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Independent Review of
*"An Approach to Reducing King County
Office Space Costs"*

Prepared for



**Metropolitan
King County Council**

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THE STAUBACH COMPANY

December 5, 2003

EXECUTIVE SUMMARY

On July 15, 2002, King County Council approved Ordinance 14420, authorizing \$475,000 to explore options to purchase an existing building or to build a new office building for King County. Over an eleven-month period, The Seneca Group, Kinzer Real Estate Services (“the consultants”), and other subcontracted experts performed an analysis for the Executive Committee, culminating in the project analysis entitled *An Approach to Reducing King County Office Space Costs*.

Using the results generated through the project analysis and report, the Executive’s recommendations can be summarized into two overall elements:

1. Construction of a new 261,000 square foot office building for King County is preferable to purchasing a building.
2. Construction of a new central steam plant to provide thermal energy for the King County Courthouse complex and Harborview Medical Center.

On September 5, 2003, just prior to the September 15 transmittal of the project, Facilities Management (“FMD”) staff was alerted to a possible conflict of interest on the part of the consultants. Executive Staff briefed the Budget & Fiscal Management Committee regarding this issue, at which time a further analysis of the evaluation and selection process was authorized.

The Staubach Company was retained on November 10, 2003 to provide the Council with an independent overview of the build vs. buy and developer selection processes used in completing the Consultant’s findings. Staubach’s process and evaluation criteria concentrated on the following:

- Did the potential conflict of interest influence any piece of the evaluation or selection process?
- Was the outcome of the analysis correct?
- Were other potentially viable alternatives overlooked due to the inclusion of the site with which there existed the potential conflict?
- Was there a true competitive process for the selection of Wright Runstad as the developer chosen for new construction?

The Staubach Company was not directed to review any analyses related to the proposed central steam plant.

Having completed numerous interviews and a review of the evaluation materials provided, The Staubach Company has come to the following conclusions:

1. Concurrence with the conclusions of the report titled *An Approach to Reducing King County Office Space Costs*, and concurrence with the recommendations of the Executive that it is in the County's best interest to transition from leased to County owned property.
2. Agreement that though a potential conflict of interest did exist, the building evaluation and selection process were neither impeded by this conflict, nor were the final report and recommendation of the Executive adversely influenced or affected by the conflict.
3. Belief that the analyses and processes used by the County's FMD, as well as those used by the contracted experts, were sound, informed, deliberate and executed according to industry standards.
4. Belief that the selection process resulting in the award of the development opportunity to Wright Runstad was professionally conducted and in accord with accepted industry standards.

SUBJECT

The Staubach Company was hired by the King County Council to provide an independent overview of the building acquisition and real estate developer selection processes.

BACKGROUND

On July 15, 2002, King County Council approved Ordinance 14420 allocating \$475,000 to explore whether it would be in King County's best interest to purchase an existing building or to build a new office building. Over an eleven-month period, The Seneca Group, Kinzer Real Estate Services ("the consultants"), and multiple subcontracted experts performed an analysis for the Executive Committee, which culminated in the project analysis entitled *An Approach to Reducing King County Office Space Costs*.

Using the results generated through the project analysis and report, the Executive's recommendations can be summarized into two overall elements:

- Construction of a new 261,000 square foot office building for King County.
- Construction of a new central steam plant to provide thermal energy for the King County Courthouse complex and Harborview Medical Center.

On September 5, 2003, just prior to the September 15 transmittal of the above referenced work, the Facilities Management group ("FMD") was alerted to a possible conflict of interest on the part of the consultants. Executive staff briefed the Budget & Fiscal Management Committee regarding this conflict, at which time Committee staff requested a further analysis of the consultants' evaluation and selection process. The Staubach Company was hired on November 10, 2003, to determine the following:

- Did the potential conflict of interest influence any piece of the evaluation or selection process?
- Was the outcome of the analysis correct?
- Were other potentially viable alternatives overlooked due to the inclusion of the site with which there existed the potential conflict?
- Was there a true competitive process for the selection of Wright Runstad as the developer chosen for new construction?

The Staubach Company was not directed to review any analyses related to the proposed central steam plant.

PROCESS & WORK SCOPE

The Staubach Company exclusively represents "occupiers" of real estate and thus has no conflicts associated with any developers or building owners that may have been under consideration by King County. Staubach met with David Layton and Rebecha Cusack, Budget and Fiscal Management, on November 3 and November 13, 2003, to be briefed on the project and assigned scope of services. David Layton provided Staubach with the consultants' completed project analysis, the Executive Committee's report, and backup materials.

