



King County

Metropolitan King County Council

STAFF REPORT

Proposed No.:	2020-0277	Name:	Wendy K. Soo Hoo
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SUBJECT

Proposed Ordinance 2020-0277 would authorize a lease at 9725 Third Ave NE (Northgate Executive Center Building C) in Seattle to support the Department of Community and Human Services Veterans Program. The landlord is Gateway Muirland, Inc., a California corporation.

SUMMARY

Proposed Ordinance 2020-0277 would authorize a new lease for the King County Veterans Program in the Northgate area of Seattle. The lease would be for 8,592 rentable square feet (RSF), as well as 28 parking stalls. The lease term would be 10 years with an option to extend the lease for five additional years. The base rent is \$37.50 per RSF in the first year¹ for an annual total of \$322,200 with annual escalation set at three percent.

The Veterans Program is currently located in the Belltown neighborhood in Seattle. The program is seeking to relocate to create a new service access point for veterans, service members and their families, and the Northgate location would provide improved transportation and parking access. The lease will not commence until after Council approval and substantial completion of tenant improvements, which are estimated to take 60 to 90 days to complete.

BACKGROUND

Proposed Ordinance 2020-0277 was transmitted to Council pursuant to King County Code 4A.100.070, which requires Council approval of leases with terms lasting longer than five years.

The King County Veterans Program is mandated by Washington state law (RCW 73.08.010) and is funded primarily through the Veterans, Seniors, and Human Services Levy. The Veterans Program is currently located in the Belltown neighborhood in Seattle. The current lease, which has a per square foot cost of \$24.26, expires at the

¹ The lease is a full service lease that includes the tenant's share of operating costs (such as property taxes, insurance, and common area maintenance costs) in the base rent. The estimated 2021 operating costs are \$12.12 per RSF.

end of September 2020 and the lease will begin holdover status at 150 percent of the current rent in October.

The Veterans Program is seeking to relocate to the Northgate area to expand its geographic spread of various Department of Community and Human Services programs. In addition, veterans would still be able to access programming near downtown Seattle via the federal Department of Federal Affairs Community Resource and Resource Center in Georgetown.

ANALYSIS

Proposed Ordinance 2020-0277 would authorize a new lease for the King County Veterans Program in the Northgate area of Seattle. The lease would be for 8,592 rentable square feet (RSF) and would include the use of 28 parking stalls. The lease term would be for 10 years with one option to extend the lease for five additional years. The base rent is \$37.50 per RSF in the first year for an annual total of \$322,200 with annual escalation set at three percent.

Table 1. Summary of Veterans Program Lease Terms

Category	Terms
Square Footage & Parking	<ul style="list-style-type: none"> • 8,592 square feet • 28 parking stalls
Base Rent	\$37.50 per RSF in the first year with three percent annual increases – note that the lease includes rent abatement during the first four months of the lease.
Term	<ul style="list-style-type: none"> • Ten years for the initial term • One option to extend for an additional five-year term
Council Approval Deadline	November 23, 2020
Commencement Date	The lease will commence when the following have occurred: <ul style="list-style-type: none"> • Substantial completion of tenant improvements by the Landlord; • Adoption of the approval ordinance by the Council; and • Mutual execution of the Lease.

The lease also includes a negotiated tenant improvement allowance of \$343,680 to cover new carpet, paint and ceiling lighting, as well as construction of a restroom in compliance with the Americans with Disabilities Act, front desk reception area, computer lab, and work areas and meeting rooms. The tenant improvements are expected to be completed in 60 to 90 days.

According to the transmitted Property Summary (Attachment 3), the Facilities Management Division (FMD) conducted a comprehensive office space search in Northgate and the University District and the proposed location best met the program's needs in terms of rental rate, timing, and proximity to public transportation options.

Fiscal Analysis

The fiscal note estimates 2021-2022 lease costs of \$630,438² and 2023-2024 lease costs of \$691,656.

