

New County Office Building: 2004-377

Phase II Follow-up

On December 9, 2003, the Metropolitan King County Council acknowledged the technical foundation and real estate research conducted under the auspices of the Facilities Management Division (FMD), and adopted Ordinance 14812, appropriating \$1.2 million to Phase II of the New County Office Building (NCOB) Project.¹ The NCOB project involves construction of a new King County office building on county-owned land of up to nearly 300,000 square feet of office space. The proposal results in substantial long-term savings by converting office space leased in privately owned buildings to county-owned space. This report completes Phase II work, which concluded with the negotiation of several critical agreements between the three parties involved in the NCOB project: King County, the Non-Profit, and the Developer (see below). Additionally, council has requested via Motion 11931 that the executive submit a report addressing a number of new policy issues related to the NCOB project. This report responds to Motion 11931.

Background

As a brief reminder, the NCOB plan is divided into four phases:

- **Phase I (complete): Evaluation of Options for Reducing Office Space Costs.** This phase was completed with submittal of a report to the council titled *An Approach to Reducing King County Office Space Costs*. Ordinance 14812 was adopted based upon the executive's recommendations in that report.
- **Phase II (underway): Site Selection and Predevelopment.** Activities include evaluation of site alternatives, site selection, preliminary conceptual design work, and permitting. Funding for Phase II was appropriated via Ordinance 14812. As stated in the *NCOB Quarterly Report* dated June 30, 2004, Phase II and some Phase III activities have been accelerated in order to minimize the projected expenses of additional rent, holdover costs, rising interest rates, and construction costs.
- **Phase III: Final Design and Construction.** Activities will include finalizing the Master Use Permit (MUP) process, issuance of tax exempt bonds, obtaining required design approvals, commencing design development and construction drawings, obtaining the building permit(s), and construction.
- **Phase IV: Space Allocation and Occupancy.** Final decisions regarding occupancy of the new building, space allocations, tenant improvement designs, moving, and startup of business operations will

¹ For further details, please see report entitled *An Approach to Reducing King County Office Space Costs* transmitted to council on September 15, 2003.

occur in this phase. There is some overlap with Phase III activities to capture savings associated with bidding and installation of tenant improvement features concurrent with bidding and construction of the buildings shell and core.

Of the \$1.2 million appropriated for Phase II, \$1 million was restricted (via budget proviso) pending executive's submittal of quarterly project reports and council approval of other reports addressing several policy matters. *Table 1* on page 4 summarizes the provisos and their approval status.

The collaborative effort between the legislative and executive branches to resolve policy and design issues has resulted in changes to the scope and schedule of the Phase II work. As a result, when council approved the project plan and site selection as required in the provisos to Ordinance 14812, council adopted Motion 11931, requiring analysis on additional topics. The specific scope and/or schedule changes resulting from the additional analysis requested are as follows:

- *Lease-Lease back agreement.* The motion accelerates the schedule for this item requiring the transmittal of the lease-lease back agreement and related documents to council by July 15th. The original plan was for submittal in mid-August, prior to the council cutoff date for 2004 legislation prior to council review of the 2005 Budget.
- *Develop a plan to secure additional property rights.* This was in the original FMD work plan as part of Phase III. The due date was accelerated to July 15th.
- *Analyze the cost and programmatic benefits of an alley vacation on Goat Hill site in order to step the new garage up the hillside.* This was an added design consideration; it was not included in the original scope of developer tasks.
- *Analyze the cost and programmatic benefits of reducing the height of the new garage along 5th Avenue to provide a friendlier streetscape.* Phase II work was scoped to include only massing studies; design development of facades was planned as part of Phase III.
- *Investigate an additional tunnel under 5th Avenue connecting the NCOB lobby with the new parking garage.* This item was not part of the original scope in any phase.
- *Create a parking plan for the new parking garage and review existing K.C.C. parking regulations to determine if policies, rates, or dedication of revenues should be changed.* The parking plan was originally assumed to be a part of Phase III. Review of the existing parking policies would have occurred outside the scope of the NCOB prior to start-up of garage operations.

- *Finalize the relocation plan for the automotive shop function. Analysis and design of this function was not included in the original Phase II work but would have been an item to be done as part of Phase III.*
- *Study options for improving inmate bus access to KCCF. This item was never anticipated in the original scope of the project.*
- *Study feasibility of removing skybridge that connects KCCF, Administration building, and Courthouse. The analysis will include replacement subterranean tunnels from KCCF to new parking garage. This issue was not part of the original scope of any phase of the project.*

Table 1. Summary of Ordinance 14812 Proviso Requirements, Expenditure Restrictions, and Status.

Proviso Requirement	Expenditure Limitation	Due Date	Status
1. Submit project plan and schedule.	\$400,000 until Council approves by motion the project plan, schedule, and site selection.	January 30, 2004	Approved on June 1, 2004.
2. Site selection.	No additional expenditure limitation; however, \$400,000 (above) applies here also.	None.	The executive transmitted the Site Selection Report on March 3, 2004; Council approved it on June 7 th , 2004. (Motion 11931 was also adopted which added new reporting requirements not included in this table.)
3. Submit quarterly reports.	\$200,000 until quarterly reports are submitted on time. Released in \$50,000 increments as reports are transmitted.	March 31, 2004 June 30, 2004 Sept. 30, 2004 Dec. 13, 2004	First and second quarterly reports submitted on time.
4. Re-evaluation report on central steam.	\$250,000 until council approves report by motion.	March 31, 2004	Report submitted on March 31, 2004, and waiting for council action.
5. Feasibility study of moving work release out of courthouse.	\$150,000 until council approves report by motion.	May 3, 2004	Report submitted on May 25, 2004, and waiting for council action.

