

Mutual and Offsetting Benefit Lease Policy

FAS Response to SLI 58-1-A-2 Part II

August 15, 2013

Summary

This memorandum provides the Department of Finance and Administrative Services (FAS') response to part two of SLI 58-1-A-2, which was adopted by the City Council as part of the 2012 budget process. The SLI requested two reports, the first of which was transmitted to the Council on April 2, 2012 summarizing cost and funding options to complete needed repairs at City-owned buildings that have Mutual and Offsetting Benefit (MOB) tenant leases. The second part of the SLI called for "...a review of the present MOB situation, policies for MOB leases, and options for MOB facilities, including disposition of the property to current tenants or entities that would ensure that the buildings continue to be leased to organizations providing a public benefit. This report shall be developed with input from current tenants and be informed by a survey of current MOB tenants to assess their ability to pay the lesser of fair market rent or standard City rent for similar facilities." The following responds to the Council's direction by summarizing future ownership and management options for MOB tenants and facilities, assessments of current MOB tenants' ability to pay standard City rent, and tenant input obtained during our study.

Background

The City owns six buildings that house private non-profits with Mutual and Offsetting Benefit (MOB) leases, thereby allowing the tenants to pay the City rent, in whole or in part, through the public services they provide. The majority of non-profits have occupied their respective buildings for more than 35 years. With the exception of the SE Health Clinic, which was built with County bond funds in the late 1980s, these buildings were City-owned facilities that either became surplus in the 1960s or 1970s, or that the City had acquired during the same time period for the specific purpose of having private non-profits provide social services in order to meet emerging needs. The last time the City updated its MOB policies in the late 1980s, it was managing nine MOB leases. As organizations and needs changed, several tenants moved to other buildings or ceased operations. Most recently, Goodwill Development Association disbanded its Teen Parents program at the City's MOB facility at 322 18th Avenue after the City's Human Services Department (HSD) terminated its contract in June 2012. The City's remaining six MOB leases are at facilities that house the Central Area, Greenwood, and Northwest Senior Centers; South Park Neighborhood Service Center; Centerstone (Formerly Central Area Motivation Program); and the Southeast Seattle Health Clinic.

Table 1 lists the City's current MOB tenants, when they (or their predecessor organizations) first began using the facility, what public services they provide and a short description of how the City acquired the properties.

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Table 1: Current MOB Tenants

Tenant	Facility Name	Start date	Services provided	How City acquired property
Centerstone (Formerly CAMP)	Former Fire Station 23	1967	Energy assistance, Food bank, Youth programs.	1909 fire station converted to community use with HUD and model cities funds.
Senior Services	NW Senior Center	1973	Senior Programs, Social Work, Legal Consultations, Financial Assistance, Health Care, Meals on Wheels.	Purchased with model cities funds.
SPARC	South Park Neighborhood Center	1973	Food Bank, Meal Programs.	Former Fire Station 26 converted to community use with model cities funds.
Central Area Senior Center	Central Area Senior Center	1975	Senior Programs, Hot meals, Physical Activities, Wellness and Services, Arts and Crafts.	Acquired nursing home with Referendum 29 Funds, gifts, Federal funds and converted to senior center.
Phinney Neighborhood Association	Greenwood Senior Center	1978	Senior Programs, Meals, Health, Legal, Beauty, and community meetings.	Purchased medical clinic with Ref. 29 funds, CDBG and converted to senior center.
Neighborcare	SE Health Clinic	1990	Health and dental care for low-income.	Built with County bond funds. Tenant shares facility with Public Health – Seattle King County.

Although these tenants have occupied City-owned facilities for many years, most are on month-to-month rental status with leases that expired in the mid-1990s.

Table 2 summarizes the current status of leases for each of the MOB facilities.

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Table 2: Status of Current Leases with MOB tenants

Tenant	Start Date Current Lease	Current Lease Status	Current Monthly Cash Rent	Current Monthly Services Rent
Centerstone	1992	month-to-month	\$392	\$3,192
Central Area Senior Center	1992	month-to-month	\$246	\$3,503
Greenwood Senior Center	1987	month-to-month	N/A	\$2,342
Northwest Senior Center	1973	Annual	N/A	N/A
SE Health Clinic	1990	month-to-month	\$1,100	\$5,926
SPARC	1992	month-to-month	\$283	\$1,176

Present MOB situation

FAS currently owns six buildings that it leases to non-profit tenants through MOB leases. Facilities with MOB leases include three senior centers (Central Area, Greenwood and Northwest), a neighborhood service center in South Park, a community based non-profit in the Central Area focused on moving people from poverty to self-sufficiency, and a health clinic in Southeast Seattle. Because MOB tenant's rent does not cover full maintenance costs, the City has had to utilize other resources to keep its MOB buildings in good repair.

