

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Highland Plaza Lease Extension
DEPARTMENT: City Attorney
PRESENTED BY: Ian R. Sievers, City Attorney

PROBLEM/ISSUE STATEMENT:

In November 30, 1999, Council approved a three-year lease for office space in the Highland Plaza building, which together with city offices in the Shoreline Business & Professional Center, forms the city hall complex on Midvale Ave. N. The approximately 13468 square feet in this building provides office space for the Public Works Department, Planning and Development Services Department and Economic Development Office. The lease expires on May 31, 2003, but the lease for most of the space was written with three flexible extension terms of from 12 to 18 months. Space 109 had a separate provision that allowed one extension of three years. Notice of intent was given to the building owner, Highland Enterprises LLC, to exercise the first flexible term for 18 months and three years (space 109).

The parties have negotiated a Ninth Addendum to the Shopping Center Lease for City space at the Highland Plaza. The terms of this Addendum call for a 2.5% increase in the monthly base rent (\$16,172.58) for the extension period beginning June 1, 2003. This is approximately the CPI increase that would have applied when the owner gave notice of proposed rent, had the lease term continued through 2003. We were unsuccessful in matching the no increase extensions recently negotiated for the Business & Professional Center and the Westside Police Storefront that reflected recently high vacancy rates for suburban office space. However, the landlord did agree to reduce the extension term of Space 109 (1490 square feet) to match the initial eighteen month extension and additional flexible options available for the rest of the leased premises.

The total lease payments for the extension including a proportional share of common areas and general utility charges is \$20.77/sq. ft. annually, which is still below the recently negotiated extension to the Professional Center lease at \$23/sq. ft. annually.

ALTERNATIVES ANALYZED:

The 1999 lease was drafted with extension terms to coordinate continued use of the current office space with planning and construction of a City-owned City Hall. For the first renewal term ending December 1, 2004, this replacement facility will not be available. Given the intent to remain in existing facilities if rent remains reasonable, no alternate locations were investigated.

FINANCIAL IMPACT:

This lease expense for the Addendum remains within the facilities budget for 2003.

RECOMMENDATION

Staff recommends that Council authorize the City Manager to execute the Ninth Addendum to the Highland Plaza Lease providing an 18-month extension, 2.5% base rent increase and concurrent extensions for all leased space.

Approved By: City Manager  City Attorney 