Staubach first reviewed the *Approach to Reducing King County Office Space Costs*. Also included were materials covering subcontractors' reviews of the final five alternatives. These reports included architectural/space planning analysis, seismic condition and retrofit costs, and analyses of building mechanical & electrical systems.

Staubach also analyzed the results from the RFQ and subsequent RFP issued by the County for selection of a development team to plan and construct a lease-lease back for a new County Office Building on County-owned land in downtown Seattle.

Staubach conducted interviews of consultants and King County employees prominently involved with the process. The following people were interviewed regarding their role in the evaluation and selection process:

KING COUNTY

Kathy Brown, DES Director, Facilities Management Division
Dave Pruegschat, DES Deputy Director, Facilities Management Division
Jim Napolitano, Facilities Management Division
Bill Angle, Facilities Management Division
Bob Williams, Budget and Fiscal Management Division
Sally Bagshaw, Chief Civil Deputy, Prosecuting Attorney's Office

CONSULTANTS

David Victor, The Seneca Real Estate Group
Craig Kinzer, Kinzer Real Estate
Amy Bolich, Kinzer Real Estate
Terry Lundeen, Coughlin Porter Lundeen
Linda Moriarti, Gensler
Michael Wiener, Gensler
Brian Floyd, McKinstry

DEVELOPERS

Tom Parsons, Opus Northwest
Rob Hollister, Hines
Cindy Edens, Wright Runstad & Company
Martin Selig, Martin Selig Real Estate

OVERVIEW OF RECOMMENDATION AND SELECTION OF PROPERTIES FOR PURCHASE

In order to determine whether the County should buy or build, the consultant team conducted an extensive search for acquisition opportunities. The initial search produced 266 possibilities, which were narrowed to 41, based on geographic parameters. King County's size requirement (100,000 – 300,000 square feet) significantly reduced the number of options available for consideration. Due to a variety of factors, the consultants also found that many prospective sellers did not feel that the County was seriously considering an acquisition.

Concurrently, a "Fast Track" was created by FMD to be able to quickly take advantage of any project that presented an extraordinary opportunity for the County. The Public Safety Building ("PSB") was the only building placed on the "Fast Track" process by the Facilities Management Department ("FMD"). Staubach was told that the favorable location and potential synergies with the City of Seattle were the factors that led to PSB being fast tracked. The PSB was eventually removed as a Fast Track option based on price and complications with the City of Seattle. For additional information, please see the attached Exhibit I, *Overview of Facilities Management Department Review of Public Safety Building*.

The second narrowing of the standard search was completed by: 1) eliminating any opportunities located outside the Seattle Central Business District, due to insufficient demand for Eastside and South end locations and 2) eliminating buildings that could not be vacated by January 1, 2007 to accommodate the County's occupancy needs. Thus, the original Master List of potential acquisition sites was reduced from 41 to 27 (14 of which were identified as development/foundation sites and 13 of which were existing buildings).

Staubach's investigation was primarily concerned with the final stages of the existing building elimination process, believing that in the reduction of King County's options from 13 to six, qualified building might have been overlooked. Disqualification factors were size, price (above replacement cost), and timing, all standard and reasonable elimination factors. Staubach's investigation found that disqualifying the following seven properties created the short-list of six buildings:

- **Fisher Plaza I (195,000sf) & II (105,000sf):** Eliminated due to specialized nature of buildings; Fisher Plaza I is Fisher Communications Headquarters; these buildings would not sell below replacement cost.
- **National Building (146,625sf):** Small end of size requirement range without expansion opportunities.
- **Millennium Tower (199,766sf):** Offered and later sold above replacement cost.
- **1201 Western Ave (104,481sf):** Small end of size requirement range without expansion opportunities.
- **One Convention Place (309,400sf):** Offered and later sold above replacement cost.
- **1616 Eastlake (164,000sf):** Offered and later sold above replacement cost.
- **Qwest Building (~200,000sf):** Qwest could not make a decision within the County's timeframe.

These six properties were toured by members of the Facilities Management Division and, following that tour, the West Lake Union Center Building was eliminated due to its perceived inferior location.