In its 2012 proposed budget, FAS included \$1.9 million in unprogrammed funds from a property insurance settlement to repair and replace roofs at a number of MOB facilities. During budget deliberations, the City Council issued SLI 58-1-A-2 requesting the Executive to identify all other non-roof related repairs needed to maintain the facilities in a tenable condition. FAS subsequently hired ARC architects to identify and provide cost estimates for other critical repairs. In addition to the \$1.9 million, ARC identified \$312,000 in critical non-roof repairs.

FAS completed roof repairs at the SE Health clinic in August 2012. Work on the other facilities was deferred for the 2012 building season pending the outcome of this second report. Currently, FAS staff are in the process of completing design documents for roof replacement projects to allow for a shorter execution timeline at each location where the City decides to move forward with the work.

Table 3 below summarizes the total cost of needed repairs by property.

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Table 3: Planned Major Maintenance Repairs to MOB facilities

Facility Name	Address	Tenant	Re-Roof \$	Other Repair \$	Status of work
Central Area Senior Center	500 30th Ave S	Central Area Senior Center	455,000	64,000	Design underway
Centerstone	722 18th Ave S	Centerstone	315,000	132,000	Design underway
Greenwood Senior Center	525 N 85th St	Phinney Neighborhood Association			Excluded due to plan to redevelop property
Northwest Senior Center	5431 32nd Ave NW	Senior Services	265,000	41,000	Design underway
SE Health Clinic	4400 37th Ave S	Neighborcare	485,000		Completed August 2012
South Park Neighborhood Center	8201 10th Ave S	SPARC	275,000	44,000	Design underway
Teen Parent Home	339 22nd Ave E	Vacant	105,000	31,000	Work deferred until disposition decision
Total			1.9M	312,000	

The current situation has created several challenges for both the City and its tenants. From the City's perspective, cash rents have not increased commensurate with the costs of maintaining the facilities and the expired leases contain antiquated provisions that do not align well with current operating conditions or practices. From the tenants' perspective, not having site control through long-term leases impedes their ability to get external funding for facility improvements. Furthermore, the service levels MOB tenants currently receive from FAS, which historically had exceeded lease minimums, have declined in recent years due to ongoing budget constraints.

As a result of the recent economic downturn and significant budget reductions, FAS has been forced to reduce services system wide, including service levels provided to MOBs. Currently, FAS staff provide only the level of maintenance called for in its MOB tenant leases, which is generally limited to maintaining the external and structural portions of the buildings (roofs, exterior walls, structural members and foundations) and major

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systems. In each case, tenants have assumed additional maintenance responsibilities; however, some tenants have deferred maintenance items due to their own budget constraints. Further, although FAS has recently provided clear direction on what maintenance activities it will or will not perform, the antiquated language of the leases does not provide guidance on how to address “new” issues, such as mandatory ADA improvements.

The gap between cash rent received from MOB tenants and the City’s Schedule 2 rate as identified in Table 4 below has been offset, in part, by annual General Subfund appropriations of \$350,000. The City has maintained the facilities within available resources by reducing services and deferring maintenance.

Table 4: Annual Gap between Cash Rent and Schedule 2 rent for MOB facilities

Tenant	Annual Cash Rent	2013 Schedule 2 Annual Rate	Cash rent to Cost Gap	Additional Information
Centerstone	\$4,699	\$98,439	(\$93,740)	
Central Area Senior Center	\$2,957	\$152,908	(\$149,951)	
Greenwood Senior Center	\$ -	\$81,886	(\$81,886)	
Northwest Senior Center	\$ -	\$74,925	(\$74,925)	Lease says City shall make no repairs. Tenant paid \$19,000 in 2012 to make repairs and deferred some maintenance.
SE Health Clinic	\$13,194	\$74,676	(\$61,482)	
SPARC	\$3,390	\$51,989	(\$48,599)	
Total	\$24,240	\$534,822	(\$510,582)	

Policies for MOB leases

Since the City first began leasing its buildings to non-profit tenants for services in exchange for partial lieu of rent, it has struggled with the level of support it should provide to these facilities. City staff have tried to juggle their stewardship responsibility to maintain these buildings, their desire to adhere to state law prohibiting the gift of public funds, and their support of the community services provided by the tenants who occupy these facilities. Although the pressure of maintaining its MOB buildings without an adequate rent stream has proven challenging, public officials have found it extremely

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difficult to raise rents or develop other successful models to manage these properties, short of transitioning out of ownership of them.

