



**Legislative Department
Seattle City Council
Memorandum**

Date: September 18, 2013
To: Government Performance and Finance Committee
From: Dan Eder
Subject: **Bank of America Plaza Lease**

C.B. 117922 would authorize the Executive to enter a ten-year lease in the Bank of America Plaza building at 800 5th Ave. The City can extend the lease for up to ten additional years (two five-year extensions).

The lease allows the City to terminate the lease at the end of the seventh year. Executive staff indicates that it is unusual to include an early termination clause without penalty. Early termination allows the City to shorten the term to seven full years at the City's sole discretion and without penalty (although the City would be obligated to pay any unamortized tenant improvements and free rent).

FAS indicates that space in the Seattle Municipal Tower is fully utilized. SDOT is currently leasing one floor in the Bank of America Plaza; and SDOT would continue to occupy one of the floors covered by the proposed new lease. In the near-term, there appear to be several other potential municipal uses for the new leased space. The Executive may decide some of these potential uses could be accommodated without additional space, and some of that do require additional space in the short term may not require the space for the duration of the lease.

The lease as presented provides the City with two floors plus a one-year window in which the City could opt to lease an additional one, two or three floors at the negotiated lease rate. The initial annual cost is \$750,000 for each of the two initial floors. Lease costs will increase annually on a negotiated schedule. The initial lease rate is \$24.50 per square foot in the first year plus \$11.25 in operating costs ("NNN"). Each floor is approximately 21,000 square feet (21,000 square feet / floor * \$35.75 = about \$750,000 / floor). The initial annual cost would be approximately \$400,000 for each of up to three additional floors if the City exercises its option. The lease also references the possibility that the City may lease a fourth additional floor, but this option would require a future negotiation to determine a negotiated lease rate.

The lease rate (\$24.50 per square foot) negotiated by FAS is about 20 percent lower than the current rate that SDOT pays for a single floor in the Bank of America Plaza. The proposed lease is for a minimum of two floors, and City may have been able to negotiate a lower rate per square foot by incorporating the

option to rent additional floors. However, the City is not obligated to lease any space beyond the initial two floors.

Executive staff indicates that there is still some uncertainty about how many floors are needed, who will occupy the space in the short term, and how the space would be used in the longer term. Each floor is big enough to fit between 70 and 100 staff, depending on the size and configuration of offices and conference rooms.

If the lease is approved, Executive staff indicates that it is likely that the City will use its option to lease at least one of the additional floors (beyond the initial two floors). The following matrix was provided by FAS to describe how the leased space may be used:

Department	Use	Length	Space required
Seattle Dept. of Transportation	Resource Management, SDOT IT,	Length of lease (This group has occupied floor 31 since 2007.)	1 floor of Bank of America Plaza (21k sf)
Finance and Administrative Services	Summit Re-Implementation Project	4 – 7 years	1 floor of Bank of America Plaza (21k sf)
Seattle Dept. of Transportation	Human Resources, Urban Forestry and Street Maintenance Engineering	Length of lease	1 floor of Bank of America Plaza (21k sf)

In addition, the Seattle Police Department’s Office of Professional Accountability has requested additional space in the Bank of America Plaza building. FAS indicates that no decision has yet been reached about whether to accommodate that request, and other options are being explored.

Options:

1. Do not approve the C.B.
2. Approve the C.B. authorizing the lease of initial two floors, and *require the Executive to seek Council authorization* prior to exercising the option to lease one or more additional floors.
3. Approve the C.B. authorizing the lease of initial two floors, and *direct the Executive to consult with Council* prior to exercising the option to lease one or more additional floors.
4. Approve the C.B. as transmitted authorizing the lease of initial two floors, and leave to the Executive’s discretion whether to exercise the option to lease one or more additional floors.