

JUNE 29, 2005 STAFF REPORT ATTACHMENTS 10 THROUGH 21

**2005 Space Plan Analysis
Timeline
June 18, 2005**

June 13, 2005	Strategic Technology Plan Due
June 15, 2005	Citizen's Election Oversight Committee (CEOC) - Preliminary Report Due
July 6, 2005	BFM Committee Recommendation on NCOB Tenants (PM 2005-0102)
July 11, 2005	Full Council Approval of NCOB Tenants (PM 2005-0102)
July 15, 2005	Appropriations for Proposed Elections Building Acquisition (PO 2005-0266)
July 15, 2005	Confirmation of NCOB Tenant Agency & FTE
July 18, 2005	NCOB Tenant Agency Plan - Sign-off
July 29, 2005	Tenant Decisions Affecting Structural Steel Design (Data Center, Elections)
July 29, 2005	Executive's Blue Ribbon Panel (Elections Task Force) Report Due
Aug 1, 2005	Council Recess
Aug 11, 2005	
Aug 12, 2005	
Sept 30, 2005	Proposed Elections Building Acquisition (2005-0266) - Non-Refundable Deposit Due
Oct 1, 2005	Independent Elections Audit - Report Due
Nov 21, 2005	Adoption of Annual Budget & Space Plan
Dec 19, 2005	Council Recess
Dec 30, 2005	
Dec 31, 2005	Proposed Elections Building Acquisition - Lease & Dev Agreement Due
Jan 3, 2006	Proposed Elections Building Acquisition - Purchase Closing
Feb 1, 2006	Citizen's Election Oversight Committee (CEOC) - Final Report Due

Critical Council Action Required in Bold

STAFF ANALYSIS
PROPOSED ORDINANCE 2005-0266
PURCHASE OF 1130 RAINIER BUILDING

SUMMARY: The Executive's proposal is to purchase an existing 60,000 square foot, three-story building and an adjoining 140 car parking structure located at 1130 Rainier Avenue in Seattle (1130 Rainier building) at a cost of **\$13.73 million**. The Executive also proposes to purchase two adjacent parcels, totaling 16,000 square feet at a cost of **\$1.6 million**. The two adjacent parcels would be used for parking in the near term and would be available longer term for additional facility expansion. Tenant improvements costing **\$4.5 million** and other costs would bring the total project cost to about **\$22.8 million**.

On June 2, 2005, the Executive transmitted Proposed Ordinance 2005-0266, seeking supplemental appropriations totaling **\$667,000**. The request was to provide **\$100,000** to complete "due diligence" activities, **\$250,000** to pay a deposit on the building, and **\$397,100** to complete preliminary design for tenant improvements in connection with the proposed purchase of a building to house consolidated elections operations.

Executive staff will be completing due diligence sometime between August 11th and September 30th. If, after due diligence is completed, the Executive decides to proceed with the purchase, **\$250,000** of the supplemental appropriation would be paid as a deposit on the building. This **\$250,000** deposit would become non-refundable on September 30, 2005. The remaining **\$497,100** of the supplemental appropriation would be spent on due diligence and programming and would not be refundable.

The Executive currently envisions bond financing for the project, under a build-to-suit, lease-to-own development structure according to Section 63-20 of the Internal Revenue Code. Section 63-20 tax exempt bond financing under the Internal Revenue Code allows a non-profit corporation to issue tax exempt bonds to finance a project utilized by a government agency. The county entered into similar bond financing arrangement for the King Street Center building near Pioneer Square. **Debt service on this transaction is estimated to be approximately \$1.78 million per year for 20 years.**

To complete the purchase of the building, the Executive will negotiate a development agreement and lease with the parties to the 63-20 financing structure. The Executive is required to transmit the development agreement and lease to the Council for approval. The Executive hopes to transmit the legislation approving the development agreement and lease to the Council by August 11th.

By moving forward on due diligence and other investments, the Council could be limiting or precluding alternatives for locating a consolidated elections facility and/or the county's Data Center. The Executive is seeking approval of the tenants for the new office building by July 15th. Any tenant decisions that would affect structural steel design for the new county office building (Data Center and Elections) must be determined by July 29th, or the project will experience significant budget and/or schedule impacts. If the Council

decides now to proceed with purchase of the 1130 Rainier building by investing in due diligence work and design for tenant improvements, it appears that would preclude a decision to put elections and/or the Data Center in the new building. It could also limit alternatives for locating elections or the Data Center in other downtown office space.

Supplemental Appropriation Request

Materials provided by the Facilities Management Division show that the **\$667,000** supplemental appropriation would fund activities on the proposed purchase of the 1130 Rainier building for the remainder of 2005. Financing of the **\$22.81 million** purchase would be completed by execution of the development agreement and lease. The supplemental appropriation funding would be spent as follows:

Expenditure	Description	Amount
Deposit	Initial (refundable/non-refundable) earnest money deposit of \$100,000 paid on 5/12/05. Additional nonrefundable earnest money deposit \$150,000 to be paid on 9/30/05 (at this time, the entire \$250,000 becomes nonrefundable).	\$250,000
Due Diligence	The total cost of "due diligence" activities is estimated at \$100,000. Due to error on the part of committee staff, \$70,000 has already been included in the CIP omnibus appropriation ordinance for the first quarter of 2005. The Executive has deducted the \$70K from the total project costs in this request for supplemental appropriations.	100,000
Other Acquisition Costs	These costs include legal/financing costs and contingency on acquisition budget.	49,000
Architectural and Engineering	These costs involve making improvements to the building itself.	72,000
Construction	Obtaining permits for improvements to the building.	9,100
Tenant Improvements	This expenditure is for preliminary architectural and engineering for the tenant improvements.	39,000
Legal and Accounting		17,000
KC including contingency	This appears to be the cost of King County staff time on this project.	141,000
Total costs for 2005		747,100
Previous Appropriation	Appropriation included in CIP omnibus appropriation ordinance for the first quarter of 2005	- 70,000 677,100
Appropriation Request		\$667,000

It should be noted that only \$250,000 of the total \$747,100 would be refundable if the Executive decided not to proceed with the purchase of the 1130 Rainier building. The remaining \$497,100 would be invested in activities relating to the purchase and use of the 1130 Rainier building. For example, the supplemental appropriation includes \$49,000 for "other acquisition costs" related to purchasing the building. This appropriation will be spent, not refundable.

BACKGROUND:

Elections Division Facilities

Currently, the Elections Section operates out of three facilities: the King County Administration Building fifth floor offices, the Mail Ballot Operations Satellite (MBOS) facility on First Avenue South, and the Elections Distribution (EDC) warehouse on 14th and Fir. Each of these facilities plays a critical role before, during and after each election.

The EDC is used for storage of election equipment and supplies and assembly of polling place kits, including the final testing of the AccuVote machines once they are loaded with the memory cards prepared downtown. All absentee ballots are processed at the MBOS facility. As the number of mail ballots has grown, the MBOS building's limitations (heat, power, security, and parking) have become significant issues.