The remaining five properties (the Dexter Horton Building, the Central Building, the Exchange Building, 83 King Street and the Park Place Building) were toured and analyzed by seismic experts, engineers and architects. Of these buildings, 83 King Street was eliminated due to severe seismic problems and Park Place was eliminated due to the acquisition price being above replacement cost.

Though not of the magnitude of 83 King Street, the remaining three properties, Dexter Horton, the Central Building and the Exchange Building, also faced significant seismic upgrades in order to meet the seismic standards comparable to the Insurable Standard or Courthouse Standard set by the Executive Staff. As referenced in *An Approach to Reducing King County Office Space Costs*, the cost of the retrofit necessary to upgrade any of these buildings to meet the Insurable or Courthouse standard could price the existing buildings at or over replacement cost.

Should the County make the policy choice not to meet the Insurable or Courthouse seismic standards, Staubach believes there is a risk that the DCLU may require code compliance associated with the retrofit of existing opportunities. Per the City of Seattle's DCLU Client Assistance Memo, *Seattle Building Code Requirements for Existing Buildings that Undergo Substantial Alterations, February 2002*, (attached as Exhibit II), if and when substantial alterations to a building are completed, the building must be brought to compliance with current code. Substantial alterations include improvements that substantially extend the useful, physical and/or economic life of the building or a significant portion of the building. Examples of substantial alterations include an entire floor remodel or improvements to major systems such as electrical, plumbing or mechanical systems, improvements. The Staubach Company believes that there is risk that all final acquisition options could require such work. Even if the County decides to initially forego any seismic retrofit, the risk would remain that the City could require code upgrades during the County's ownership. Such upgrades could be a significant additional expense for the County.

In addition to the DCLU code requirement, the underwriter of bonds used to finance the acquisition could require a seismic upgrade. Additional risk to the bondholder could negatively affect the ability to underwrite the bonds. Seismic condition is a sub-component of the insurability of the asset, and affects not only the bond price, but also the feasibility of satisfying an underwriter's criteria.

The Staubach Company therefore concurs with the recommendations of the Executive that the construction of a new building is the lowest cost, long-term solution.

CONFLICT OF INTEREST

Though the group of five short-listed buildings, and subsequently the group of three short-listed buildings, both included the Central Building (the building where the potential conflict of interest existed), it is the opinion of The Staubach Company that this conflict was not influential in the selection process. The consultants did not recommend the Central Building, nor did the building come recommended by any other experts consulted. The consultants recommended only that the Central Building be kept in the process as the lowest-cost alternative on a price per square foot basis, thus providing the County with tactical leverage in negotiations with higher-priced, qualified alternatives. It is a common negotiation practice to keep a low cost option available, not only for leverage, but for comparison purposes. In addition to the leverage it provided, the Central Building continued to meet the selection criteria until it was finally eliminated due to its size restriction.

By the end of the evaluation, the Central Building was removed from consideration for failing to meet the County's strictest minimum for size – in the final short list analysis, it was deemed to be too small for the County's long term needs. As the Executive's final decision was not to purchase a building, but instead to build, the potential conflict was removed altogether.

Staubach interviewed Ms. Sally Bagshaw, Chief Civil Deputy Prosecuting Attorney of King County, regarding the potential conflict. Ms. Bagshaw told Staubach that Ms. Kathy Brown called her within moments of first being verbally informed by Seneca/Kinzer of the potential conflict. It is Ms. Bagshaw's opinion that the County has not been harmed by the potential conflict, and that the potential conflict was irregular, but not fatal, in the process. Though Ms. Bagshaw was very clear that she would have preferred the potential conflict had been disclosed in writing much earlier, she believes that the consultants' small minority share in the Central Building would not have put them into any kind of decision-making capacity on the property. Ms. Bagshaw told Staubach that in light of the Executive's recommendation to build rather than purchase, the potential conflict was further minimalized.

The Seneca/Kinzer team told Staubach that they verbally addressed the potential conflict with Executive Staff early on in the process and that they regret not having identified it in writing sooner to the County.

From our analysis of the report and supporting materials, we do not feel that any potential opportunities were excluded in favor of the Central Building and concur that the potential conflict of interest did not influence the final outcome. Issues disqualifying acquisition opportunities included: cost of seismic retrofit and upgrade to meet current code regulations, building size, inferior location and total price above replacement cost –all industry standard and acceptable disqualifying measures.