Section 1

Lease Documents

In accordance with Motion 11931 approved by the King County Council on June 7, 2004, lease agreements have been negotiated to move forward with the proposal. The full text of the agreements required to move forward with the NCOB project are available in compact disk form upon request.

As a brief reminder, under the "63-20" tax exempt bond financing structure and lease-lease-back arrangement, there are three entities who work in partnership:

- **King County:** The county provides a ground lease of county-owned land to a non-profit entity (Non-Profit), which will finance the project. The county will "lease-back" the building and parking garage under a "lease-lease-back" arrangement. The Non-Profit will own the project during the leaseback term. At the end of the term of the lease, the county will own the building and parking garage.
- **Non-Profit Entity (Non-Profit):** King County has engaged the National Development Council (NDC), a Non-Profit entity, to act as the intermediary organization on this transaction. As part of their responsibilities, the NDC has created a limited liability corporation, Goat Hill Properties, to serve as the legal entity for this transaction. The Goat Hill Properties, through the NCD, will issue tax-exempt bonds to finance the project and will contract with the Developer, Wright Runstad and Company, to build the new structures. Goat Hill Properties will then act as owner and landlord leasing the structures to the county. At the end of the lease, which corresponds to the term of the bonds, the structures will be transferred to King County ownership.
- **Developer:** The developer, Wright Runstad and Company, will enter into an agreement with Goat Hill Properties to build the project in accordance with a development agreement. Wright Runstad and Company will engage a construction company to build the structures and engage other contractors, as needed to complete construction.

The legal structure of this project would be as follows:

- King County would long term master lease (ground lease) the site(s) to the non-profit entity created for the purpose of expediting and financing this project.
- The Non-profit (Goat Hill Properties) would then enter into a guaranteed maximum price development agreement with a top ranked

finalist/developer for the design and construction of the project.

- The Non-profit (Goat Hill Properties) will issue tax-exempt bonds in an amount sufficient to pay for design and construction of the Project.
- The Developer (Wright Runstad) will draw upon those bonds to pay for construction costs during the construction period.
- Upon completion of the construction, the Non-profit will "lease-back" all project improvements to King County.
- At the end of the lease term, the Non-profit will convey title to the buildings to King County.

In accordance with the above-described process, the following agreements are transmitted together with this report:

- **Master (Ground) Lease Agreements:** Under the 63-20 financing structure proposed for the NCOB project, King County will long-term ground lease county-owned property to the Non-Profit. The Metropolitan King County Council must take formal action to approve the ground lease. There are two ground lease agreements enclosed: one for the property on Goat Hill, east of 5th Avenue, where the new garage will be built; and one for the parcel west of 5th Avenue, where the new office building will be constructed.
- **Lease Agreement:** As described above, the Non-Profit issues 63-20 bonded debt and contracts with the Developer to construct the project. The county would then lease back the project improvements from the Non-Profit only after Wright Runstad has completed construction to the county's satisfaction.

The lease-back payments amortize the 63-20 bonded debt. When the 63-20 bonds are paid off, the Non-Profit conveys the title of the project improvements to the county. Simultaneously, the ground lease terminates, which allows the fee simple title interest and leasehold interest to merge in King County as titleholder and owner. Under the terms of the lease-back agreement, King County would operate the building during the term of the lease-back.

The Metropolitan King County Council must formally approve the lease-back agreement.

- **Development Agreement:** A development agreement between Wright Runstad and the Non-Profit is required to move forward with the project. King County is not a party to this agreement. However, the Development Agreement is attached to the ordinance authorizing execution of the necessary true documents.

As one of the final tasks in Phase II, legal representatives for the Prosecuting Attorney's Office, Bond Counsels, the National Development Council (non-profit), and Wright Runstad & Company (developer) have completed the enclosed draft lease agreement and development. The first attachment to this transmittal is an ordinance authorizing King County to enter into the long-term master leases for the Goat Hill and Automotive Center sites, in this case with the newly created Goat Hill Properties LLC to King County. This ordinance also authorizes execution of a lease (lease-back) from Goat Hill Properties for the new parking garage and new office building. Approval of these leases will complete Phase II of the NCOB plan.

Section 2

Responses Required in Motion 11931

In accordance with Motion 11931 approved by the King County Council on June 7, 2004, the following new issues have been researched and evaluated.

- A. Confirm current property entitlements and develop a plan to secure necessary property rights to implement the project as proposed.

FMD's Real Estate Services staff has planned and is currently executing a strategy for securing necessary property rights. If requested, staff is available for an executive session briefing on the topic. As part of this legislative package, funding is being requested to move forward with acquisition of property or property rights to address this concern.

- B. Investigate cost and programmatic benefits of an alley vacation on Goat Hill.

Preliminary design priorities focused on maintaining the existing alley on Goat Hill and minimizing the distance between the office building and the parking structure. This priority forced the garage to the west half of Goat Hill and created a tall, hard barrier along Fifth Avenue.

Initial County review of the design suggested that an alley vacation should be considered in order to move the garage back from the street and allow space for greenery and other amenities along Fifth Avenue. If the alley were vacated, the garage could have been moved "back" from the street; however, City of Seattle's Department of Planning and Development gave the development team early indications that two issues would complicate and possibly preclude approval of the alley vacation.