The fifth floor of the Administration Building is used for administrative services, master control of election data systems, and tabulating ballots voted at polling places. It has inherent limitations for efficient processing of large amounts of election materials, which is why the other two facilities are required. It is the sole source for customer services, such as late absentee ballot requests, and candidate filing.

The Facilities Management Division has been working with the Colliers real estate firm since 2004 to find adequate space in which to locate consolidated elections operations. The Division has identified the 1130 Rainier Building to house consolidated elections operations. Purchase of two adjacent parcels would provide additional parking for the building and would provide the potential for future expansion to include a warehouse facility.

In addition, the Division advises that the building contains a modern technology infrastructure that would facilitate locating the county's Data Center to this building, instead of moving it to the new county office building.

Elections Policy Recommendations

In the last staff report dated June 8, 2005, staff provided background information concerning the issues experienced by the King County Elections Division since 2002. There have been a number of independent reviews conducted of King County election operations, and a variety of recommendations made for improvement.

Independent Review: There were some specific recommendations made about the physical locations and facilities currently housing elections operations, as follows:

Group	Issue/Finding
Citizens Election Oversight Committee	Physical Plant <ul style="list-style-type: none">• King County should consolidate key parts of elections operations.• Specifically, all ballot processing should occur in a single facility. Security <ul style="list-style-type: none">• Voting tabulation computer system hardware and software should be kept in an isolated, secure facility.• Centralize elections in a single location.

Washington Secretary of State	Physical Space <ul style="list-style-type: none"> The Election Division needs more and better quality workspace.
Independent Consultant Ellen Hanson	Physical Space – Recommendations concerning MBOS <ul style="list-style-type: none"> The County should secure additional space in a warehouse next door to MBOS. Redesign layout for greater efficiency.

The specific findings about the elections facilities are included in this staff report as **Attachment #12**. Please note that all of the reviews recommended that elections operations be consolidated in one facility. None of the experts had any recommendations about whether the warehouse should be located in the same facility as election operations.

The issues with elections operations have continued, most notably in the 2004 general election. This has resulted in new independent reviews of King County elections operations, as follows:

Group	Scope of Review	Final Work Product Due
Independent Task Force on Elections	Recommend short- and long-term strategies to improve elections processes.	July 29, 2005
Citizens' Election Oversight Committee (reconstituted)	Evaluate all elements of the election process, identify progress on implementing previous recommendations and make recommendations for improvement.	February 1, 2006.
Management Audit of Elections Operations	Review and make recommendations on a list of issues, including organizational structure and adequacy of facilities.	October 1, 2005

Action Plan of King County Elections: In his report to the King County Executive, Dean Logan, Director of King County Records, Elections and Licensing Services Division, set forth an action plan for improving elections. Part of the action plan is to consolidate management, staff, and processes that make up an election all in a single, state of the art facility. The ideal facility would include:

- A single location for all election related activities and services;
- Capacity to conduct countywide vote-by-mail elections;
- Comprehensive training facility for poll workers, seasonal election workers, volunteers, etc.;
- Fully functional communications center to house voter hotline phone bank and to accommodate mass media;
- Educational facility to include model polling place and displays of the history of elections; and
- Laboratory setting where development voting technology and systems could be researched, tested and demonstrated.

The ideal facility should be designed with state-of-the-art security systems, public viewing areas, video observation areas and a press-friendly media center.

A copy of the *PRELIMINARY Draft – King County Elections - Facility Program Plan* was received from FMD on June 13, 2005 which includes additional narrative of Elections programmatic needs. This document details the space needs for the state-of-the-art election facility as recommended by Mr. Logan. Elections space needs including projected growth assumed for the proposed 1130 Building are summarized by the following table:

Current	Office	Storage	Total
Administration Building	15,440		15,440
Elections Distribution Center (EDC)	930	21,470	22,400
Mail Ballot Operations Satellite (MBOS)	9,700	2,300	12,000
Subtotal	26,070	23,770	49,840
Growth Projections	15,200	5,200	20,400
Adjustment to 1130 Building		(3,840)	(3,840)
Total	41,270	25,130	66,400

According to the program the 3,660 sf storage space proposed for the new facility requires higher ceiling clearance space and some type of materials handling equipment such as a fork lift. The proposed 1130 Rainier building, which was originally designed as a manufacturing facility, could accommodate the higher floor loads, ceiling clearance and materials handling operations without significant modification whereas, existing county-owned downtown space such as the Administration Building and the NCOB would have to be modified. In addition, the elevators are located at one end of the building, leaving the interior space open and unobstructed making the operations within the building easy to observe.

Joint Advisory Group (JAG): According to Executive staff at the March 25, 2005 meeting of the Joint Advisory Group (JAG), they had been searching about a year for a facility in which to locate consolidated elections operations. They stated that a new facility would be needed not later than the 2008 Presidential Election. At that same meeting, staff identified the 1130 Rainier building for elections and shared a preliminary overview of the purchase of the building. Staff stated that the 1130 Rainier building could be occupied by January 1, 2006. The proposal to purchase the building was transmitted to the Council on June 2, 2005.

Council Policy Direction: Additionally, on April 4, 2005 Council adopted Motion 12099 which requested the Executive to undertake activities consisting of:

Preparing a space plan for consolidation of elections operations into a single facility, estimating the costs of consolidation and proposing a schedule for consolidation. The plan should consider a range of options including making use of existing space, leasing space, and constructing a new facility.

This motion also requested that the Executive provide a report:

Evaluating all of the resources needs for elections and presenting them in a report to the council transmitted by August 1, 2005. The needs should be

detailed and explained in such a way as to provide an understanding of the functional areas of elections as well as personnel and equipment needs.

The Executive has not transmitted a space plan for elections consolidation, other than the proposed purchase of the 1130 Rainier building, or an evaluation of the resource needs for elections operations. (Note that the proposed evaluation of needs is not due until August 1st).

Information Technology Policies

The King County Data Center is currently located in about 6,000+/- square feet of leased space on the 24th floor of the City Municipal Tower. If the county were to purchase it, the Executive proposes to move the Data Center to 16,000 square feet on the ground floor of the 1130 Rainier building.

The building has modern IT infrastructure that would support the Data Center, though site modifications would need to be made to meet the needs of the Data Center. The estimated cost of the required modifications is **\$2.25 million**, which includes the costs of running fiber and installing hookups to tie the 1130 Rainier building into King County's fiber network.

The Executive estimates that the cost of moving the Data Center to the new county office building would be approximately **\$11.5 million** and that the cost of moving the Data Center to the 1130 Rainier building would be **\$9.6 million**. An additional **\$2.0 million** of costs could be incurred regardless of whether the Data Center moved to the new building or the 1130 Rainier building.

