

MOTION NO. M2018-110
Lease Agreement with Redstone WA Property LLC for the Lynnwood Link Extension

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Capital Committee	09/13/2018	Recommend to Board	Ron Lewis, Acting Executive Director Rod Kempkes, Executive Project Director
Board	09/27/2018	Final Action	- Lynnwood Link Extension Nancy Bennett, Property Management Manager

PROPOSED ACTION

Authorizes the chief executive officer to execute a lease agreement with Redstone WA Property LLC for office space located on the third floor of the Redstone Corporate Center Building in Mountlake Terrace, WA through December 31, 2025 (including an optional one year extension), for a total authorized agreement not-to-exceed \$5,447,401.

KEY FEATURES SUMMARY

- This action will authorize the lease of approximately 23,000 square feet of office space for use by approximately 100 Sound Transit staff and contractors as a construction management field office for the Lynnwood Link Extension, located on the third floor of the Redstone Corporate Center Building located in Mountlake Terrace.
- The lease will be effective January 1, 2019 and will terminate December 31, 2024. The lease offers the option to renew for an additional one-year period extending the agreement to December 31, 2025. The lease also provides the option to terminate effective any time after the last day of the fifth lease year as long as the landlord receives twelve months prior notice.
- The Lynnwood Link construction management team requires a field office located in the vicinity of the construction work area that is large enough for Sound Transit staff and the construction contractor's management staff. This location was selected through an extensive search to identify and evaluate suitable options for office space in close proximity to the construction site in Mountlake Terrace and Lynnwood.
- The lease provides Sound Transit with the option to extend the lease for one additional year through December 31, 2025 at then current market rent. This action authorizes the exercise of that extension provided the rent and operating expenses do not exceed the estimated amount of \$919,100 for that period.
- This lease is for one of two construction management offices required to support the Lynnwood Link project. The second is anticipated to come to the Board for review later in 2018.

BACKGROUND

The Lynnwood Link Extension is an 8.5 mile light rail extension from Northgate to Lynnwood with service to the cities of Shoreline, Mountlake Terrace, and Mountlake Terrace. The extension will travel primarily along I-5 and include four stations at NE 145th Street, NE 185th Street, Lynnwood Transit Center, and Mountlake Terrace Transit Center. The project began final design in 2016 and is scheduled to open for service in 2024.

The Lynnwood Link Extension Final Environmental Impact Statement was issued in April 2015, in compliance with the State Environmental Policy Act and the National Environmental Policy Act (NEPA). The Sound Transit Board selected the project route, profile, and stations on April 23, 2015. The Federal Transit Administration issued a NEPA Record of Decision (ROD) for the project on July 10, 2015, and the Federal Highway Administration issued a ROD on August 31, 2015, completing the NEPA process.

Resolution No. R2018-16 was passed by the Board on May 24, 2018 which approved the baselining of the project scope, budget, and schedule and authorizing the start of construction.

The Lynnwood Link construction management team requires a field office in the vicinity of the construction work area. The office space must be large enough for Sound Transit staff to be co-located with the construction contractor's management staff. Through an extensive search that was conducted to identify and evaluate suitable options for providing office space in Mountlake Terrace and Lynnwood in close proximity to the construction site, this location was selected. The space included in this transaction would provide room for approximately 100 staff and contractors.

The terms of the lease will include:

- Thirty days early access to set up furniture, fixtures and equipment.
- The first year's rental rate of \$20.50 per square foot and estimated operating expenses of \$8.97 per square foot. Rent will increase 3 percent annually on the anniversary date of the lease. Operating Expenses will be adjusted at the beginning of every calendar year based on actual costs and capped at 4 percent.
- Sound Transit will receive free rent for the first three months of the lease.
- The landlord will provide Sound Transit an allowance for tenant improvements equal to \$35 per square foot. If the improvement costs are less than the tenant improvement allowance, the remaining balance will be applied as a credit to the base rent. The credit shall not exceed the total amount of \$345,180, \$15.00 per square foot of the rentable area in the premises.
- Sound Transit will receive 69 parking passes, three for every 1,000 square feet of leased space.

