



Motion No. M2019-57

Lease Amendment with 705 Union Station LLC

Meeting:	Date:	Type of action:	Staff contact:
Rider Experience & Operations Committee	06/06/2019	Recommend to Board	Bonnie Todd, Executive Director of Operations
Board	06/27/2019	Final action	Nancy Bennett, Property Management Manager

Proposed action

Authorizes the chief executive officer to execute the first amendment to the lease agreement with 705 Union Station LLC to extend the term for an additional one-year period and to add an additional 97,205 square feet of office space located on the seventh, ninth, tenth, and eleventh floors of 705 Union Station in Seattle, WA through November 30, 2027, in the amount of \$24,044,878 for a total authorized lease agreement amount not to exceed \$66,249,313.

Key features summary

- This action will authorize an amendment to the existing lease for an additional 97,205 square feet of office space and a lease extension for the existing 78,538 square feet. The total square footage is 175,743 square feet.
- The existing lease covers the first, fourth, fifth, and sixth floors of 705 Union Station and expires November 30, 2023. Sound Transit also has an existing sub-lease for the eleventh floor of 705 Union Station that expires October 30, 2020.
- The lease amendment will:
 - Extend the existing lease for the first, fourth, fifth and sixth floors for one additional year, commencing December 1, 2023 and ending November 30, 2024. Effective December 1, 2023, Suite 110 square footage will increase from 4,368 to 5,575 in accordance with new BOMA measurement standards.
 - Add 24,389 square feet on the seventh floor, commencing December 1, 2019, and ending November 30, 2027.
 - Add 48,565 square feet on the ninth and tenth floors, commencing November 1, 2020, and ending November 30, 2027.
 - Add 24,251 square feet on the eleventh floor (replacing the current sub-lease), commencing November 1, 2020, and ending November 30, 2027.
- The monthly rent for the seventh, ninth, tenth, and eleventh floors will be abated for the first three months of each floor's lease term.
- Sound Transit will be provided a \$2,345,825 tenant improvement allowance: \$487,780 when the seventh floor lease term commences, \$971,300 when the ninth and tenth floors lease term commences, \$485,020 when the eleventh floor lease term commences, and \$398,725 when the existing premises lease term extends.

- Sound Transit has the option to utilize 50 percent of the tenant improvement allowance as free rent.
- Sound Transit will pay an additional security deposit in the amount of \$454,279 for a total amount of \$696,437.
- The lease amendment provides Sound Transit an option to renew for an additional five year term.
- The amount requested is sufficient to cover the original lease plus the expansion space. It does not include an amount for the five-year option to extend.

Background

With the passage of ST3 in November 2016, the space needs are significant to accommodate staff working on the system expansion implementation plan and ongoing service. Current projections show an increase of almost 300 staff and consultants from staffing counts in April 2018.

This lease amendment will continue to provide office space for staff currently working in the 705 Building, the South Corridor project teams, the long-term space for the West Seattle and Ballard Link Extensions project team, and Project Controls when the sublease agreement with CDK Global LLC has expired in December 2020.

Fiscal information

The proposed action with 705 Union Station LLC will amend the current lease contract to add additional office space located on the seventh, ninth, tenth and eleventh floors of 705 Union Station in Seattle, WA and to extend the lease term of the existing office space located on the first, fourth, fifth and sixth floors by one additional year. The seventh floor lease will commence on December 1, 2019; ninth, tenth and eleventh floor leases will commence on November 1, 2020. As is typical of commercial leases, Sound Transit does not have an early termination to the lease but may request Landlord approval to sublet some or all of the leased premises if our space needs change.

The contract will increase by \$24,044,878, for a new total authorized contract amount not to exceed \$66,249,313, which does not include the option to extend for an additional five-years. The contract will be funded from the Leases & Rentals category within the Design, Engineering and Construction Management (DECM) department's annual operating budget. The Leases & Rentals category budget is \$8,795,146, of which a total \$4,105,282 is estimated to be spent for the contract in 2019 (YTD spending of \$1,794,317 and estimated spending for the rest of 2019 of \$2,310,964) and is within the agency's budget authority. After approval of this action, the remaining annual budget amount will be used to fund other department expenditures anticipated in the 2019 annual budget.

Funding for the additional years of the contract will be included in future annual budget requests.