First, timing for the approval was very lengthy; City Council was unlikely to even consider the proposal until first quarter 2005, causing indeterminate delays to the development process for the NCOB. Secondly, if the alley vacation were approved, design review would then be moved to the Design Commission, rather than the Design Review Board. Wright Runstad & Company (WRC) provided early briefing to the Design Commission staff on proposed garage siting in order to complete this analysis. WRC was advised that the Seattle Design Commission would support neither a garage fronting Fifth Avenue nor a garage

stepped across the entire site (see Item D below). In fact, the Design Commission was likely to request a significant “public benefit” feature in trade for the perceived cost of the alley vacation. Design Commission’s early ideas for a public benefit feature were an open plaza on either the northwest or southwest quadrant of Goat Hill along Fifth Avenue.

As a result of this analysis, development team recommended against pursuing an alley vacation on Goat Hill. However, recognizing the concerns regarding the 5th Avenue streetscape, a design proposal was developed to move the garage structure to the eastern portion of the lot without creating the need for an alley vacation (see Item C below).

- C. Study the cost and programmatic benefits of a reduced height of the Goat Hill parking structure along Fifth Avenue and consider design alternatives to maximize the setback along Fifth Avenue.

Prior to design input from either County Council or City of Seattle Department of Planning and Development, conceptual designs showed the parking garage located along the east side of Fifth Avenue with access from both Jefferson Street and the intersection of Fifth and Terrace (see Figure 2.A). After the first of two required Early Design Guidance sessions with City of Seattle’s Design Review Board and several follow-up meetings with City staff, the development team recognized that the design priorities of a Class I Pedestrian Street (Fifth Avenue) would not allow a solid concrete wall to run the length of the block between Jefferson and Terrace Streets. County councilmembers also requested that the development team create a friendlier streetscape for pedestrians and consider setbacks that would allow landscaping or other amenities along Fifth Avenue. As a result of these ideas and concerns, the development team rethought the original concept and moved the parking garage to the east uphill half of Goat Hill (see Figure 2.B).

- D. Assess cost and programmatic benefits to stepping garage design up Goat Hill site.

As part of the due diligence required in response to Council’s design observations, the development team scoped several different parking garage configurations on the entire Goat Hill parcel. One set of drawings examined a “stepping” up the natural contour of the site with a multi-leveled parking structure. However, this “stepping” concept required use of the entire site, which City of Seattle staff said was unlikely to gain approval without considerable expenditures of both time and money. As described in Item B above, Design Commission staff indicated that project permitting would likely require a significant “public benefit feature” in the parking garage design as a trade-off for a potential alley vacation. Construction cost estimates included a 30%

increase in square foot expense for a "stepped" configuration. Consequently, project team realized that the project risks (both schedule and budget) were too great to allow further consideration of this concept.

- E. Assess the cost and programmatic benefits of extending the pedestrian tunnel connection between the King County Automotive Center site and the Goat Hill site. Scope pedestrian tunnel between new office building and new parking garage.

County councilmembers pointed out that personal safety issues should be carefully considered as access routes from new to existing buildings are planned. Although the schematic drawings for the new office building included connection to the existing tunnel (automotive center to Administration building), subsequent drawings have included concepts for an additional tunnel from the lower level elevator lobby in the new office building to the proposed secure (prox-card controlled) elevator lobby in the new parking garage. Additionally, from the corner of Fifth Avenue and Jefferson Street, garage users can enter a covered, secure pedestrian tunnel that provides easy horizontal access to the parking garage elevator lobby (see Figure 2.C).

- F. Develop relocation plan for DOT vehicle maintenance shop.

The current siting plan calls for the vehicle maintenance shop currently located at the Automotive Center site to be displaced as the old garage is demolished. Both the Facilities Management Division and representatives of the Department of Transportation have concluded that, given a suitable location, an alternative site just outside the Seattle downtown area could provide superior programmatic configurations and space at less cost than a downtown garage site. Clearly moving the shop away from the county's downtown dispatch vehicles creates transport issues. However, the handling of trucks and heavy equipment or vehicles that have been damaged would be facilitated through a facility with a large yard and other amenities not available at a site such as the new King County garage.

Acquisition of a warehouse/shop type facility with yard would be substantially less expensive than an assignment of the maintenance shop to the new parking garage. Ideally, a facility previously used for automotive maintenance would be the best and least costly as far as necessary tenant improvements. The acquisition of land and such a facility with some offices would range from \$75 to \$125 per square foot depending on location and size of the storage yard. The cost of shell and core space in the new garage would fall within this range but would not include the price of land and would not include the necessary

tenant improvements which would most likely run substantially higher than the cost of shell and core space.

FMD has been working closely with DOT Fleet Administration to document programmatic requirements in either the new parking garage or a replacement facility. FMD staff is available for an executive session briefing to review confidential real estate transactions if requested. Based on recent experience, the FMD recommends that the council provide the necessary spending authority to move rapidly on surfacing acquisition opportunities. Based on work performed by the DOT, the optimum location of an alternate site would fall somewhere between downtown and the King County International Airport with easy access to I-5. When properties come to market in this area, fast response is a necessity.

FMD will move forward with the search for, and evaluation of, alternative locations for the Fleet Vehicle Maintenance functions.