There are several efforts underway that would take a comprehensive look at the county's current and future technology needs. These efforts include:

Study	Scope of Review	Final Work Product Due
Strategic Technology Plan	Review and plan for the three-year period 2006 through 2008 to set the direction for county technology planning, operations and management. One strategy in the plan is to standardize and organize technology, which will directly impact the need for space by the Information and Telecommunications (ITS) Division.	July 13, 2005
Information Technology Organization Project	Plan for 2003 through 2005, to organize technology with the primary intent to reduce IT management costs. A consultant provided a final report on the IT organization project in 2004 and the Council is awaiting the executive's recommendations on the project.	Report completed 2004. Council awaiting Executive's recommendations

Network Infrastructure Optimization	Make immediate improvements to county's network infrastructure and associated operations and being the long-term transition to an efficient, manageable, and cost-effective network infrastructure that can support all of the county's voice, video, data, and wireless communication needs.	Ongoing
Mainframe Needs	The county maintains a mainframe computer that occupies significant space in the Data Center. More current technology which is smaller than a mainframe may be an alternative to maintain a mainframe, thereby reducing the need for a large data center.	Ongoing

The results of these studies and planning efforts may change the direction and the space needs for information technology in the county. Purchase of the 1130 Rainier building would precede recommendations on the county's IT needs.

PROPOSED PURCHASE OF 1130 RAINIER BUILDING:

Scope

The Executive's proposal would be to purchase the 60,000 foot, three-story building at 1130 Rainier Avenue for a total cost of **\$22.8 million**. The Records, Elections and Licensing Services (REALS) Division Elections Operations offices, currently located on the fifth floor of the King County Administration Building, and MBOS operations currently located at the 1st Avenue South site to the 1130 Rainier site, would be relocated to the 1130 Rainier building.

The Executive's proposal also would relocate REALS Division Administration offices to the 1130 Rainier building. Since only Elections would move to the 1130 Rainier building, the move for REALS Administration would require remote management for the remaining Records and Licensing Services sections.

The proposed Elections consolidation will keep the county-owned Elections Distribution Center (EDC) warehouse at 14th and Fir and consolidate ballot processing functions currently located in the Administration Building and the Mail Ballot Operations Satellite (MBOS) into the 1130 Building. The proposed move would provide an immediate 44,000 square feet for office and ballot processing and total allocation of MBOS storage space at about 24,000 square feet. The proposed spaces are shown in the following table:

Proposed Elections Consolidation	Office	Storage	Total
Elections Distribution Center (EDC)	930	21,470	22,400
Proposed 1130 Building	40,340	3,660	44,000
Total	41,270	25,130	66,400

The Elections Division has argued that it has a need for increased parking for staff, especially during peak operational periods. Elections staffing is very variable and ranges from 52 employees in during slow periods to over 425 employees during peak operational periods.

Peak times can occur from 20 days prior to an election to ten days following an election. In 2006, staffing of over 300 employees is expected for eight weeks during the year.

The 1130 Rainier building current has 140 parking spaces. The proposed purchase of the two adjoining parcels could add up to 50 additional parking spaces, resulting in a total of 190 parking spaces at the property. This does not appear to provide enough parking to serve the identified average need for parking for 210 employees and members of the public. It would also not appear to provide parking for 425 employees and members of the public during peak operation times. It has been suggested that there is adequate space on public streets in the residential neighborhood near the 1130 Rainier building for Elections employees and the public. However, there has been no analysis completed concerning the impact on the neighborhood and on traffic on Rainier Avenue in handling parking for over 200 cars.

There is one bus line that travels along Rainier Avenue and passes the 1130 Rainier building about every ten minutes. In comparison, there are substantially more transit opportunities to the downtown Seattle core. Committee staff have heard concerns expressed that taking transit to the 1130 Rainier building would require many elections employees to take the bus to downtown Seattle and then transfer to reach the 1130 Rainier building. This could increase the commute time for these employees substantially or could lead them to choose to drive to work. Should this occur, it would be inconsistent with county transit policies encouraging county employees to ride the bus and providing employees with free bus passes.

In addition, there may be unintended consequences connected to providing parking at the 1130 Rainier building. One consequence could be that free parking becomes a condition of employment and that during peak operations, the county could be prevented from preserving any of the parking for public uses. It could also limit opportunities or increase the cost to relocate employees in the future should that be required.

Schedule

The Executive's proposal states that "due diligence" is scheduled to be completed by September 30, 2005. The Executive's transmittal letter states that once due diligence work is completed, "should King County decide to go forward, a non-refundable deposit of \$250,000 would be required". This means that this legislation would authorize the Executive to make a non-refundable investment of county funds in the purchase of this building after due diligence but before further Council approval. A copy of the project schedule is in **Attachment #15**.

The next step in purchasing the 1130 Rainier building is a development agreement and lease agreement. If the Executive decides to proceed with the purchase of this building, he will transmit the development agreement and lease agreement, with a proposed ordinance, for Council review and approval (or not). The Executive intends to transmit these documents to the Council by August 11, 2005.

It is the Executive's plan to close on the purchase of the property in early January 2006. It appears that the Executive would have the Elections Division located in the new building by mid-June 2006, and the Data Center fully moved by sometime in 2007.

As noted above, the schedule for decision making on the 1130 Rainier building is out of sync with decision making on tenants for the new county office building. If the Council decides now to proceed with purchase of the 1130 Rainier building by investing in due diligence work and design for tenant improvements, it may limit alternatives for locating elections or the Data Center in the new building or in other downtown office space.

Budget

The proposed budget for this project totals \$22.8 million, with annual payments on debt service of about \$1.8 million, at an interest rate of 4.75% per year. The projected budget for the building purchase is estimated as follows:

	Estimated Cost
Purchase of 1130 Rainier Avenue Building	\$13.7 million
Purchase of two adjacent parcels	1.6 million
"Due diligence"	.1 million
Other acquisition costs	.05 million
Total Purchase	\$15.47 million
Tenant Improvements	\$ 4.54 million
Legal, accounting, developer overhead, contingency	2.8 million
Total Project Budget	\$22.81 million

A proposed project cost summary has been provided and is included as **Attachment #16**.

The Executive currently envisions bond financing for the project, build-to-suit, lease-to-own development structure according to Section 63-20 of the Internal Revenue Code. Section 63-20 tax exempt bond financing under the Internal Revenue Code allows a non-profit corporation to issue tax exempt bonds to finance a project utilized by a government agency. The county entered into similar bond financing arrangement for the King Street Center Building in Pioneer Square.

Debt service on this transaction is estimated to be approximately \$1.78 million per year for 20 years. This debt service will be paid in the form of lease payments under the 63-20 lease back arrangement.

The lease payments would be allocated between Elections Division and Information Technology Services (ITS) based on space utilization. Preliminary cost estimates provided by the Executive project annual payment by ITS of \$748,000 and annual payments by the Executions Division of \$1,032,000. These estimates assume that ITS would occupy the first floor and Elections would occupy the second and third floors of the 1130 Rainier building.