Design, Engineering and Construction Management (DECM)

(in thousands)

Cost Category	2019 Annual Operating Budget ¹	YTD Actuals ²	This Action (Current Year Impact Only)	YTD Actuals Plus Action (Current Year Only)	Remaining Annual Operating Budget
Salaries and Benefits	\$43,488	\$11,909		\$11,909	\$31,578
Services	1,705	378		378	1,326
Materials and Supplies	119	2		2	117
Utilities	335	60		60	275
Insurance	50				50
Taxes	278	215		215	63
Miscellaneous	330	140		140	190
Leases and Rentals	8,795	3,205	117	3,323	5,473
Total Annual Operating Budget	\$55,100	\$15,909	\$117	\$16,027	\$39,073

Contract Spending Plan	Spending to Date ³	Forecasted Spend for Remainder of 2019 ⁴	Future Spending	Total
705 Union Station LLC	\$4,297	\$2,311	\$59,641	\$66,249

Contract Detail	Board Approved Contract Value	Proposed Action ⁵	Proposed Revised Board Approved Contract Value
705 Union Station LLC	\$42,204	\$24,045	\$66,249
Contingency			
Contract Amount - Total	\$42,204	\$24,045	\$66,249
Percent Contingency	0%	0%	0%

Notes:

¹2019 Annual Operating Budget is located on page 125 of the Adopted Budget book.

²YTD Actuals as of April 30, 2019.

³Spending to Date as of April 30, 2019.

⁴Forecasted spend is greater than current year impact due to existing office space in lease contract not included in this action.

⁵Excludes \$20.4M 4-year option to renew from existing contract due to term overlap of new lease agreement.

Small business participation and apprenticeship utilization

Not applicable to this action.

Time constraints

A one-month delay could impact the date the space will be available for occupancy.

Prior Board/Committee actions

Motion No. M2017-95: Authorized the chief executive officer to execute a lease agreement with 705 Union Station, LLC for office space located on the first, fourth, fifth and sixth floors of 705 Union Station in Seattle, WA through November 30, 2023, with an option to renew for an additional five years, for a total authorized agreement amount not to exceed \$42,204,435.

Motion No. M2017-55: Authorized the chief executive officer to execute a sublease agreement with Amerigroup Washington, Inc. for office space located on the first floor of 705 Union Station in Seattle, WA through January 24, 2020, for a total authorized agreement amount not to exceed \$357,882.

Motion No. M2016-15: Authorized the chief executive officer to execute a sublease agreement with Attachmate Corporation for office space on the eleventh floor of 705 Union Station in Seattle, WA through October 30, 2020 for a total authorized agreement amount not to exceed \$4,104,000.

Environmental review – KH 5/28/19

Legal review – JV 6/6/19

Motion No. M2019-57

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute the first amendment to the lease agreement with 705 Union Station LLC to extend the term for an additional one-year period and to add an additional 97,205 square feet of office space located on the seventh, ninth, tenth, and eleventh floors of 705 Union Station in Seattle, WA through November 30, 2027, in the amount of \$27,042,020 for a total authorized lease agreement amount not to exceed \$69,246,455

Background

With the passage of ST3 in November 2016, the space needs are significant to accommodate staff working on the system expansion implementation plan and ongoing service. Current projections show an increase of almost 300 staff and consultants from staffing counts in April 2018.

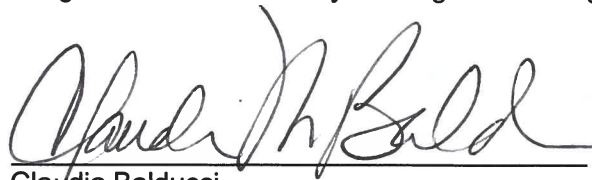
This action will authorize an amendment to the existing lease for an additional 97,205 square feet of office space and a lease extension for the existing 78,538 square feet. The total square footage is 175,743 square feet. The existing lease covers the first, fourth, fifth, and sixth floors of 705 Union Station and expires November 30, 2023. Sound Transit also has an existing sub-lease for the eleventh floor of 705 Union Station that expires October 30, 2020.

This lease amendment will continue to provide office space for staff currently working in the 705 Building, the South Corridor project teams, the long-term space for the West Seattle and Ballard Link Extensions project team, and Project Controls when the sublease agreement with CDK Global LLC has expired in December 2020.

Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute the first amendment to the lease agreement with 705 Union Station LLC to extend the term for an additional one-year period and to add an additional 97,205 square feet of office space located on the seventh, ninth, tenth, and eleventh floors of 705 Union Station in Seattle, WA through November 30, 2027, in the amount of \$27,042,020 for a total authorized lease agreement amount not to exceed \$69,246,455.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on June 27, 2019.



Claudia Balducci
Board Chair Pro Tem

Attest:



Kathryn Flores
Board Administrator