DEVELOPER SELECTION PROCESS

With the successful implementation of IRS approved "63-20" bond financing on the King Street Center and 401 Broadway projects, King County issued a similar RFQ and RFP to investigate development services and opportunities for a new County office building.

RFQ No. 108-03RLD was advertised on March 3, 2003. The seven respondents were quickly narrowed down to three:

Bentall Capital (U.S.), Inc. partnered with **Langley Associates** and submitted a response as a joint developer. It was presented that Bentall brought Langley on board because of Langley's public process expertise. It was not apparent to Executive Staff why the County would benefit from working with a team of two developers for this project.

Sonnenblick-Del Rio Development, Inc. is based in Beverly Hills, CA and was the only development company that responded to the RFQ that isn't headquartered or has a regional office in Seattle/Bellevue. Executive Staff ranked this group #7 out of 7, primarily due to its lack of financial resources, management plan and capacity to perform.

In the opinion of Executive Staff, **Touchstone Corporation** did not appear to have the same depth of expertise in developing traditional metropolitan office product or the experience with public sector projects as the top 3 finalists and thus Executive Staff excluded them from further consideration.

Washington Real Estate Holdings, L.L.C. represented to Executive Staff that they had completed significant development projects, but were perceived by Staff to function more like property managers than developers. Washington Holdings is controlled by the pension fund, the Washington State Investment Board.

The top three finalists, **Hines Interests Limited Partnership (Hines)**, **Opus Northwest, L.L.C. (Opus)** and **Wright Runstad & Company (Wright Runstad)** were issued RFP No. 108-03RLD by Executive Staff on May 22, 2003.

Having used the same basic form on King Street Center and 401 Broadway respectively, Wright Runstad and Opus were familiar with the Development Agreement and accepted it unchanged and "as written." In doing so, these two firms agreed to assume the construction risk, including the risk of developing on potentially contaminated land. A developer's willingness to accept such risks was a key selection criterion for Executive Staff. The County did not need to take on construction risk, so it was incumbent on Hines to do so to avoid elimination.

Although Hines scored well for proposing the lowest Guaranteed Maximum Price (GMP), Executive Staff deducted several points for Hines' revision of the Development Agreement. These changes transferred the construction risk from Hines onto the County, a risk the County did not want to assume. Opus, though accepting the Development Agreement "as is", submitted a GMP that was 20-25% higher (approximately \$4MM) than its competitors, which, in Executive Staff's view, removed Opus from consideration.

Wright Runstad's biggest hurdle in the selection process was the Executive Staff's concern that Wright Runstad did not have the same depth of experienced project managers and

financial resources as its competitors. Executive Staff informed Staubach that these concerns were allayed by: 1) Wright Runstad's strong regional reputation, and 2) the County's confidence in the developer stemming from the successful King Street Center project.

The results of Staff evaluation were unanimous: Wright Runstad received the highest final score from each of the three members of the King County selection committee. Out of a possible 850 points, Wright Runstad scored 811. Wright Runstad was the only candidate to receive a score above 800, and out-scored its closest competitor, Opus, by 42 points.

Given that members of The Seneca Group were formerly members of Wright Runstad's development division, Staubach was unable to detect any preferential treatment received by Wright Runstad from the Seneca Group during the developer selection process. Staubach was told in its interviews that Seneca actually recommended that the County evaluate Wright Runstad in the areas of "bench strength" and financial resources. Staubach was told that Seneca had a consultative role in the developer selection process, and had no authority to rank or identify the candidates.

After consulting with the leads of the top three developer teams (Opus, Hines and Wright Runstad) and each member of the County Staff on the developer selection committee, Staubach was told that all parties were satisfied with the selection process, and that none had any objections as to how the County reached its final decision. Should the proposed new County office building be approved, Staubach believes that the method used in procuring the most qualified developer for this project was thorough and in accord with industry standards.

CONCLUSIONS

Having completed the above interviews and the review of the evaluation materials, The Staubach Company has the following conclusions:

- A concurrence with the conclusions of the report titled *An Approach to Reducing King County Office Space Costs*, and concurrence with the recommendations of the Executive that it is in the County's best interest to transition from leased to County owned property.
- Agreement that though a potential conflict of interest did exist, the building evaluation and selection process were neither impeded by this conflict, nor was the final outcome of the report and recommendation of the Executive adversely influenced or effected by the conflict.
- The analysis and processes used by the County's FMD as well as those used by the subcontracted experts were sound, informed, deliberate and executed according to industry standards.
- The experts subcontracted to perform evaluations on the short listed properties conducted as exacting and professional a set of examinations as time and budget allowed.
- Belief that the selection process that resulted in the award of the development opportunity to Wright Runstad was professionally conducted and in accord with accepted industry standards.