A suggestion in the Executive's transmittal letter to recover these annual lease payments is to increase the amount charged to non-county jurisdictions for elections reimbursement. The county provides elections operational support to non-county jurisdictions (such as some suburban cities and special districts). The county obtains reimbursement from these jurisdictions for the costs of election operations.

Currently, charges for leased space but not for owned space are included in the reimbursement calculations. The Executive has suggested that a portion of the debt service payments for the 1130 Rainier building could be included in the reimbursement charges to non-county jurisdictions. The Executive's transmittal letter suggested that about \$598,000 of the debt service could be recovered in this way.

The lease payments could also impact the internal services charges for ITS services by adding \$750,000 to annual operation costs each year. Analysis on these financial impacts continues.

NEXT STEPS

Staff analysis continues.

Findings of Past Review of King County Elections

Group	Issue/Finding	Report Completed
<p>Citizens Election Oversight Committee</p>	<p>Physical Plant</p> <ul style="list-style-type: none"> • King County should recognize and consolidate key parts of its elections operations in order to reduce the potential for errors and to gain efficiencies. • Specifically, all ballot processing should occur in a single facility which includes appropriate resources for materials handling, security, observation and basic comfort of election workers. Such a "permanent" facility ought to be able to accommodate election data processing more efficiently and securely as well. • King County should provide more space and better facilities for the main computer room, improve the physical separation of observers and the tabulation process within the computer room, and make it possible to accommodate observers without impeding the tabulation process. <p>Security</p> <ul style="list-style-type: none"> • Continue policy of keeping the GEMS voting tabulation computer system hardware and software separate from all other computer programs, links and activities, in an isolated, secure facility. • Physical facilities used by Elections impose significant limitations costs and inefficiencies. • Centralizing elections in a single location reduces inefficiencies and potential for errors. 	<p>May 2004</p>
<p>Washington Secretary of State</p>	<p>Physical Space</p> <ul style="list-style-type: none"> • The county has several major challenges to overcome. The Election Division needs more and better quality workspace. 	<p>February 2003</p>
<p>Independent Consultant Ellen Hanson</p>	<p>Physical Space -- Recommendations concerning MBOS</p> <ul style="list-style-type: none"> • The County should secure additional space in a warehouse next door to MBOS • Redesign layout for greater efficiency. • Bring in more work stations for signature verification • Add shifts • Purchase more tabulating machines. 	<p>May 12, 2003</p>

New Efforts Underway to Review Elections Operations

<p>Blue Ribbon Panel (Election Task Force) Citizens Election Oversight Committee (reconstituted)</p>	<p>The work plan for this Committee will thoroughly evaluate all the elements of the election process in King County and provide recommendations to the Council. The Committee will be looking at past recommendations and at elections in 2004 and 2005.</p>	<p>Final Report to be presented to Council by February 1, 2006.</p>
<p>Independent Audit of Elections operation</p>	<p>The council will hire an independent, outside management consultant with expertise in the fields of governance, oversight procedures, organizational management, process and systems improvement, internal controls, transparency, capacity assessment, quality assurance and human resource management. The consultant will review and make recommendations on organizational structure; compliance with federal statement local election laws; staffing levels and competencies; adequacy of facilities; technical and administrative infrastructure and a host of other elections operational issues.</p>	<p>Preliminary report due by 9/1/05 and final report due by 10/1/05.</p>
<p>Strategic Technology Plan</p>		

STAFF ANALYSIS
PROPOSED MOTION 2005-0102
PROPOSED NCOB TENANTS

SUMMARY:

Bonds were sold in January 2005 for the \$100 million new County Office Building (NCOB). The Construction of the parking garage on Goat Hill (Phase 1) is currently under construction and is scheduled to be complete in the fourth quarter of this year. Demolition of the existing county parking garage and construction of the NCOB (phase 2) will begin immediately following completion of the Goat Hill parking garage.

Remaining Council decisions include approval of the NCOB tenants, Council adoption of revised parking rates, and a supplemental appropriation request for modular workstations for selected tenants. Council decision on the proposed NCOB tenants must be made by mid-July in order to avoid project delay.

The project is a 290,338 rentable square foot¹ (rsf) 13 story office building with parking for 94 vehicles to be located on the existing Automotive Center site augmented by an 820 vehicle parking structure on Goat Hill. Copies of proposed NCOB floor plans were provided at the June 8th Committee meeting. Under the proposed "Lease / Lease Back" delivery methodology the county will lease the building for **28.5 years** and at the end of the lease term the county will take ownership of the property. The financing plan assumes that annual lease payments (i.e. debt service on the bonds) will be paid by tenant agency rent payments and parking revenues. Tenant agency rents are projected to be equivalent to their current outside lease costs. **Proposed revisions to parking rates are anticipated later this year and will be subject to review and approval by the Council.** It is anticipated that proposed parking rates will be increased to market rates and current parking contributions to the CX fund and Child and Family Services are assumed to be at least equal to the current dollar amounts indexed at 3% for inflation.

Policy Framework:

Savings for Services: Implicit in Council's approval for the New County Office Building was that owning would initially cost more than leasing but that after a few years the project would achieve breakeven and thereafter produce additional savings which could be used to pay for services. In July 2004, in a presentation to the BFM Committee, Seneca/Kinzer provided an update to its earlier analysis that the proposed NCOB would achieve breakeven after 14 years. In September 2004, at the time the Council approved the final NCOB lease and development agreement, the financial plan demonstrated that project would achieve breakeven by 2011 (\$160,677) and increase every year thereafter. Additionally, when the debt service is retired in 2035, the County will own the building outright which will eliminate the need for annual lease payments altogether. In 2035, the projected annual savings (revenues above expenses) will be \$15.3 million.

The proposed acquisition of a new elections building is estimated to delay these annual savings for services by approximately seven years (+/- \$5.7 million).

Proposed Tenants:

Since September 2003, the Council has been very involved in the proposed tenants for the New County Office Building and in particular the proposed location of the Executive Office and Office

¹ Rentable square feet is the Usable square feet plus a percentage (the core factor) of the common areas on the floor, including hallways, bathrooms and telephone closets. (And sometimes main lobbies, cafeterias, exercise facilities) Rentable square footage is the number of square feet on which a tenant's rent is based

of Management and Budget. In September 2003, the Executive proposed the preliminary NCOB tenant list as part of the supporting documentation that provided the economic justification for the project (Ordinance 14812). Concurrent with the supplemental appropriation request for the NCOB was an Executive proposal to relocate the PAO from lease space to the 4th floor of the Courthouse in the space previously occupied by the Executive and the Office of Management and Budget. The Council adopted the Executive's proposal in December 2003 (Ordinance 14086). The economic analysis and basis for Council approval of the Executive's proposal to relocate the PAO to the Courthouse and the Executive/OMB to the Administration Building has been well documented throughout 2004 and was reviewed at the June 8th committee meeting.