FISCAL INFORMATION

The authorized project allocation to date for Lynnwood Link Extension project is \$2,771,622,000. Within that amount, \$1,921,391,000 has been allocated to the construction phase. Of this amount, \$11,000,000 is allocated to the Construction Miscellaneous line. This proposed action will commit \$5,447,400 to this line, leaving a remaining uncommitted budget balance of \$5,552,599.

This action is within the adopted project allocation and sufficient funds remain after the approval of this action to fund the remaining work in the construction phase as contained in the current cost estimates.

Lynnwood Link Extension

(in thousands)

	Authorized Project Allocation to Date	Board Approvals	This Action	Board Approved Plus Action	Uncommitted / (Shortfall)
Agency Administration	\$98,164	\$24,575	\$	\$24,575	\$73,589
Preliminary Engineering	39,054	39,054		39,054	
Final Design	164,162	114,838		114,838	49,324
Right of Way	235,660	106,365		106,365	129,295
Construction	1,921,391	14,446	5,447	19,893	1,901,498
Construction Services	128,429	22,596		22,596	105,833
Third Party	14,600	10,875		10,875	3,725
Vehicles					
Contingency	170,162				170,162
Total Current Budget	\$2,771,622	\$332,748	\$5,447	\$338,196	\$2,433,426

Phase Detail

Construction

Construction Misc	\$11,000	\$	\$5,447	\$5,447	\$5,553
Remaining Final Design Phase	1,910,391	14,446		14,446	1,895,945
Total Phase	\$1,921,391	\$14,446	\$5,447	\$19,893	\$1,901,498

Contract Detail

Redstone WAProperty LLC	Board Approvals to Date	Current Approved Contract Status	Proposed Action	Proposed Total for Board Approval
Agreement Amount	\$	\$	\$5,447	\$5,447
Contingency				
Total	\$	\$	\$5,447	\$5,447
Percent Contingency	0%	0%	0%	0%
Total Lynnwood Link Extension	\$	\$	\$5,447	\$5,447

Notes:

Amounts are expressed in Year of Expenditure

Board Approvals = Committed To-Date + Contingency as of July 2018 and includes pending Board actions.

For detailed project information, see page 22 of the Adopted 2018 Transit Improvement Plan, as amended by resolution of the ST Board in May 2018 (R2018-16, adopted 05/24/18).

SMALL BUSINESS/DBE PARTICIPATION

Not applicable to this action

SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION

Sound Transit promotes and encourages small business participation, which also includes Disadvantaged Business Enterprises (DBEs). Small Business and DBE goals are based upon an examination of subcontracting opportunities contained in the work of this contract and the number of Small Businesses/DBEs available to perform such subcontracting work.

Sound Transit determined that there were few Small Business and DBE subcontracting opportunities based upon the work described in this contract, so Small Business/DBE goals were not established.

PUBLIC INVOLVEMENT

Not applicable to this action.

TIME CONSTRAINTS

A one month delay in approving this action would result in a lease commencement date beginning one month behind schedule, thereby affecting the ability of the construction management team to effectively manage the project.

ENVIRONMENTAL REVIEW

KH 8/24/18

LEGAL REVIEW

JB 9/10/18

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A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a lease agreement with Redstone WA Property LLC for office space located on the third floor of the Redstone Corporate Center Building in Mountlake Terrace, WA through December 31, 2025 (including an optional one year extension), for a total authorized agreement not-to-exceed \$5,447,401.

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- shall not exceed the total amount of \$345,180, \$15.00 per square foot of the rentable area in the premises.
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MOTION:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer to execute a lease agreement with Redstone WA Property LLC for office space located on the third floor of the Redstone Corporate Center Building in Mountlake Terrace, WA through December 31, 2025 (including an optional one year extension), for a total authorized agreement not-to-exceed \$5,447,401.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on _____.

Dave Somers
Board Chair

ATTEST:

Kathryn Flores
Board Administrator