Note that the term of the lease extends beyond the current Veterans, Seniors, and Human Services Levy, which will expire in 2023. However, under the lease, a different County agency could potentially move into the space if the levy were not renewed.³

Council staff asked FMD if office space utilization trends in the Northgate area are being affected by increased remote work through the COVID-19 pandemic. FMD anticipates Northgate will continue to be a sought after location due to the proximity to the light rail station and existing transit center, and significant investments in the Northgate Mall facility.

Other Considerations

The non-discrimination provision in the lease is consistent with King County Charter Section 840 and King County Code 12.16.125. On July 21, 2020, the Council passed Ordinance 19135, which would place on the November ballot a proposition to amend the County Charter to prohibit discrimination on the basis of family caregiver, military or veteran status in county employment and in county contracting with nongovernmental entities. FMD indicates that the landlord feels that the current language in the lease is consistent with the proposed charter amendment and is willing to address language changes if the proposed charter amendment passes.

The Council's legal counsel has reviewed the lease.

ATTACHMENTS

1. Transmittal Letter
2. Fiscal Note
3. Property Summary

² Note that the fiscal note assumed the lease commencing in October 2020 with rent abatement through January 2021. The lease will not commence until after Council approval and substantial completion of tenant improvements, which are estimated to take 60 to 90 days to complete, so 2021-2022 costs will be less than estimated in the fiscal note.

³ Under the lease terms, the County could seek to assign or sublease space to a non-County entity, but would remain responsible for meeting the obligations of the lease if an assignment or sublease were approved by the landlord.

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King County

Dow Constantine

King County Executive

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August 6, 2020

The Honorable Claudia Balducci
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Balducci:

This letter transmits a proposed ordinance that, if enacted, will enable King County to execute a lease for the Department of Community and Human Services, with Gateway Muirland, Inc., for space located at 9725 3rd Ave NE, Seattle.

This facility will house the King County Veterans Program whose primary mission is to serve low-income, homeless, disabled and at-risk veterans and their families. Execution of this lease supports the provision of King County operations and services.

This transaction is recommended per the rationale and considerations provided in the attached property summary.

This lease supports the King County Strategic Plan goals in health and human services, accessible & affordable housing, and efficient, accountable regional and local government focus areas by providing essential infrastructure for the provision of direct services throughout the county to veterans, service members and their families.

Thank you for your consideration of this proposed ordinance.

The Honorable Claudia Balducci

August 6, 2020

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If your staff have any questions, contact Anthony Wright, Director, Facilities Management Division at 206-477-9352.

Sincerely,

A handwritten signature in black ink, appearing to read "Dow Constantine". The signature is fluid and cursive, with a horizontal line extending to the right.

Dow Constantine

King County Executive

cc: King County Councilmembers

ATTN: Carolyn Busch, Chief of Staff

Melani Pedroza, Clerk of the Council

Shannon Braddock, Deputy Chief of Staff, Office of the Executive

Karan Gill, Director, Council Relations, Office of the Executive

Caroline Whalen, County Administrative Officer, Department of Executive Services
(DES)

Anthony Wright, Director, Facilities Management Division (FMD), DES

Bryan Hague, Manager, Real Estate Services, FMD, DES

Leo Flo, Director, Department of Community and Human Services

Lease Property Summary

Photo of Property:



Property Owner:	GATEWAY MUIRLAND INC.
Address:	9725 3 rd Ave NE (Northgate Executive Center Building C), Seattle, WA 98115
Cost Per Sq. Ft.:	\$37.50 per rentable square foot/FS
Operational Costs:	The 2020 estimated operating costs are \$12.12/RSF
Term:	Ten Years
Square Footage:	8,592 rentable square feet
Council District:	One
Funding Source:	Veterans, Seniors and Human Services Levy (VSHSL)
Time Sensitive:	The current facility's lease will expire on 9/30/20, 150% holdover provision will apply thereafter.