Proposed CX to Non CX Tenant Distribution: The proposed CX to non-CX tenant ratio has changed since the 2003 proposed tenant list. The NCOB lease area proportion of CX agencies have increased from 7.6% in 2003 (17,891 rsf) to 19.1% in 2005 (38,912 usf). See **Attachment #18**.

Tenant Improvement Schedule: A copy of the NCOB tenant improvement schedule is included in **Attachment #17**. The NCOB Tenant Improvement schedule indicates that tenant agency sf must be confirmed by July 15, 2005. **This means that the BFM Committee must take action by July 6, 2005 in order for the full Council to take action by July 11, 2005 to avoid risk of a delay claim.**

Summary of NCOB Tenant Agency Recommendations:

Staff analysis of the tenant agency recommendations was discussed in the June 1st, June 8th, and June 22nd staff reports. Today's summary is limited to further analysis of information and additional information received since the last meeting.

A. King County Elections:

According to the NCOB tenant proposal, King County Elections was considered as candidate tenant in early February 2005 and eliminated due to configuration problems and the need for warehouse type space. During the June 8, 2005 committee meeting, committee members requested that the NCOB be reevaluated particularly since the proposed elections building acquisition no longer included the EDC warehouse function.

Analysis has continued on the confirmation of whether or not Elections could reasonably be located in the NCOB. Council hired specialty expert consultants (Staubach Company) to assist council staff review of this and other space plan reviews and to provide independent expert judgment.

The proposed elections acquisition of the 1130 Rainier Building costs compared to the NCOB are summarized by the following table:

	<i>1130 Rainier Building</i>	<i>NCOB</i>
1130 Elections Portion Only	\$300	
1130 Data Center Portion Only	\$599	
Total Project Cost per SF	\$380	\$348
NCOB w/Data Center Added*		\$369

*NCOB Data Center cost estimate (\$6.1 million) based on executive estimate for 16,000 sf data center. It is not clear if the estimate has been adjusted to account for the \$54/sf NCOB tenant improvement allowance.

ITS and ITS Data Center:

The 2003 NCOB proposal included the ITS/Data Center in the NCOB. The current (2005) NCOB report states the following:

“At this time FMD staff are working with Wright Runstad’s electronics/technology consultants and architects to develop cost estimates for various data center scenarios. If necessary, FMD will prepare a recommendation to the Executive for a supplemental appropriation request to cover the costs associated with the new data center requirements.”

The June 8, 2005 staff report includes a discussion of the ITS/Data Center issues including the uncompleted IT Strategy and IT Organization reports. According to the elections building acquisition proposal, the ITS data center represents 27% of the area (16,000 sf) and 42% of the cost of the building (\$9.6 million) plus additional data center upgrade and planning costs (estimated \$4 million).

Data Center Costs Not Included in NCOB: According to discussions with executive staff the premium costs to accommodate the ITS Data Center were not included in the project costs. Despite the fact that ITS and the Data Center were proposed by the Executive to be included in the NCOB, the tenant improvement allowance (\$16.4 million + contingency) was only budgeted to cover generic tenant office space. Shortly after Council approval of the NCOB Lease on September 29, 2004, which included ITS and the data center, FMD initiated a property search to find an alternate location for the Data Center. In a report by Colliers International dated November 11, 2004, 12 candidate data center sites were identified including the 1130 Rainier Avenue Building. As early as October 30, 2004 and continuing throughout 2004 and 2005 specialty consultants, Turner Construction, and Wright Runstad were providing technical assistance, cost estimates, electrical, and technical analysis for the 1130 Rainier Building. It is not clear how these studies were funded.

Costs to Add the Data Center to the NCOB: Based on an executive staff Data Center cost comparison the cost to locate the Data Center in the NCOB will cost **\$1.9 million** more than a similar installation (16,000 sf) in the 1130 Rainier Building. Incorporated into the executive staff analysis is a cost estimate provided by Wright Runstad to add the Data Center to the NCOB project as a change order would be an additional **\$6.1 million**. In addition, ITS estimates that an additional **\$2.0 million** will be included in the Executive’s proposed 2006 budget for Data Center move planning,

The June 8, 2005 staff report posed the following with regard to ITS/Data Center discussion: Given the number of unresolved Data Center programmatic and cost issues, the Council may wish to consider continuing to lease data center space in the Key Tower (6,000 sf) until such time as, the proviso responses for the *IT Strategic Plan* and the *IT Organization Study* are complete and Executive recommendations are transmitted so that the long range planning for the data center can be vetted.

Seattle Municipal Tower (SMT) Lease: According to the ITS lease between Seattle and King County (Section 3. C. 3) the tenant may only terminate the lease of the entire premises, and may not terminate as to only a portion of the premises. According to discussions with executive staff Seattle will not modify the lease terms to allow the Data Center to remain in SMT after the rest of ITS moves out. The Executive has already given an early termination notice for March 2007 to coincide with a move of ITS to the NCOB, and a move of the ITS Data Center to the 1130 Rainier Building.

It should be noted that IT Technology issues and legislation are referred to the Labor Operations and Technology (LOT) Committee and BFM staff are not acquainted with the details of these issues.

NEXT STEPS:

Staff analysis continues the above issues and on Executive staff responses to committee member questions which have not yet been received.

Executive's 2003 and 2005 Proposals for NCOB Tenants

Table X below shows the Executive's proposals in 2003 and as of March 2005 (Proposed Motion 2005-0102) for tenants in the NCOB in three categories:

- I. The first category shows "No Changes" from 2003 to 2005 in the group of agencies slated for the NCOB;
- II. The second category shows the Executive's new proposal in 2005 for agencies now slated for NCOB that were not originally proposed in 2003;
- III. The third category shows the Executive's proposal in 2005 for agencies that were originally slated for the NCOB in 2003, but are no longer going into the building.

Table X: Executive's 2003 and 2005 Proposals for NCOB Tenants

Agency	Location Building	Executive Proposal		2003	2005
		2003	2005	RSF NCOB ¹	USF NCOB ¹
I. NCOB Tenants – NO CHANGE 2003 to 2005					
DES Finance	Exchange	NCOB	NCOB	25,000	21,630
DCHS	Exchange	NCOB	NCOB	40,648	33,773
DCHS/Public Defense	Walthew	NCOB	NCOB	4,083	
DPH	Wells Fargo	NCOB	NCOB	87,010	85,068
DES/ITS	Key Tower	NCOB	NCOB	33,345	25,695
DES/Admin	BOAT	NCOB	NCOB	1,050	2,013
Executive/BRED	BOAT	NCOB	NCOB	4,200	5,752
	Subtotal:			195,336	173,931
II. 2005 EXEC PROPOSED CHANGES – AGENCIES ADDED TO NCOB					
Executive	BOAT	Admin	NCOB	n/a	7,933
Executive/OMB	BOAT	Admin	NCOB	n/a	11,004
Executive/OIRM	BOAT	Admin	NCOB	n/a	5,752
DES/BOE	BOAT	Admin	NCOB	n/a	500
Council/Ombudsman	Yesler	Yesler	NCOB	n/a	4,500
DPH ²	Lynn Trust	Lynn Trust	NCOB	n/a	
NCOB Pocket Space ³	-		NCOB	n/a	21,200
MISC ⁴	-		NCOB	n/a	71,772
	Subtotal:				122,661
III. 2005 EXEC PROPOSED CHANGES – AGENCIES REMOVED FROM NCOB					
DES Finance	Admin	NCOB	Admin	16,000	n/a
DPH	1916 Boren	NCOB	1916 Boren	5,660	n/a
Print Shop/Surplus Property	Graybar	NCOB	Graybar	16,670	n/a
Mail/Facilities Support	Misc	NCOB	Misc.	27,415	n/a
	Subtotal:			65,745	
	TOTAL:			261,081	296,592

