

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

**AGENDA TITLE:** Highland Plaza Lease Extension  
**DEPARTMENT:** Public Works  
**PRESENTED BY:** Paul S. Haines, Public Works Director  
Jesus Sanchez, Operations Manager

**PROBLEM/ISSUE STATEMENT:**

On November 30, 1999, Council approved a three-year lease for office space in the Highland Plaza Building, which together with the City offices in the Shoreline Business & Professional Center, forms the City Hall complex on Midvale Avenue North. The approximately 13,468 square feet in the Highland Plaza building provides office space for the Public Works Department, Planning and Development Services Department, and the Economic Development Office. That lease expired on May 31, 2003. On April 28, 2003, Council approved an 18-month lease extension for office space in the Highland Plaza Building, which expires November 30, 2004

The City and Highland Enterprises LLC have negotiated a Tenth Addendum to this lease. The terms of this addendum call for a 10.47% increase in the monthly base rent (\$18,401.96) for the current leased spaces ("Base Premises"), and a monthly base rent for Suite 204 ("Additional Premises"), which will be used for the Aurora/Interurban Office. Staff believes it is important to establish a dedicated office space for the Aurora Corridor and Interurban Trail projects for ease of access and coordination with property owners, businesses, and citizens. Suite 204 would provide 1,345 square feet for consolidation of the key Aurora and Interurban staff for this purpose. The term of this lease extension is from December 1, 2004 to November 30, 2007, with an option to extend the lease for an additional three-year term.

The total 2005 lease payments for the extension, including a proportionate share of common areas and general utility charges is \$22.28/square foot annually, which is still below the current Shoreline Business & Professional Center lease payments of \$24.91/square foot annually.

Additionally, the new minimum monthly rent of \$18,401.96, which is \$16.40/square foot annually, is in the middle range of a Class B building in Shoreline. The Highland Plaza Building is rated, according to one private real estate brokerage firm, as a high Class B or low Class A building. The ranges of current lease rates for the Shoreline area are:

BUILDING CLASS	LEASE RATES
Class A	\$18-\$22 per sq. ft. per year
Class B	\$15-\$18 per sq. ft. per year
Class C	\$12-\$15 per sq. ft. per year

**ALTERNATIVES ANALYZED:**

The 1999 lease was drafted with extension terms to coordinate continued use of the current office space with the planning and construction of a City-owned City Hall. This replacement facility will not be available by December 1, 2004. Public Works called three buildings owners on Aurora Avenue North, and consulted with Colliers International, but could not find suitable space within the City of Shoreline. Given the intent to remain in existing facilities if rent remains reasonable, Public Works recommends the City remain in the current spaces in the Highland Plaza Building. We expect that it will be approximately two and one half to three years before a new city hall site would be ready for occupancy, and three years was the shortest extension we were able to negotiate.

**FINANCIAL IMPACT:**

The cost of this lease extension of the currently leased spaces ("Base Premises") will be funded by the Public Works Facilities Management budget. The lease costs of the additional space in Suite 204 will be funded by the Aurora Corridor and Interurban Trail projects.


The estimated lease payments are as follows:

2004 Facilities Management:	\$24,340 (December only)
2004 Aurora Corridor Project:	\$ 1,808 (December only)
2004 Interurban Trail Project:	\$ 452 (December only)
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2004 Total	\$26,600
2005 Facilities Management:	\$298,000
2005 Aurora Corridor Project:	\$ 22,160
2005 Interurban Trail Project:	\$ 5,540
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2005 Total	\$325,700
2006 Facilities Management:	\$307,000
2006 Aurora Corridor Project:	\$ 22,800
2006 Interurban Trail Project:	\$ 5,700
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2006 Total	\$335,500
2007 Facilities Management:	\$316,200
2007 Aurora Corridor Project:	\$ 23,440
2007 Interurban Trail Project:	\$ 5,860
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2007 Total	\$345,500

TOTALS: 2004-2007 Facilities Management:	\$ 947,540
2004-2007 Aurora Corridor Project:	\$ 68,608
2004-2007 Interurban Trail Project:	\$ 17,152
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GRAND TOTAL	\$1,033,300

**RECOMMENDATION**

Staff recommends that Council authorize the City Manager to execute the Tenth Addendum to the Shopping Center Lease for the Highland Plaza Building providing for a three-year extension of the current leased space with a 10.47% base monthly rent increase, the addition of Suite 204 for the Aurora Corridor and Interurban Trail Projects office, and a three-year optional lease extension.

Approved By: City Manager  City Attorney N/A

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