EXHIBIT I

Overview of Facilities Management Department Review of Public Safety Building

The Public Safety Building site was originally considered as a Track C (Fast Track) opportunity. After working for several months with City of Seattle staff and consultants, it became clear that a joint project would not be significantly less expensive than other opportunities. Additionally, there were complexities associated with the construction of the King County building on the City of Seattle site. Following is a list of issues/concerns that lead to the decision to remove the Public Safety Building site from the Fast Track:

- The City of Seattle had little interest in packaging a capital project that would virtually eliminate construction risk to the County, an important criteria for King County.
- The City wished to develop below-grade garage on the site. The depth of excavation/construction to meet the City's needs significantly increased the per-stall parking cost for the site.
- The City wished to construct and maintain ownership of the below-grade garage on the site, and convey condominium interest for buildable area to the County above the plaza. This arrangement significantly complicated the construction management and financing of the proposal. It also limited the County's flexibility in terms of future sale of the building, should the County experience major downsizing.
- The City would require the County to contribute to transit access funds to the City per an agreement with King County Metro Transit. This would be an added cost to the County that would not apply to any other site option.
- It is questionable whether or not the site would allow for construction of a building larger than 200,000 square feet.

Even if all of the issues listed above could be worked out or mitigated, the following practical factors were considered in the decision to remove the PSB site from the Fast Track:

- Since the County does not, and would not, own the underlying land, there would be no added benefit related to liquidation of a County-owned asset to address immediate financial needs of the County. This advantage could be realized with the County-owned development sites.
- The City would control the overall design of the building to fit into City campus.

The above led to the determination that the project did not meet the criteria related to the Fast Track. (In other words, the project did not appear to have significant, obvious cost savings or other advantages over the options under consideration.) The Public Safety Building project was thereafter included as a potential non-County owned site under Track B (Building Development or Acquisition on Non-county-owned Land.) The City of Seattle was given the opportunity to compete with all other opportunities in an open competitive process. The City of Seattle elected not to participate in that competition.



Seattle Building Code Requirements for Existing Buildings that Undergo Substantial Alterations

February 2002

INTRODUCTION

Section 3403.11 of the Seattle Building Code defines and lists special requirements for buildings that undergo substantial alterations or repairs. The intent of this client assistance memo is to clarify the definitions of substantial alteration and to provide guidance in how DCLU applies Section 3403. For accessibility requirements, refer to Chapter 11 which treats alterations differently.

When designing an alteration of an existing building, the building owner and the designer should first determine whether the project will be considered substantial. In many cases, it will be difficult to determine whether or not a project is substantial. In those cases, a presubmittal meeting is advised so DCLU may gather the information it needs to make a determination. If the project is considered substantial, the next step is for the designer to evaluate the building's structural and life safety systems.

It is important to note that Section 3403.11 does not require a substantially-altered building to comply with all of the current code; it requires compliance only with specific sections. This CAM will list those sections and give some guidance in determining how DCLU will apply them.

Note that other technical codes may treat alterations differently. For example, the Seattle Energy Code requirements apply to the portion being altered, regardless of whether the Seattle Building Code considers it a substantial alteration. Therefore, check each technical code to determine the applicable requirements.

DEFINITIONS

The five definitions of substantial alterations as listed in section 3403.11.2 are:

1. Extensive structural repair.
2. Remodeling or additions which substantially extend the useful physical and/or economic life of the building or significant portion of the building, such as remodeling a complete floor other than typical office tenant remodeling.
3. A change of a significant portion of a building to an occupancy that is more hazardous than the existing occupancy, based on the combined life and fire risk as determined by the building official. Table 34-A may be used by the building official as a guideline. A change of tenant does not necessarily constitute a change of occupancy.
4. Reoccupancy of a building that has been substantially vacant for more than 24 months in occupancies other than Group R, Division 3.
5. A significant increase in the occupant load of an unreinforced masonry building.