The City received no cash rent from its earliest MOB leases. In 1968, the City entered into a month-to-month lease with CAMP (now Centerstone) through which CAMP assumed responsibility for utilities and janitorial services and the City assumed major maintenance responsibilities for the facility. In 1973, the City entered into a lease with Senior Services for the Northwest Senior Center that also collected no cash rent. This original one-year lease had a provision for automatic annual renewals that remain in effect today. The Northwest Senior Center lease expressly prohibits the City from making repairs to the structure of the building, including roofing, walls, foundations and existing connections to and from the premises

By the late 1970s, the Council began formulating policies for non-profit tenants in City-owned buildings. Through [Resolution 25410](#), which was adopted as part of the 1977 budget process, the Council stated its intent that non-profit tenants in City-owned properties be required to sign a lease with the City to use their respective properties. The Council also made it clear that leases should specify that the City, through its former Building Department, was responsible for performing major maintenance and short-term capital maintenance on MOB facilities. Tenants were expected to pay for non-capital repairs through a rental assessment of one percent of the value of the property; however, the City's Building Department was authorized, at its option, to allow non-profit tenants to perform their own non-capital repairs in lieu of the one percent rent. This new policy was quickly met with resistance from Senior Center tenants who felt the new charges placed an undue hardship on their programs. In response, the Council adopted [Resolution 25609](#) as part of the 1978 budget process, which committed 1978 CDBG funds to cover the costs of short-term repairs to senior centers.

In 1980, as a partial response to a 1979 report by the City Auditor that found the Building Department was not reviewing MOB leases in a timely manner, nor evicting MOB tenants for non-payment of rent or failing to negotiate renewals, the City Council directed the Building Department's successor, the Department of Administrative Services (DAS) to establish cash rents sufficient to cover the City's administrative charges and major maintenance costs, and to collect service rents sufficient to ensure that the total rent equaled the fair market rent of the property. The [policy](#) also requested that the Executive monitor services provided by MOB tenants.

Over the next several years, MOB leases were revised to conform to the new policies, but by 1988, the City Council revised this policy because the cash requirements were compromising the MOB tenants' ability to provide services. The last update, which was the [1988 MOB policy](#), included a calculation of the City's annualized long-term costs for administration and maintenance. The policy called for tenants to pay progressively more of this annual cost, ramping up from 20% in the first year to 50% in the final year, and 50% for subsequent renewals. Funds for the remaining percentage of the annual cost are supposed to be appropriated from the General Fund through the adopted budget each

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year. Services provided by the tenant in lieu of rent were to make up the difference between fair market rent and the cash rent paid by the tenant.

Although the 1988 policy has not been updated and is therefore still in effect, current practices deviate from the policy guidance established at that time. Because the City has not renewed MOB leases in recent years but instead allowed them to operate on month-to-month status, the actual cash collected from rents is significantly less than 50 percent of the City's administrative and major maintenance costs. Even if leases were renewed and formulas updated, the City would not be collecting enough money to cover 50 percent of the costs, because the actual costs to maintain these buildings is significantly higher today than the dollars allocated by formula due to the low fair market value of the improvements on most of these properties and years of deferred maintenance.

It should be noted that, with the exception of Neighborcare, the City supports each of its MOB tenant agencies directly through contracts with the Human Services Department (HSD). As shown in Table 5 below, current contracts range in value from a little more than \$23,000 per year (SPARC) to more than \$100,000 per year (CASC). HSD measures contract compliance based on hours of operation and number of activities. The MOB leases measure service rent by the number of volunteer hours multiplied by the minimum wage for many of the same activities.

Table 5: Human Services Department (HSD) Contracts with MOB Tenants

Program	2013 HSD Contract \$	Clients	Hours of Operation	Health activities #	Other Activities #	Support Group Activities #	Office/ Home visits #
Central Area Senior Center	\$103,753	900	2,100	96	180	60	
Greenwood Senior Center	\$60,989	1,100	2,100	270	260	40	
Northwest Senior Center	\$38,679	2,500	2,300	154	240		50
SPARC Senior Program	\$23,284	75	600	90			40
Centerstone Food Bank	\$35,607						

SLI Response Methodology

As part of the 2012 budget process, the Council requested the Executive to explore whether the MOB tenants could pay the lesser of fair market rent or the City's Schedule 2 rate. The Schedule 2 rate is the annual amount per square foot that City departments pay

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for space (office and warehouse) outside the downtown core and is based upon the actual cost to manage and maintain the entire Schedule 2 portfolio. Schedule 2 provides a complete suite of maintenance services to all aspects of the facility, a much higher level than what is required by the current MOB leases. To establish fair market rent, FAS hired Chiles and Company to provide a Broker's Opinion of Value for each MOB facility.