Footnotes:

1. The 2005 proposed tenants are summarized using a different space calculation methodology (i.e. useable square footage VS rentable square footage). The RSF for the proposed 2005 tenants is not available at this time.
2. Estimated NCOB sq. ft. included in DPH square footage above.
3. Pocket Space means space in the NCOB not currently programmed and reserved for future growth.
4. Misc. means common areas, help desk, conference center, daycare, retail, workout room, bike rack and showers, mail room and facilities support space.

Executive's 2003 and 2005 Proposals for NCOB Tenants

Table A below shows the Executive's proposals in 2003 and as of March 2005 (Proposed Motion 2005-0102) for tenants in the NCOB.

Table A: Executive's 2003 and 2005 Proposals for NCOB Tenants

Agency	Executive Proposal		
	2003	2005	
DES Finance (Finance & Business Operations)	NCOB	NCOB	NO CHANGE
DCHS	NCOB	NCOB	NO CHANGE
DCHS/Public Defense	NCOB	NCOB	NO CHANGE
DPH	NCOB	NCOB	NO CHANGE
DES/ITS	NCOB	NCOB	NO CHANGE
DES/Admin	NCOB	NCOB	NO CHANGE
Executive/BRED	NCOB	NCOB	NO CHANGE
Executive	Admin	NCOB	CHANGE
Executive/OMB	Admin	NCOB	CHANGE
Executive/OIRM	Admin	NCOB	CHANGE
DES/BOE	Admin	NCOB	CHANGE
Council/Ombudsman	Yesler	NCOB	CHANGE
DPH ²	Lynn Trust	NCOB	CHANGE
DES Finance (Treasury Section)	NCOB	Admin	CHANGE
DPH	NCOB	1916 Boren	CHANGE
Print Shop/Surplus Property	NCOB	Graybar	CHANGE
Mail/Facilities Support	NCOB	Misc.	CHANGE
NCOB Pocket Space ¹		NCOB	CHANGE
MISC ²		NCOB	CHANGE

Footnotes:

1. Pocket Space means space in the NCOB not currently programmed and reserved for future growth.
2. Misc. means common areas, help desk, conference center, daycare, retail, workout room, bike rack and showers, mail room and facilities support space.

1130 Rainier Building

Task Name	Duration	Start	2006
Due Diligence	238 days	Tue 5/10/05	Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May
Purchase and Sale Agreement Executed	0 days	Tue 5/10/05	5/10
Due Diligence Period	60 days	Tue 5/10/05	7/8
Escrow Opened	0 days	Wed 5/11/05	5/11
Title Requested	0 days	Wed 5/11/05	5/11
Earnest Money Deposit (\$100,000)	0 days	Thu 5/12/05	5/12
Title Review	15 days	Mon 5/16/05	5/30
Negotiate/Execute Assignment and Assumption Agreement w/ Seller	16 days	Wed 6/15/05	6/30
Due Diligence Period Contingency Extension	85 days	Fri 7/8/05	9/30
Earnest Money Deposit (\$150,000)	0 days	Fri 9/30/05	9/30
Purchase Closing	0 days	Tue 1/3/06	1/3
Tenant Improvement	212 days	Thu 5/19/05	
Design	12 wks	Tue 8/9/05	10/31
Submit TI Permit	8 wks	Tue 11/1/05	12/26
TI Construction	10 wks	Mon 1/2/06	3/10
King County Self Performed Work	190 days	Mon 8/1/05	
Shell & Core Parking Lot	6 wks	Mon 8/1/05	9/19
Design	6 mons	Mon 9/12/05	2/24
Permit	8 wks	Mon 2/27/06	4/21
Construction			

