue from these spaces would be delayed.

c) **Does this legislation affect any departments besides the originating department?**
No.

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

Other than finding a similar tenant who can agree to similar terms, there are no feasible alternatives to the legislation that would achieve the same result.

d) **Is a public hearing required for this legislation?**
No.

e) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

f) **Does this legislation affect a piece of property?**
Yes - a map is included as Exhibit B in Attachment 1 of the ordinance.

g) **Other Issues:**
None.

List attachments to the fiscal note below:

Attachment A: Contract Summary Form

Attachment A
Seattle Department of Parks and Recreation

CONTRACT SUMMARY

Contracting Party/ Lessee/ Concessionaire/Other: Cascade Bicycle Club

Contract Title and Contract Type: Magnuson Park Building 11 Lease – Cascade Bicycle Club - Lease

Non-Profit **X** or **For Profit** _____

New **X** or **Renewal (or extension of existing Lease)** _____

Premises: 9,050 square feet in the first floor of Building 11

Term of Lease: 10 years plus four five-year extensions, if \$1,250,000 is invested in tenant improvements to premises or Magnuson Park with the first 7 years of lease. Should tenant exercise all possible extensions the Lease will total 30 years.

Purpose of Lease Agreement (description of license): This agreement allows the Lessee to complete tenant improvements to Building 11 to occupy and manage the Cascade Bicycling Center and an expansion of the services they currently offer in a much smaller footprint in Building 138 at Magnuson Park.

Rent: Initially lessee will pay \$15 per square foot for the first 12 months of their lease. The rent would be increased annually by 3% on the anniversary of the lease commencement date for the term of the initial lease period. Prior to the commencement of each extended term a market-rate study would be conducted. Any increase based the study would take effect at the beginning of the first year of each extended term with a 3% annual increase in the intervening years.

Adjustments to Rent (if any): Lessee will be allowed to offset rent to fund tenant required improvements to 7,950 sq ft of the premises up to \$10 per sq ft (\$79,500) and \$20 per sq ft for 1,100 sq ft of the premises (\$22,000), with a total allowable offset of \$101,500. A maximum monthly offset of 35% is allowable in any given month.

Public Benefit (e.g., description of permitted use): Cascade Bicycle Club has been a partner of DPR since 1999, promoting healthy life styles and environmental responsibility. Per the agreement, they will provide a range of public benefits including bicycle safety education, helmet fittings and promoting healthy, safe cycling.

Maintenance: Lessee is responsible for all minor maintenance and custodial jobs within their premises. The City is responsible for exterior, structural and systems' building maintenance.