G. Consider improved bus access to south entry of KCCF from Goat Hill site.

After councilmembers made this suggestion, FMD staff discussed the topic with Department of Adult and Juvenile Detention (DAJD) administration, who confirmed the difficulties with large vehicle access into the "drive through sally" off Jefferson Street into the King County Correctional Facility (KCCF). Currently, buses must make a "3-point" turn by approaching the facility on Jefferson, driving past the entry, then reversing direction to back into the existing Goat Hill surface parking lot exit (about 36 feet uphill from the KCCF), and finally driving forward on a steep angle to align the vehicle with the sally port opening. The existing, uphill exit is approximately 9'-0" wide, which is barely adequate for usage by the large buses.

In the proposed site plan for the new parking garage, the alley width has been expanded to three lanes (approximately 42 feet); the wider alley is flat and directly across from the KCCF drive through sally entry. Both DAJD and the State of Washington Department of Corrections are reviewing the preliminary site plans while design work continues on the vehicular access concept.

H. Provide a feasibility study for removal of skybridge access from KCCF to Courthouse and include replacement subterranean tunnels.

In response to requests from the Executive in 2003, FMD staff scoped conceptual ideas for removal of existing skybridges and replacement with tunnel connections between KCCF, Administration building, and Courthouse. Estimates at that time were in the \$30 million range.

In this most recent analysis, staff made use of tunnel design and construction cost information from Hoffman Construction, who had recently completed the new tunnel from City of Seattle Justice Center to the KCCF. Cost estimates for County tunnels explored two concepts:

- 1) A deep tunnel running between KCCF and the Courthouse (completely underneath the Administration building and requiring major investment for elevators in both buildings).
- 2) A relatively shallow new tunnel connecting KCCF and the second floor of the Administration building. Renovation of the Administration building would create a "crossover" to an additional, secure elevator for transport to the existing tunnel between Administration building and Courthouse. Additionally, the existing tunnel would require major renovation to widen and provide dedicated safe and separate passage for users.

The conceptual cost estimates \$6 million to \$30 million and did not include any resulting operational costs incurred while construction is in progress or after completion (if DAJD court security transport times are increased with new access routes).

The executive recommends that the skybridge/tunnel project be separated from the New County Office Building and evaluated as a stand-alone CIP planning project in the 2005 budget process. FMD recommends launching a feasibility study that would analyze all design options based on security, construction, financial, and operational issues. A CIP will be scoped accordingly and included in the 2005 Executive Proposed Budget.

I&J. Provide parking plan for new garage. Review King County Code parking ordinances.

Parking Affected by New Office Building Plan

The current parking capacity on the two affected sites (KCAC and Goat Hill) is 730 total spaces (including 568 in KCAC and 162 surface spaces on Goat Hill).

Goat Hill is operated through a contract with Ampco, a private company; parking is available to the public at market-based rates (for the period July 1, 2003 through June 30, 2005, rates were set administratively by Department of Executive Services based on private contractor market rate information). The current gross revenue per space is approximately \$185 per month, with net revenue after expenses approximately \$150 per month. The contractor's most recent assessment recommends that rates be increased by category amounts ranging from 14 to 33% based on their last two market surveys. This would be the first rate increase since the inception of the Ampco contract and the first change to the rates published in 3.32.045 from which Goat Hill is exempted by administrative action as noted above. This

recommendation is being reviewed within DES, and we expect revised rates will be in effect no later than the 4th Quarter of 2004.

KCAC parking is limited to agency vehicles and employee parking with standard rates set by ordinance. Rates are currently \$160 per month for reserved spaces (plus Leasehold Excise tax of 12.84% or \$20.54 per month paid to the State); unreserved monthly parking is \$150 per month. There are a variety of special circumstances (including collective bargaining contracts), which allow certain individuals free parking (e.g., security guards) or reduced rate (e.g., \$20 per month for some DYS employees) or handicapped spaces (e.g., 50% of published rate). The effective current monthly gross income per space is approximately \$130, and after expenses, is approximately \$100 per space. The current code allows a survey of neighborhood comparables for use in rate-setting; FMD conducted the last survey in 2002. An update is underway for the 2005 budget.

Goat Hill Parking-Operated by Ampco

Estimated surface spaces=
For month

162

	Revenues	Expenses	Net
Jan-03	\$29,625	\$5,747	\$23,878
Feb-03	\$27,514	\$5,083	\$22,431
Mar-03	\$30,772	\$7,521	\$23,251
Apr-03	\$32,458	\$5,574	\$26,884
May-03	\$31,128	\$6,519	\$24,609
Jun-03	\$30,972	\$5,322	\$25,650
Jul-03	\$30,734	\$5,634	\$25,100
Aug-03	\$29,937	\$5,733	\$24,204
Sep-03	\$30,648	\$7,632	\$23,016
Oct-03	\$32,821	\$6,866	\$25,955
Nov-03	\$25,749	\$6,347	\$19,402
Dec-03	\$29,874	\$7,269	\$22,605
Total 2003	\$362,232	\$75,247	\$286,985
Ave/Space/month	\$186	\$39	\$148

KCAC Annual Estimated Proforma

568 spaces

		Per Space/month
Garage Gross	\$900,000	\$132
Garage Expenses	(\$230,000)	(\$34)
Garage Net	\$670,000	\$98

The current formula for distribution of income states 44% of net Goat Hill income and gross KCAC revenue to health and human services activities and the remainder of net income to CX. The following chart illustrates current distributions.