Project: 050519 Due Diligence and Design
Date: Thu 5/26/05

Task Split Progress

Milestone Summary Project Summary

External Tasks External Milestone Deadline

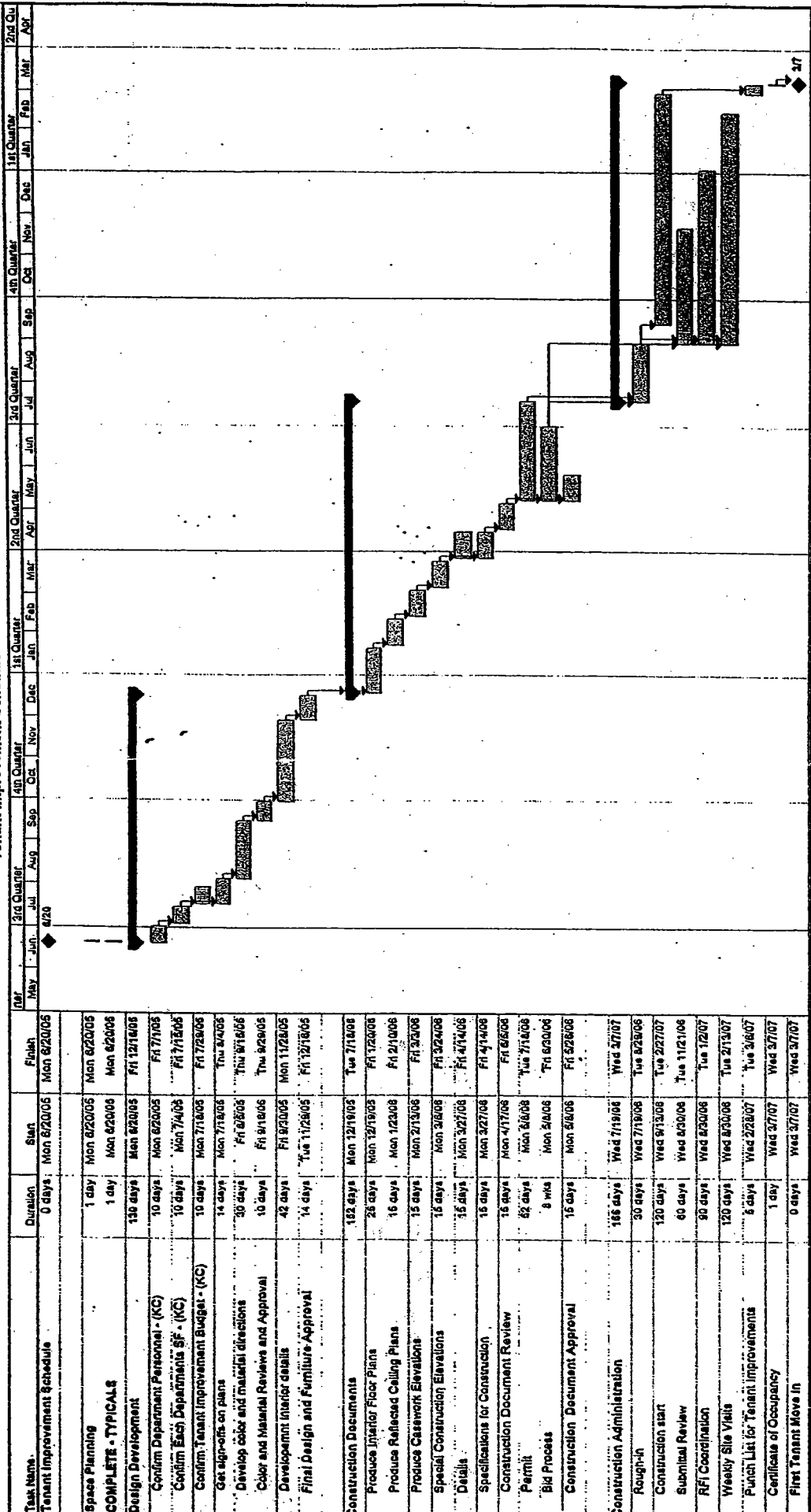
Wright Rumstad & Company

1130 Rainier Building and Adjacent Parcels

	<u>Current Estimate</u>	<u>Requested 2005 Authorizations</u>	<u>Elections %</u>	<u>Elections</u>	<u>ITS</u>
Purchase					
Price of 1130 Rainier Building	13,725,000	250,000 <i>deposits</i>			
Additional Property	1,600,000				
Due Diligence	100,000	100,000			
Other Acquisition Costs	49,000	49,000			
total Purchase	15,474,000		62.0%	9,593,880	5,880,120
Architectural and Engineering	116,000	72,000		71,920	44,080
Construction	642,000	9,100 <i>permits</i>		642,000	
<u>Tenant Improvements</u>	<u>3,785,000</u>	<u>39,000</u> <i>prelim A/E</i>		<u>1,299,805</u>	<u>2,485,195</u>
Estimated Development	4,543,000			2,013,725	2,529,275
Legal & Accounting	25,000	17,000			
Builder's risk insurance	15,000				
Other	25,000				
Subtotal	65,000		58.0%	37,693	27,307
Developer Overhead and Fee	552,000	70,000 <i>earned overhead</i>		320,098	231,902
Project Contingency	287,000			166,428	120,572
	839,000				
KC including contingency	218,000	141,000 <i>pre construction</i>		126,415	91,585
Estimated Total Cost Project	\$21,139,000	\$747,100		\$12,258,239	\$8,880,761
63-20 Estimated Delivery Expenses and Interim fix	1,672,000			969,750	702,558
Total Project Budget	\$22,811,000			\$13,227,989	\$9,583,319
Annual payment	1,779,000			58%	42%
years	20			1,032,000	748,000
annual rate	4.75%			20	20
				4.75%	4.75%
				<i>SF</i>	<i>16,000</i>
				<i>per SF</i>	<i>\$23.45</i>
					<i>\$46.75</i>

The estimated finance and delivery costs assume the transaction will move forward according to Section 63-20 of the Internal Revenue Code. If a different approach is ultimately recommended, these cost estimates will be adjusted accordingly.

KING COUNTY - GOAT HILL OFFICE BUILDING
 Tenant Improvement Schedule



ZIMMER GUNSUL FRASCA PARTNERSHIP

New County Office Building (NCOB)

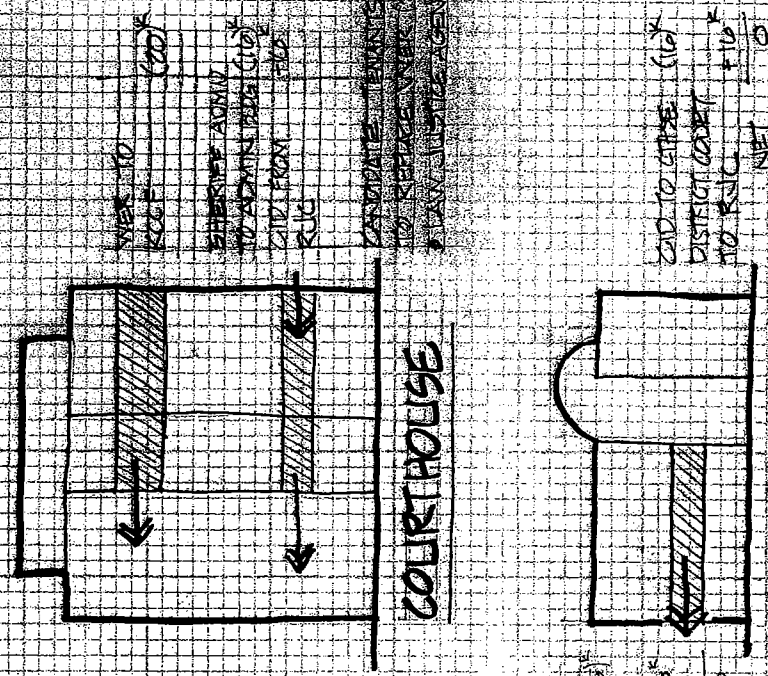
Proposed Tenants
by CX and Non-CX Agency Distribution
(Proposed Motion 2005-0102)

Agency	2004 Proposed			2005 Proposed		
	NCOB RSF	CX RSF	Non-CX RSF	NCOB USF	CX USF	Non-CX USF
DES Finance	41,000	9,084	31,916	21,630	7,210	14,420
DCHS	40,648		40,648	33,773		33,773
DPH	87,010		87,010	85,068		85,068
DES/ITS	33,345		33,345	25,695		25,695
Executive BRED	4,200	4,200		5,752	5,752	
DES Admin	1,050	525	525	2,013	2,013	
Health Dept/Boren	5,660		5,660	0	0	0
DCHS Pub Defense	4,082	4,082				
DES Print Shop/Surplus Property	16,670		16,670	0	0	0
Subtotal	233,665	17,891	215,774			
Misc Support Space/Other	27,415					
Total	261,080	7.66%	92.34%			
Executive						
Executive				7,933	7,933	
OMB				11,004	11,004	
OIRM				5,752		5,752
DES Board of Ethics				500	500	
DPH/EH						
Ombudsman				4,500	4,500	
Miscellaneous Support				203,620	38,912	164,708
Percent of Total Square Footage					19.1%	80.9%
Note: 2005 Proposed for DES Finance is determined by 1/3 for CX portion & 2/3 for non-CX portion percentages						