TYPICALLY APPLICABLE PROJECTS

Definition 1: Extensive structural repair

Extensive structural repair occurs when the structural system of a building undergoes significant repairs. When severe deterioration of significant portions of a building's structural system is repaired, or when significant damage is repaired, the work will be considered substantial. A building which suffers severe damage in an earthquake or fire is likely to require extensive structural repair and therefore would trigger the requirements for a substantial alteration.* Typical projects which would not be considered extensive are replacement of an exterior stair or repair/replacement of water-damaged beams in a roof structure.

* Full compliance with the code is required by Section 3403.5 when the cost of repair to a damaged building exceeds 60% of the building's value.

Definition 2: Extending the useful physical and/or economic life of a building

Extending the useful physical and/or economic life of a building is the trigger most frequently used in determining whether a building is a substantial alteration. It is also one of the most difficult to determine, and varies considerably depending on the nature of the work being done and the condition of the building.

Routine maintenance of a building, by itself, will not trigger this requirement. Routine maintenance typically includes items such as painting, reroofing, replacement of light fixtures or replacement of plumbing fixtures. When routine maintenance has been delayed to the point where the building has suffered significant deterioration and requires expensive restoration, it may be considered substantial. Routine maintenance combined with some improvement work may also be considered substantial.

There are many ways to look at this definition of substantial alteration. Listed below are some of the criteria that are used most often.

Cost of project. Improvements to major systems such as electrical, plumbing and mechanical are often thought of as "hard costs"—the costs are relatively large and can only be justified over a longer period of time. Hard cost improvements thus more clearly extend the life of the building and carry more weight in determining whether a project is substantial. On the other hand, routine maintenance is often thought of as "soft costs"—items that are replaced on a regular basis. Many projects consist of a combination of work involving both soft and hard costs which most often will be considered to substantially extend the life of the building.

For the typical project, if the cost is high relative to the value of the building, it will be considered substantial. For example, if a project consists of new carpet, paint, upgrade of light fixtures, new toilets and sinks, a new roof and patching of plaster, and the cost is more than half the value of the building, it would probably be considered a substantial alteration. Even though most of these items alone would only be considered maintenance, the total amount of work would be great enough to justify a conclusion that the project is a substantial alteration. The fifty percent figure used here is not intended to be a fixed percentage but only as an example.

Existing conditions. A careful review of existing conditions is important in determining whether a given proposal will trigger substantial alteration requirements. A relatively new building may undergo a face lift with

expensive new finish work and some minor alterations and yet not trigger special requirements, while a very old and poorly maintained building that undergoes a similar project may be viewed as a substantial alteration. There are two reasons for this. One reason is a desire to correct the more serious life-safety hazards likely to be present in older buildings. The other reason is that the relative cost of the new work in relation to the value of the existing building is higher in the older building. In this case, the ratio of project cost to building value is viewed as being directly related to the extent to which the life of the building is being extended.

Size of project relative to building size and extent of use. Alteration projects vary considerably from total building renovation to renovation of a portion of a floor; building use varies from fully occupied to completely vacant. It is the particular combination of these two items that becomes important in evaluating whether a project is substantial. A large new restaurant in a fully occupied high-rise building clearly is not a substantial alteration project. However, a similar project in an older, partially-occupied, three-story building is likely to be substantial. For example, many older downtown buildings have very limited, if any, use of their upper floors. Renovation of the tenant spaces on the lower floors of such a building, even though of a moderate size and scope relative to building size, may trigger the substantial alteration requirements.

When determining whether a project extends the useful life of a building, DCLU will consider all these factors in combination.

Definition 3: A change to an occupancy that is more hazardous than the existing occupancy

A change to an occupancy that is more hazardous than the existing occupancy is determined by referring to Table 34-A of the Seattle Building Code. Occupancies have been assigned a hazard rating based on factors such as the number of people expected to be present in the building, whether the people are awake, the amount of combustible materials present and likelihood that a fire will occur.

Questions about interpreting this trigger occur when only a portion of a building changes to a higher hazard rating. In those cases the deciding factors are generally the percentage of the building that is changing to the higher-rated hazard, and how significantly the hazard is increased. A small Group B restaurant space (hazard rating 9) that is converted into a Group M retail space (hazard rating 12) in a large building

such as a high-rise will generally not trigger the requirements for a substantial alteration because the change in hazard rating is relatively small, and affects only a small portion of the building. However, converting a significant portion of a building from a low hazard to a high hazard rating usually will trigger the requirements for a substantial alteration. For example, the conversion of an entire floor of a three-story building from a Group S-1 warehouse (hazard rating 5) into a Group A-3 assembly space (hazard rating 12) would be considered a substantial alteration.