Chiles and Company determined highest and best use for each facility and sought out comparables to establish both potential purchase price and fair market rent. Some of these MOB facilities possess attributes, such as location, zoning, or historical designation that limit their marketability. Tables 6 and 7 show the MOB property values and fair market rent based on Chiles and Company's assessment. Note that these values are now more than six months old and, if the City were interested in selling any of these properties on the open market, FAS would go through a formal appraisal process before completing any transactions.

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Table 6: Value of MOB Buildings

	Land Assessee d Value \$000	Improveme nt Assessed Value \$000	Total Assessed Value \$000	Broker Opinion of Value \$000	Expansion or development potential
Centerstone	998	428	1,426	2,400	Limited due to zoning and historic landmark status.
Central Area Senior Center	2,304	848	3,152	1,500	Zoning allows up to 10 single family view houses on site.
Greenwood Senior Center	1,759	173	1,932	1,000	Zoning allows additional height and uses.
Northwest Senior Center	1,082	500	1,582	1,000	Zoning allows additional height and uses.
Southeast Clinic	1,875	3,936	5,811	4,350	Zoning allows for additional uses and additional height. Site area is fully utilized in current configuration.
SPARC	100	533	633	500	Limited due to zoning and potential landmark status.
Teen Parent Home	244	316	560	500	Extra lot could be sold, or additional home built.

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Table7: Calculation of Fair Market Rent

Tenant	Rentable Sq ft	Fair Market Rent /Sq ft	Fair Market Rent per month
Centerstone	17,200	\$18.00	\$25,800
Central Area Senior Center	11,073	\$15.00	\$13,841
Greenwood Senior Center	9,211	\$12.00	\$9,211
Northwest Senior Center	8,428	\$16.00	\$11,237
SE Health Clinic	8,400	\$12.00	\$8,400
SPARC	5,848	\$10.00	\$4,873
Total	60,160		\$73,363

In each case, despite all value reductions related to specific facilities, the City's Schedule 2 rent was less than the fair market rent. However, as is apparent in Table 8 below, the gap between Schedule 2 rent and the amounts MOB tenants are currently paying each month is substantial.

Table 8: Current gap between Cash Rent and Lesser of Fair Market Rent and Schedule 2 Rent

Tenant	Monthly Fair Market Rent	Monthly Cash Rent	2013 Schedule 2 Monthly Rate	Monthly Cash Rent to Schedule 2 Gap
Centerstone	\$25,800	\$392	\$8,203	(\$7,812)
Central Area Senior Center	\$13,841	\$246	\$12,742	(\$12,496)
Greenwood Senior Center	\$9,211	\$0	\$6,824	(\$6,824)
Northwest Senior Center	\$11,237	\$0	\$6,244	(\$6,244)
SE Health Clinic	\$8,400	\$1,100	\$6,223	(\$5,124)
SPARC	\$4,873	\$283	\$4,332	(\$4,050)
Total	73,363	\$2,020	\$44,569	(\$42,549)

FAS staff met with each MOB tenant to discuss the Council's SLI, share the results of Chiles and Company's assessment, and solicit their responses to the question of whether they could pay the lesser of Schedule 2 or fair market rent. As a group, MOB tenants perceive any rent increases as a cut in City support which will have a direct impact on their ability to provide services to targeted populations. See Appendix A for tenant

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responses. As discussed in the next section, while tenants would balk at paying substantially more rent, several are interested in acquiring the properties they currently occupy through transfer or sale.

Options for Moving Forward

FAS staff believe the City's current approach to MOB's is not sustainable because the existing methodology for calculating cash rent does not adequately cover the City's facility maintenance costs and MOBs tenants have limited ability to absorb a larger share of the rent without needing to cut services to targeted populations. Although the status quo is unsustainable, each facility has a range of options as illustrated by Table 9 below. As mentioned above FAS has discussed these options with each organization.

