## STAFF REPORT

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| **Agenda Item:** | 5 | **Name:** | Sam Porter |
| **Proposed No.:** | 2020-0202 | **Date:** | July 15, 2020 |

**SUBJECT**

Proposed Ordinance 2020-0202 would make a supplemental appropriation of $15,526,000 to the building repair and replacement capital fund to facilitate the purchase of the property at 2124 Fourth Avenue, Seattle.

**SUMMARY**

Proposed Ordinance 2020-0202 would make a supplemental appropriation of $15.5 million to facilitate the acquisition of the property currently occupied by Public Health—Seattle & King County (PHSKC) that serves as the location for the Downtown Public Health Clinic in Seattle's Belltown neighborhood. The property would be purchased at fair market value and become part of the Facilities Management Division (FMD) county property portfolio.

Based on initial assumptions of using bonds to pay for the acquisition, Council staff has calculated the breakeven time for the initial cost of the acquisition would be approximately 15 years without accounting for the potential increase in property value. Council staff have requested information about how the Executive intends to pay for this acquisition but have not received a response at the time of publishing this staff report.

**BACKGROUND**

The Downtown Public Health Clinic located at 2124 Fourth Avenue in Seattle has been in operation since the early 1990's and supports a variety of services that focus on the health needs of people who are experiencing homelessness including primary care, dental services, maternity support services, Kids Plus, Women, Infants and Children Nutrition (WIC), refugee screening, opioid use disorder services, and a needle exchange. The current lease expires at the end of May 2021 with a five year option to extend.

**ANALYSIS**

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| **Building Repair/Replacement Subfund** | **$15,526,000** |
| **2019 – 2020 Adopted Budget:** |  **$38,812,000** |
| **Supplemental Appropriations to Date:** |  **$59,499,000** |
| **Total Appropriation to Date:** |  **$98,311,000** |

If approved, Proposed Ordinance 2020-0202 would authorize a supplemental appropriation of $15.5 million to the Building Repair and Replacement Fund to allow the Facilities Management Division (FMD) to acquire the property at 2124 Fourth Avenue in Seattle. This property is currently owned by Lady White Investments, LLC, a company incorporated in Delaware, whose sole shareholder is Saint John Baptist College in the University of Oxford.

The property appraisal was conducted on February 27, 2020 and received an estimated fair market value of $15,500,000. The initial assumption for how the County would pay for this property was through bond sales that are no longer being pursued at this time. Under the original assumptions, Executive staff estimate that the debt service for this amount would be approximately $1,176,000 per year assuming 4.5 percent interest amortized over 20 years. In comparison, according to the property summary, the current annual cost to lease the property is approximately $1 million with annual base rent increases of 2.5 percent as per the current lease terms. Council staff have requested information about how the Executive intends to pay for this acquisition but have not received a response at the time of publishing this staff report.

Executive staff estimate that operating expenses for the property will decrease with this acquisition by approximately $78,500 per year. However, Executive staff note that if purchased, FMD will conduct a major maintenance infrastructure review and continually evaluate and adjust the level of service to meet the needs of PHSKC. The property summary indicates that if the building is purchased potential future renovations for the property include "development of space for opioid use disorder service delivery, conversion of office space to clinical space, expansion of the dental clinic and related modifications to the needle exchange space, and the addition of two restrooms." The property summary indicates that the purchase of this property is consistent with the council adopted 2019 Real Property Asset Management Plan[[1]](#footnote-1).

Given the above assumptions, the breakeven time for the initial cost of the acquisition would be approximately 15 years without accounting for the potential increase in property value. It should be noted that PHSKC would continue to contribute to the cost of the acquisition through the FMD central rate.

Lastly, it should be also noted that the current lease for this space does not expire until May 2021 with a five year option to extend.

Council's legal counsel has reviewed the purchase and sale agreement for the property acquisition and no further action was identified.

**INVITED**

* Dwight Dively, Director, Office of Performance, Strategy and Budget
* Tony Wright, Director, Facilities Management Division
* Michael Gedeon, Public Health—Seattle & King County, Chief Administrative Officer

**ATTACHMENTS**

1. Proposed Ordinance 2020-0202 (and its attachment)
2. Transmittal Letter
3. Fiscal Note
4. Property Summary
1. Ordinance 19062. [↑](#footnote-ref-1)