Lease Synopsis:

King County Veterans Program (KCVP) is seeking to relocate the Seattle location to Northgate Executive Center. The current lease located at 2106 2nd Avenue, Seattle, expires September 30, 2020. Northgate Executive Center is a three building office campus environment with prominent visibility from I-5 and located across the street from the Northgate Transit Center Park & Ride and the future Light Rail Station. The building has convenient freeway access and is within walking distance to the Northgate retail core. Building amenities include ample free parking, fiber optic capacity, and an accessible conference room. The relocation will improve access to the Department of Community and Human Services (DCHS) throughout King County (Tukwila, Downtown, and

Northgate). KCVP will be the primary tenant at this location and this lease approval supports strategic geographic diversification of service access for this population. A relocation to Northgate strategically diversifies geographic availability of King County human services, creating a new service access point for north-end residents.

Context

Rationale for transaction: The King County Veterans Program (KCVP) has served low-income, homeless, disabled, and at-risk veterans and their families since the 1950s. The Veterans' Program is mandated by Washington State law ([RCW 73.08.010](#)) and is funded by King County taxpayers through the King County Veterans, Seniors, and Human Services Levy.

Policy considerations: Adult Services Division (ASD) has engaged in long-term strategic planning on how best to provide direct services through the King County Veterans program. As part of this work, ASD has identified that moving the office from Downtown Seattle (Belltown) to North Seattle (Northgate) upon lease expiration provides significant operational value not only for KCVP but for DCHS. This value comes from having several locations where veterans, service members and their families can receive services (Tukwila, Downtown Seattle, Northgate), increasing access to KCVP facilities through different modes of transportation, and improved access from rural and unincorporated areas of Northeast King County.

Political considerations: Relocating this program from Council District Four to District One furthers the reach of veteran services throughout the County by leveraging partner efforts such as the Seattle Vet Center in Georgetown, and spreading services across a wider area. The proposed new location will also improve access to services by providing free parking for clients and staff and adjacency to the Northgate transit and light rail station.

Community considerations

or partnerships: This area provides convenient access to customers of KCVP, serves as a regional hub for DCHS, and will allow state and federal partners to collaborate out of this location to better serve the community

Fiscal considerations: The full base rental rate per rentable square foot annually is \$37.50 for year-1 with an increase of 3% annually. This is a full service lease which means that the Tenant's share of property taxes, insurance and common area maintenance are included in the base rent. The negotiated rental rate is a fair market rate and includes a Tenant Improvement allowance of \$343,680 to cover new carpet and paint throughout the premises, replace ceiling lighting, construction of an ADA restroom within the premises, addition of a welcoming front desk reception area, conference room, computer lab, open work areas for staff and confidential meeting rooms.

Other considerations: This lease includes access to the surface parking lot at no additional costs.

CIP/operational impacts: Tenant Improvements will be covered by the negotiated tenant improvement allowance and consist of: new carpet and paint throughout the premises, addition of a front desk area, conference room, computer lab, open work areas and private offices.

King County Strategic Plan impact: This lease supports the King County Strategic Plan by supporting goals in health and human services, accessible & affordable housing, and efficient, accountable regional and local government focus areas by providing essential direct services throughout the county to veterans, service members and their families. These services greatly contribute to removing barriers and delivering equitable opportunities.

Equity and Social Justice impact: In accordance with Real Property Asset Management Plan (RAMP) policy, the Facilities Management Division and Adult Services Division (DCHS) reviewed this legislation for Equity and Social Justice (ESJ) impacts. This location is in the Seattle neighborhood of Northgate and will serve the County's veterans, military personnel and their families, and other individuals and families in need with a variety of housing and supportive services. This legislation will enable KCVP to continue to operate and maintain services for north-end citizens of King County.

Lease Alternatives Analysis

Summary: A comprehensive office space search for 5,000 to 10,000 square feet in the submarkets of Northgate and the University District generated six potential sites. At that time office space vacancy in those submarkets were at historic lows. Of the six sites, Northgate fit the requirement best in terms of rental rate, timing, existing office infrastructure, landlord approved use, and proximity to public transportation options.

Vicinity View Map



Parcel Map