Table 9: Options

Tenant	Option 1 Revise Lease and Subsidiz e Rent	Option 2 Turn Maintenanc e over to Tenant	Option 3 Transfe r Propert y to Tenant	Option 4 Sell Propert y to Tenant	Option 5 Terminat e Lease
Centerstone	✓			✓	
Central Area Senior Center	✓		✓		
Greenwood Senior Center	✓		✓		
Northwest Senior Center	✓	✓			
SE Health Clinic	✓			✓	
SPARC*	✓				✓

*SPARC has sent the City a letter saying it wishes to terminate lease at the end of 2013, although it has indicated a willingness to continue operating the building if it receives sufficient support.

Option 1 – Revise Leases and subsidize

Each facility could remain within the City's inventory, provided funds were available for the ongoing maintenance of the structural and major mechanical portions of the buildings. If this option were pursued, the City would enter into new long-term leases with each MOB tenant to establish monthly cash rents agreed to by the parties. This cash rent amount could be set at a modest level at the beginning of the lease term and then increase over time. Any deficiency between the cash rent and the cost to maintain would need to be funded through a General Subfund subsidy to ensure adequate funds to

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properly maintain the facilities that remain. As described in Option 2 below, FAS recommends that any subsidy be part of the provider's contract for services with HSD.

Option 2 – Revise leases and turn all maintenance over to tenant

An alternative to providing a General Subfund subsidy to cover FAS's costs to perform ongoing maintenance of the structural and mechanical portions of the buildings is to allow the tenant to take over these responsibilities as part of its long-term lease. This is currently the arrangement that the City has with the Northwest Senior Center through its existing lease. This approach could save money for the tenants as they may be able to procure maintenance and repair services at a lower cost than the City, however, there is a risk to the City that maintenance on its buildings will be deferred, creating additional problems in the future.

In our discussions with the Northwest Senior Center, staff indicated that they would like to renegotiate their lease and have the City provide maintenance, preferably with a reduction in rent, in exchange for services similar to other MOB tenants. In 2012, Northwest Senior Center spent an unbudgeted \$19,000 on maintenance and had to defer some items. Other tenants have varying degrees of interest and capacity to assume maintenance responsibilities. Neighborcare, for example, manages multiple properties including several that it owns, and would be well-positioned to do its own maintenance. However, the SE Clinic operated by Neighborcare shares a building with the Seattle/King County Department of Health, and the Department of Health pays the City Schedule 2 rent to maintain its share of the building. This makes it awkward, but not intractable, for Neighborcare to provide maintenance services.

Option 3 – Transfer properties to existing private non-profits

In general, the City cannot transfer property to a non-profit without adequate consideration because it would be considered to be a gift of public funds, which is prohibited by the Washington State Constitution. There are specific exceptions, including one that applies to two MOB facilities owned by the City -- the Greenwood and Central Area Senior Centers.

In 1972, the State issued \$25 million in bonds to fund facilities for social services, adult and juvenile correction or detention, child welfare, day care, drug abuse and alcoholism treatment, mental health, public health, developmental disabilities, and vocational rehabilitation, as codified in RCW 43.83D. In 2006, the Washington State legislature passed a bill which amended RCW 43.83D.120 to allow facilities purchased with Referendum 29 funds to be transferred to certain non-profits without further consideration as long as the deed transferring the property includes a provision for immediate reversion back to the public ownership if the nonprofit ceases to use the property for the intended purposes. The law also allows the nonprofit to sell the property transferred if certain conditions are met.

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Both Greenwood Senior Center and CASC were acquired in part with Referendum 29 funds and the tenants in each of those facilities are interested in taking ownership through the mechanism provided in RCW 43.83D.120.

Option 4 – Sell property through a negotiated sale to the tenant or third party non-profit.

Both Neighborcare and Centerstone have indicated a desire to purchase the properties they currently occupy. Neighborcare shares the SE Clinic building with Seattle/King County Public Health, which has a lease through 2017 with the City at Schedule 2 rates. Any sale to Neighborcare would require provisions for long-term continued use of a portion of the building by Seattle/King County Public Health. Neither SPARC nor NWSC are interested in acquiring the properties they lease. NWSC's long-term plan is to find an alternative location for the senior center.

Option 5 - Terminate lease, dispose of building

Unless a decision is made to stop delivering services provided by a particular MOB tenant, selling any of the facilities would require obtaining replacement space on the open market. This option may make sense in the case of SPARC due to an interest by SPARC's leadership to cease operation of the building. For the other locations, however, we do not consider this to be a viable option as the fair market rent for replacement space would exceed the cost to maintain the buildings currently housing each program.