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Goat Hill and KCAC estimated distributions

	<u>Gross</u>	<u>Net Human Services</u>	<u>Current Expense</u>
Goat Hill	\$362,000	\$287,000	\$126,000
KCAC	<u>\$900,000</u>	<u>\$670,000</u>	<u>\$396,000</u>
Total	\$1,262,000	\$957,000	\$522,000
			\$435,000

The original proforma for the new office building and parking assumed that there would be a net addition of 250 parking spaces with the net income from those spaces (an estimated \$460,000 in 2007 and increasing 3% per year thereafter) dedicated to the new building repayment lease cost. The remainder of parking income would be distributed to human services and Current Expense.

How would the new parking be operated and how would rates be established?

The new project is currently estimated to have 170 spaces beneath the new office building and as many as 760 structured (*includes 20 spaces available if the 7,000 SF preliminary allocation for the vehicle repair facility is eliminated*) and 56 surface spaces on the Goat Hill site. The resulting total is 986, which is 256 more than current.

The 170 spaces beneath the new office building would be dedicated to county employees and county vehicles. The 170 spaces would be a combination of reserved and festival (unreserved) spaces with a monthly payment.

Goat Hill site spaces would be available to the public, as well as employee and agency vehicles, including DOT's Fleet. The Goat Hill site would accommodate monthly, daily, or hourly public parkers. Monthly parkers given priority in overflow conditions so that a monthly festival parker would always be guaranteed access; parking for daily and hourly users would be available on a "space available" basis.

As with the current Goat Hill surface parking operation (currently yielding a net income of \$150 per space), the new, significantly expanded Goat Hill parking facility (with public access) would establish market hourly and daily rates. These daily and monthly rates would then be used to derive an equivalent rate for monthly festival parking. This monthly festival rate would then be used to establish a price for the reserved spaces. These reserved spaces would be priced to reflect a premium sufficient to recover the inability of the County to utilize this space when vacant (e.g., an inability to overbook), as well as a premium if the reserved-stall user requires a certain size stall.

All parking fees and charges would be regardless of the user's status. Assignments, labor agreements, or other special conditions that would require or justify reduced or no payment would be the responsibility of the

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benefiting program with appropriate justification and controls on those payments.

How would income be distributed?

The operation and rate setting for the parking facilities are intended to maximize net income, as well as provide a safe and secure operation. The proposed distribution of net income would be as follows:

Priority 1 would be a minimum net distribution against lease costs for the new office building project (including the garage). The current proforma shows \$460,000 in the 1st year with inflationary increases assumed at 3% annually. This minimum allocation was established to capture the net additional income estimated by 250 additional spaces but could be increased to reflect the costs associated with the replacement costs of the current KCAC 568 spaces. It is important to note that this is totally an allocation decision given that parking income is not assumed to be a function of cost recovery, but rather the maximum generated by the "local parking rate market" and maintenance of an efficient operation.

Priority 2 would be other operating costs (including MMRF charges) to ensure that the parking facility establishes necessary reserves for full maintenance and repair needs. This is critical to maintain a modern and efficient operation that consistently attracts users, thereby maximizing full return at market rates.

Priority 3 would be to maintain (at a minimum and adjusted for inflation) the current level of contribution to Human Services. As noted in the previous discussion, FMD staff estimates this to be a minimum of \$522,000 for the garage and Goat Hill sites.

Priority 4 would be allocation of net revenues after Priorities 1-3 to Human Services and Current Expense.

Summary of Parking Plan

As with the discussion of payment to land liquidity, please note that FMD staff recommends market rates be used for pricing both parking and office space. Once these rates are established (parking and buildings), then it becomes a matter of covering critical legal (leases) and operational (operation and MMRF) with surpluses being available for other programmatic (e.g., Human Services or other) or general needs (Current Expense). With these guidelines, appropriate market rates and efficient operations will dictate the amount of funds available for other high priority County needs.

K&L. Provide financing plans for both parking garage and new office building. Provide revisions to financing plans for any changes due to these requests.

Office Building and Related Parking Financing and Economics

The attached chart summarizes the current status of facility alternatives and the estimated financial impact of those alternatives. Against the baseline alternative that was tentatively priced at approximately \$86 million (including financing and other costs), alternatives have been updated including the impacts on known site conditions, the economics of larger buildings to the site potential, and moving the parking facility from 5th to 6th Avenue (i.e., from the western to the eastern half of the Goat Hill site). Also included in this table is the estimated impact to the project from the removal of the 7,000 SF placeholder for the vehicle maintenance and repair facility (if moved to a new location).

The shaded column presents a building alternative that differs from the original proposal as follows:

- The office building is 36,000 rentable square feet (RSF) larger and 2 floors higher.
- The parking is located on 6th Avenue, the east half of the Goat Hill site.
- The proposal includes the option of a tunnel beneath 5th Avenue connecting the new building to the new parking structure site.
- The vehicle maintenance and repair facility is moved to a different site.

The economics of this proposal is approximately equivalent to the original proforma² with a 1st year impact of approximately \$16,000 more than the original. The office building proforma shows that annual surplus begin occurring in year 4 with hot water proforma³ and year 6 without hot water savings (*in either case accrued rent surplus is sufficient to cover early deficits*) provided that the additional space 36,000 RSF were used by agencies paying the same rate as the other county agencies paying their "avoided costs" from existing leases. This rate in 2007 is approximately \$19/RSF, which would be the equivalent of \$17.36/RFS in current 2004 dollars.