Calculation of General Fund Debt Service Limit

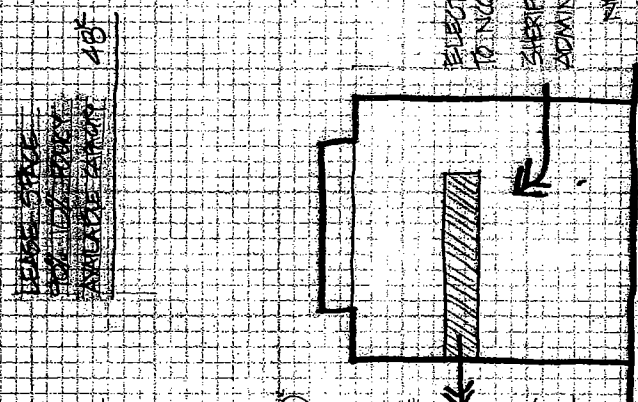
	W/O NCOB & Rainier	With NCOB & Rainier
BEGINNING FUND BALANCE	91,662,278	91,662,278
REVENUES		
Property Taxes	246,089,935	246,089,935
Debt Service	(18,817,887)	(21,190,253)
Sales Tax	67,769,511	67,769,511
Interest Earnings	10,439,473	10,439,473
CJ Revenues	16,597,047	16,597,047
Other Revenues	142,240,482	142,240,482
Total Revenue for Debt Cap Denominator	464,318,561	461,946,195
Debt Cap Percentage	5%	5.0000%
Debt Cap Dollar Amount	23,215,928	23,097,310
Budgeted Debt Service	18,817,887	21,190,253
Debt Cap Room	(4,398,041)	(1,907,057)
Debt percentage	4.0528%	4.5872%

2005 Budget Debt Service	18,817,887
Add:	
1130 Rainer Lease Payments	
- Elections portion	1,032,000
NCOB - CX portion	1,340,366
	<u>21,190,253</u>

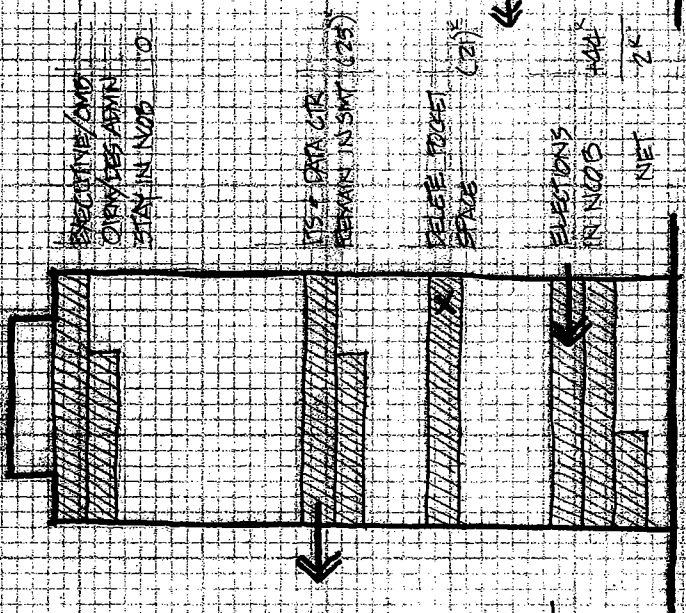


COURTHOUSE

RUC



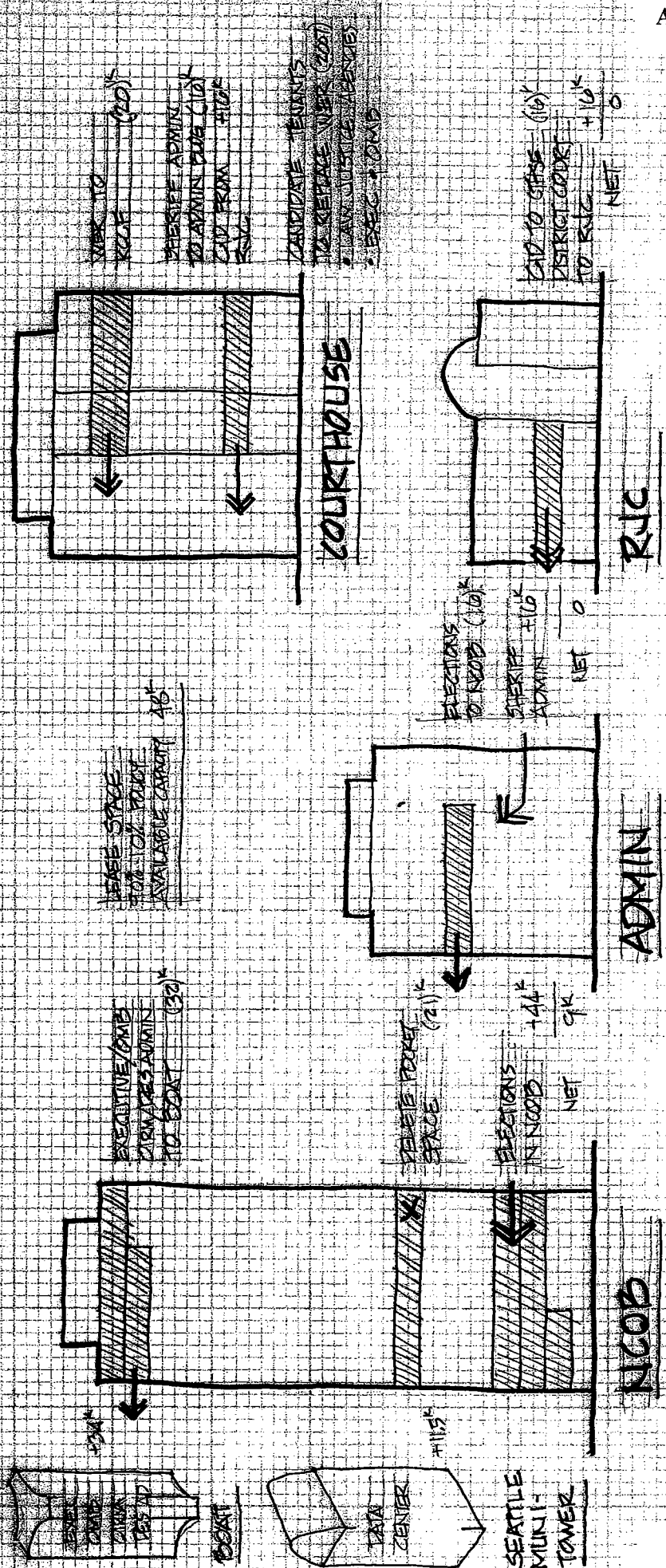
ADMIN



NCOB



ALTERNATIVE 3



ALTERNATIVE 4