



## **King County**

### **Facilities Management Division**

**Kathy Brown, Division Director**

Department of Executive Services

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April 14, 2014

The Honorable Dow Constantine  
King County Executive  
401 5<sup>th</sup> Avenue, Suite 800  
Seattle, WA 98104

Dear Executive Constantine:

The purpose of this letter is to notify you of my determination that it is advantageous to King County to enter into direct negotiations for the sublease of King County leased space to a private entity. This notification letter complies with provisions in King County Code and provides you with the data and a description of circumstances leading to my determination.

Specifically, I am proposing to directly negotiate a Sub-Lease Agreement with U.S. Bank, National Association (U.S. Bank) for construction of a new U.S. Bank branch at the County's Ninth and Jefferson Building, located at 908 Jefferson Street, Seattle. The length of the term will be ten (10) years, with two additional five-year extension options.

### **Background**

The 440,000 square foot Ninth and Jefferson Building (NJB) is part of the Harborview Medical Center campus (HMC) and was developed using Internal Revenue Service Ruling 63-20 financing and provisions of the Municipal Leasing Act. Under this development delivery structure, a private, non-profit entity, NJB Properties, issued construction debt and contracted for development of the NJB by a private developer, Wright Runstad Company. Construction specifications were provided by King County and the University of Washington (UW) representing HMC. The property was then leased back to King County, with other subtenants; as with all of our "63-20, lease lease-backs" King County will own the building at the end of the term of the lease.

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The building is currently occupied by a combination of HMC, UW and King County functions. The subject retail lease will be part of the building's first floor retail occupancy which also includes Subway, Diva Espresso, Stockbox, and others.

This retail sublease provides a ten-year term for 996 square feet for banking services, including an automatic teller machine. Base rent is \$32.14 per square foot (\$32,013.12 per year) plus leasehold excise tax. Rent will escalate 3% annually and reset to fair market rent every five years. The tenant also pays their pro rata share of operating expenses. The tenant has the option to extend the sublease term for two five-year periods, subject to six-months' written notice and adjustment of base rent to fair market rent.

The sublease requires U.S. Bank be responsible for funding all of its tenant improvement work. The overall proposal is consistent with retail developments at the NJB, and has the full support of the Harborview Bond Oversight Committee.

The Legislative Package that will be submitted for King County Council approval of this lease will include ordinance language to amend King County Code section 4.56.180. This amendment will enable the Executive to execute leases and subleases for retail uses in King County buildings, including those originally developed pursuant to K.C.C. 4.56.160.E, for a term not to exceed twenty-five years. This amendment more closely aligns with commercial retail leasing practices by enabling retail tenants to amortize their large upfront tenant improvement investments over a longer term. If approved, the County would be able to provide a lease term with subsequent renewal options for term not to exceed twenty-five (25) years versus five (5) years currently. Those subleases and leases will continue to be subject to County Code provisions related to competitive bidding.

If you have any questions regarding this proposal, please call me at 206-296-0630.

Sincerely,



Kathy Brown, Director  
Facilities Management Division

cc: Caroline Whalen, County Administrative Officer and Director, Department of  
Executive Services (DES)  
Ameer Faquir, Deputy Director, Facilities Management Division (FMD)  
Gail Houser, Manager, Real Estate Services Section, FMD, DES  
Bob Thompson, Leasing Supervisor, Real Estate Services Section, FMD, DES