Definition 4: Reoccupancy of a building that has been substantially vacant for more than 24 months in occupancies other than Group R, Division 3

The intent of this provision is to ensure that buildings with low or minimal usage are properly retrofitted when they become more fully occupied. A typical example is a multistory mixed use building with a business on the first floor and vacant second and third floors. An owner who wishes to reoccupy these upper floors will be required to comply with the substantial alteration requirements of Section 3403.11.

Definition 5: A significant increase in the occupant load of an unreinforced masonry building

Substantial alteration requirements are necessary when an unreinforced masonry building is changed to a use that will have a significantly higher occupant load, based on Table 10-A of the Seattle Building Code.

DEALING WITH SUBSTANTIAL ALTERATIONS

The intent of Section 3403.11 of the Seattle Building Code is to provide improved structural and fire life safety to a building that undergoes a substantial alteration. The extent of the improvements required is based on the size and scope of work and the relative hazard that exists. The ability of the design team to assess these two items and present proposals that appropriately address the hazards is critical to ensuring a successful resolution to this key Building Code requirement.

When a project has been defined as a substantial alteration, Section 3403.11.1 requires that the project be made to conform with the requirements of Sections 403 (high rise buildings, when applicable), 511 (special requirements for the Fire District, when applicable), Sections 713.10 (smoke dampers), 713.11 (fire dampers), 801 through 805, 808 (interior finishes), 904 (fire-extinguishing systems), and Chapter 10 (means of

egress) and the fire alarm requirements of Chapter 3. Section 3403.11.3 requires evaluation and mitigation of seismic deficiencies. See Director's Rule 4-2001 for specific regulations for unreinforced masonry chimneys.

It is incumbent upon the design professionals to provide a critical evaluation of the adequacy of the life safety and seismic systems in the building. The basis for evaluation shall be the above-mentioned sections of the Building Code, or for seismic systems, either Chapter 16 of the Building Code or an approved alternate standard. Director's Rule 32-96 lists approved alternate standards. The evaluation must include a detailed and prioritized list of all items found to be deficient.

Ideally, all items found to be deficient will be corrected. However, in many cases it is recognized that to remedy all deficiencies will impose severe hardships on the building owner. The Building Code provides DCLU with significant flexibility to resolve specific hardship issues. There are three methods by which the applicant may seek relief. Section 104.14 allows DCLU to modify the code where the applicant demonstrates that the specific code requirements are impractical. Section 104.15 allows the applicant to identify design solutions which will provide equivalent protection. Section 3403.3 allows the building official to waive code requirements in some circumstances.

The determination to modify or waive a code requirement is dependent on the ability of the design team to provide adequate justification for a proposal. Justification may include *cost benefit analysis*, *functional issues*, *total costs*, *testing*, *risk analysis*, *professional judgment*, and *redundancies*. The more comprehensive and well-justified the applicant's analysis of the issues involved in the project, the more likely the applicant will succeed in obtaining approval for the proposal.

QUESTIONS?

Many questions about the requirements for making substantial alterations can be answered by DCLU's Technical Backup for the Building Code staff by calling (206) 684-4630.

GETTING CONCEPT APPROVAL VIA A PRESUBMITTAL CONFERENCE

For many applicants it is desirable to schedule a presubmittal conference with the building official to get *concept approval* of significant code issues prior to applying for a building permit. Concept approval can

greatly facilitate the plan review process and can be in the form of applicant-generated minutes which will be reviewed and approved by the building official.

The presubmittal conference is an opportunity to present your proposals and appropriate justifications, determine if your project is a substantial alteration, and resolve code issues. To schedule a presubmittal conference, call the DCLU Applicant Services Center at (206) 684-8850.

Access to Information

Electronic versions of DCLU Client Assistance Memos (CAMs), Director's Rules, and Seattle Municipal Code are available on the DCLU website at www.cityofseattle.net/dclu. Paper copies of these documents, as well as additional regulations, are available from our Public Resource Center located on the 20th floor of Key Tower at 700 Smith Street in downtown Seattle. (206) 684-8850.

PLEASE NOTE: DCLU public information documents should not be used as substitutes for codes and regulations. Details of your project should be reviewed for specific compliance by DCLU staff.