The proviso requested that the financing evaluation include scenarios with and without valuing land. This proforma comparison looks at a projected cash flow of expenses of the alternative as compared to avoided lease costs over the term of an estimated lease (say 28 years). This projection shows projected annual surpluses beginning in year 4 to 6 depending on inclusion of potential hot water savings. This surplus would be available for any

² Recommended Option B in the report entitled "An Approach to Reducing King County Office Space Costs," which was transmitted to Council in September 2003.

³ See "Central Steam Recommendations and Reassessment" dated March 31, 2004.

current expense or other purpose so desired through the appropriation process as those surpluses occur. It is this surplus that would be available for 'land liquidity' or any other payment.

Separate Financial Plan for Goat Hill Parking Facility

Motion 11931 requested a separate financial plan for the new parking garage. The overall financial plan only included \$460,000 of new parking revenue associated with an increase of 250 net additional parking spaces (current proforma has as many as 256 if vehicle repair facility is relocated elsewhere). We have not included any provision for an efficiency factor of the new parking garage, new and replacement totaling 986. If we assume that the replacement spaces are as efficient and revenue productive as our new, we estimate that net income per space would be approximately 28% higher (or an average of \$153/space in 2007 vs. our current yield inflated which we estimate to be approximately \$119/space monthly). That additional yield of approximately \$297,000 would be available either to offset lease costs or to allocate to existing human services programs or CX. Assuming that the garage cost is 18% of the total project cost, an allocation of lease costs to the garage only would be as follows:

Garage Only

	1
NPV (30 years)	2007
\$13,100,000 Lease Payment	1,187,338
\$6,800,000 New Spaces	460,000
\$4,400,000 Efficiency yield	297,460
(\$2,000,000) Net Cash flow	(429,877)

The garage only element of the project could not be financially supported solely by the dedication of new net revenues from spaces and 'efficiency.' Year 1 cash flow deficit is approximately \$430,000 and 30 year NPV is a negative \$2.0 million. Of course, this does not include consideration of the value that this project brings to the overall proposal. This includes:

- A land value in excess of \$10 million is made available to the office building project. The land value can be realized only by demolishing the existing garage and relocating the existing parking spaces.
- As much as \$6.6 million in deferred maintenance and required capital improvement costs are avoided.

Section 3

Funding Request

In order for the financing to occur, there must be lease agreements in place, a guaranteed maximum price for the buildings, construction drawings completed, and a Master Use Permit close to being issued. Additional spending authority is necessary to accomplish these tasks. The proposed appropriation ordinance, included as Appendix 2 seeks funding for the following.

Phase III of the NCOB Project

Approval of the ordinance would provide sufficient appropriation authority to complete the work necessary to successfully obtain a Master Use Permit from the City of Seattle, finance the project, and obtain final construction drawings. The estimated cost of this work is \$1,982,500. These costs will be reimbursed from bond funds once the project is financed.

Acquisition of a Fleet Automotive Repair Site

Analysis of alternatives of for optimally locating the Fleet Automotive Repair Shop has been completed as required in Motion 11931. The analysis concluded that it was most cost effective to locate the Fleet Automotive Repair Shop outside of the new garage. \$3.5 million is requested to fund real estate market research, due diligence on acquisition opportunities, and acquisition of a new site for the automotive shop.

Acquisition of Property or Property Rights

\$1.6 million is requested to secure property rights to the west of the proposed NCOB site. FMD staff are available upon request to provide councilmembers with executive session briefings regarding real estate negotiations.

Phase II: Release of Expenditure Restrictions

As described in my July 15, 2004 letter to Budget and Fiscal Management Chair Larry Gossett, there was a shortfall in Phase II appropriation. On December 9, 2003, the Metropolitan King County Council adopted Ordinance 14812, appropriating \$1.2 million to the preliminary design phase of the project. The council placed a number of restrictions on spending, however, with releases of expenditure authority occurring as certain reporting requirements were met. Formal council approval of all but the required quarterly reports is required to release expenditure authority restrictions associated with each proviso item. As of July 15, the council has not acted on two of those reports: *New County Office Building Central Steam Recommendations - Reassessment*, and *New County Office Building*

7/22/2004

Work Release. The Facilities Management Division has provided all required reports; however, due to policy concerns, it does not appear that council will be approving the two aforementioned reports prior to consideration of the proposed appropriation ordinance enclosed with this transmittal. Thus, \$400,000 in expenditure authority remains restricted. The \$1.9 million described in Phase III covers this Phase II shortfall.

Phase II: Added Scope

Motion 11931 accelerated some of the work planned and budgeted in Phase III. Additionally, the scope of Phase II was increased by the new research and analysis required in Motion 11931. The \$1.9 million described in Phase III also covers the added Phase II scope items.

240'
ABOVE MIDPOINT OF
SIXTH AVENUE

240'
ABOVE
MIDPOINT OF
5TH AVENUE

240'
ABOVE
MIDPOINT OF
5TH AVENUE

125'
13'-6" TYP
FLR TO FLR

10' TYP
PARKING
16'-0"
FLR TO FLR

12	MECH	5,000 SF
11	KC OFFICE	
10		
9		
8		271,000 GSF
7		260,000 INRSF
6		
5		21,000 SF/HR
4		
3		
2		
1		

15	13 STALLS
14	80 STALLS
13	70 STALLS
12	
11	
10	
9	
8	
7	
6	
5	
4	
3	
2	
1	

POTENTIAL
OFFICE BUILDING

KC
PARKING

IMPROVED KC
SURFACE LOT

20' ALLEY

PARKING PROVIDED

WEST OF 5TH AVE	248 STALLS
EAST OF 5TH AVE	657 STALLS
IMPROVED KC SURFACE LOT	80 STALLS
TOTAL NEW STALLS	985 STALLS

PARKING PROGRAM REQUIREMENTS

SURFACE LOT	166
KC OFFICES (NEW)	231
GARAGE REPLACE (APPROX)	368
TOTAL STALLS REQUIRED	965

B.3

GENERAL ASSUMPTIONS:

SITE AREA (WEST OF 5TH AVENUE, 120' X 240')	28,800 SF
ALLOWABLE MAXIMUM FAR (28,800 SF x 10 FAR)	288,000 SF
OFFICE GROSS SQUARE FOOTAGE REQUIRED	271,000 SF

FAR CALCULATIONS

OFFICE	271,000 CSF
PARKING (4.5 FLOORS @ 28,800 SF EA.)	+ 129,600 CSF
TOTAL GROSS SQUARE FOOTAGE	400,600 CSF
1/2 FLOOR BELOW GRADE	- 14,400 SF
MECHANICAL (3.5% OF 271,000 SF)	- 9,485 SF
KC HHS (98% EFFICIENCY OF 87,000 SF)	- 88,775 SF
TOTAL PROPOSED FAR	271,000 SF

PARKING CALCULATIONS

266,000 SF	(GSF LESS 5,000 SF MECH)
X.67 STALLS/1000 SF	MIN. REQ'D BY CODE
179 STALLS	SUBTOTAL
-27 STALLS	(15% REDUCTION W/TRANSIT PASSES)
152 STALLS	REQUIRED STALLS FOR NEW KC OFFICE BUILDING

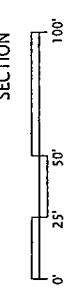


Figure 2.A



06/22/04

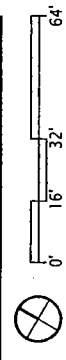
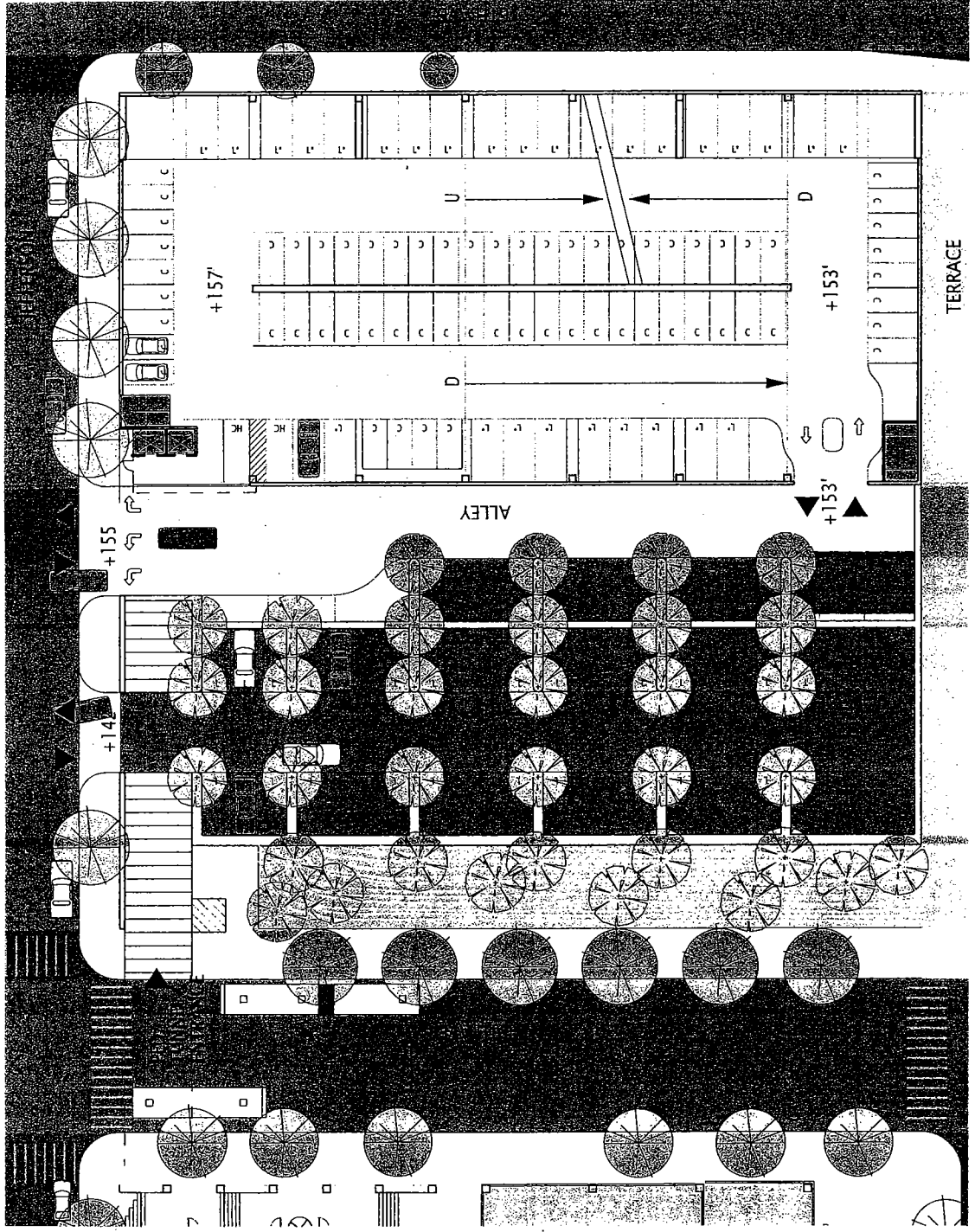
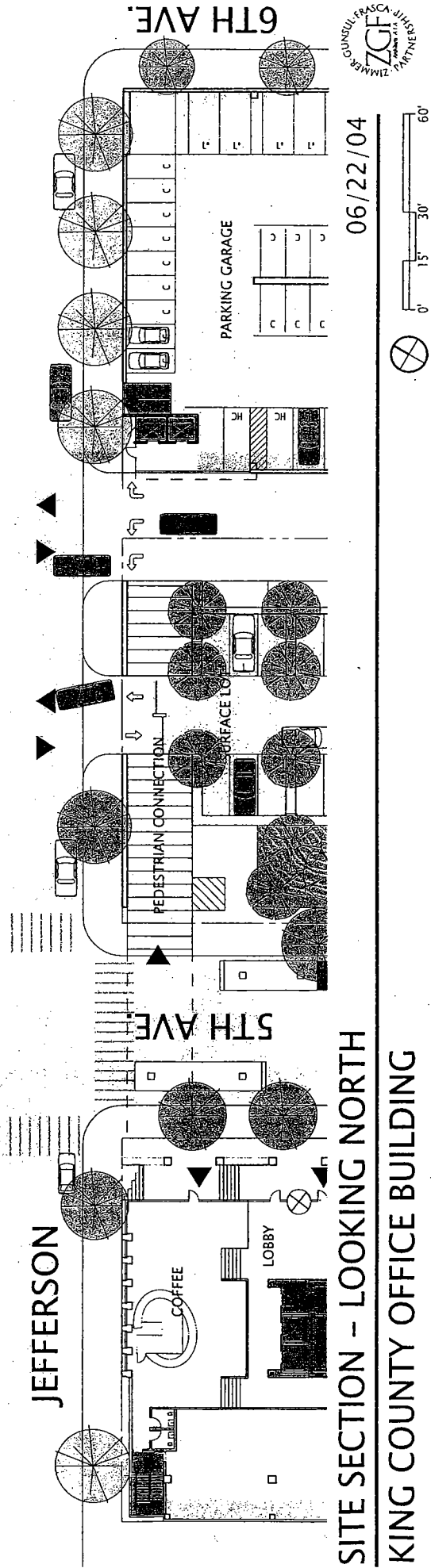
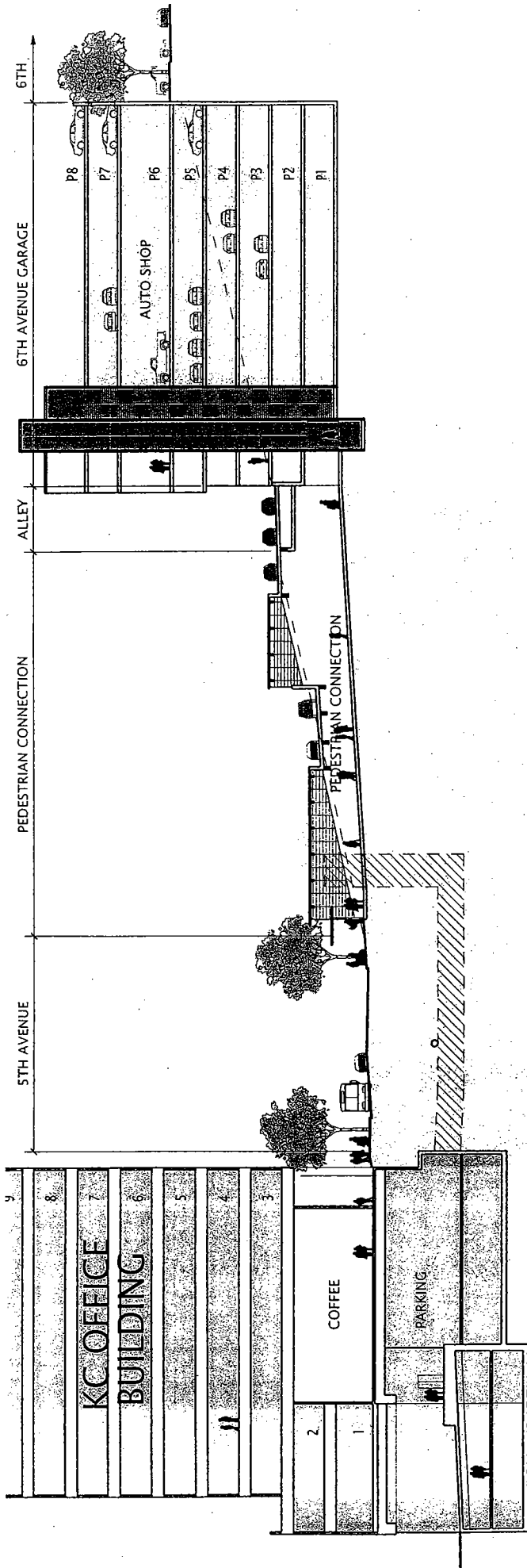


Figure 2.B



GARAGE - FLOOR PLANS
KING COUNTY OFFICE BUILDING



SITE SECTION - LOOKING NORTH
KING COUNTY OFFICE BUILDING

Figure 2.C