SPARC has indicated its desire to sever its lease if it is unable to secure \$50,000 per year of additional funding from the City to continue to operate the building. FAS and HSD have explored options to move senior programs to other locations in South Park and believe there may be capacity to operate these programs in other close-by locations. If this lease were terminated, the City could explore turning the facility over to another non-profit or selling it through a negotiated sale or on the open market.

FAS Recommendations

Due to the strong ties each MOB operation has to its community and the value of the services provided, it is safe to assume that the mission of each of the MOB tenants will continue for the foreseeable future. Because of this, as well as the fact that ownership would provide the operators with more flexibility moving forward, we recommend transferring facilities to the MOB tenant organizations where feasible.

In the case of the Greenwood and Central Area Senior Centers, this transfer may be made without consideration under RCW 43.83D.120 (See Option 3 above). We recommend this option so long as the organizations demonstrate an ability to maintain the facilities on an ongoing basis. The Phinney Neighborhood Association owns and successfully operates facilities of its own and therefore has proven its ability to be good stewards of the Greenwood Service Center. The Central Area Senior Center is a younger organization and therefore additional research is required to ensure this is a viable option.

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Both Centerstone and Neighborcare Health (a tenant at the SE Health Clinic) have voiced an interest in purchasing the buildings they occupy, and we recommend entering into negotiations to achieve sale terms agreeable to both the City and the tenant organizations. Any transfer to Neighborcare Health will require provisions for the long-term occupancy of a portion of the facility by the other major tenant in that building --Seattle/King County Public Health. This may be accomplished through a long-term lease between Seattle/King County Public Health and Neighborcare.

Neither NW Senior Center nor SPARC have expressed an interest in acquiring the buildings they occupy. For NW Senior Center, we recommend entering into a new, long-term lease that provides for major maintenance to be performed by the City to ensure the long-term health of the facility. As reflected in its response to FAS' inquiries, SPARC's leadership voiced its desire to focus on its core mission of economic development and to no longer engage in the management of the facility (see attached Appendix). Upon reviewing the human services delivered at the SPARC facility and other public buildings in the area, we believe it may be possible to provide most, if not all of SPARC's services from other nearby facilities. Additional investigation will be required, however, should this prove feasible we recommend closing the SPARC building and disposing of the property through the City's disposition process.

Based on current subsidies provided from the General Subfund, the City could save about \$275,000 each year in avoided operation and maintenance costs by implementing these recommendations:

		Rent Subsidy	Comment
Transfer Property			
Centerstone		-	Sell property
Central Area Senior Center		-	Transfer at no cost per RCW
Greenwood Senior Center		-	Transfer at no cost per RCW
SE Health Clinic		-	Sell property
Provide Rent Subsidy			
Northwest Senior Center	74,928		Maintain current programs.
SPARC	-		Transfer programs to other facilities.
	74,928		
Existing General Subfund Subsidy:	(350,000)		
Financial Savings to General Subfund:	(275,072)		
Note: Rent subsidy shown is 2013 Schedule 2 rate.			

Ongoing Management of Facilities Retained by the City

For facilities that remain in the City's inventory, there are two issues to consider: 1) how the facility will be maintained going forward and 2) who will pay for it. With regard to the first issue, we believe that FAS's Facility Operations Division is in the best position to either maintain the facilities directly if provided adequate funding, or oversee the maintenance of the facilities if that maintenance is performed by the tenant. With regard to paying for maintenance, if the cash rent provided by the tenant is not sufficient to

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cover maintenance costs and the City provides a subsidy, we recommend that the City budget Schedule 2 rent directly in HSD's budget for payment to FAS and that HSD contract with the MOB service provider for services for an amount equal to the rent subsidy.

FAS staff believes this change is in the best interest of both the City and its service providers. First, it aligns responsibilities with the core competencies of each department. HSD is in the best position to ensure the City is receiving services that would meet the requirements of a subsidy and would be furthering its policy objectives, while FAS is better suited to maintaining facilities. Second, this option provides more transparency regarding the amount of support the City is providing to support desired social services.

We believe there might be additional potential benefits to service providers because HSD provides direct support through existing contracts with all but one of the current MOB service providers. Where there are existing contracts, the rent subsidy could be folded into HSD's current contract. This would likely reduce duplicative record keeping and reporting for the service provider who now has to report on one set of measures to HSD to meet its contract requirements and separately to FAS on another set of outcomes to meet its MOB requirements. A single point of contact and a single contract is likely to provide efficiencies.

ATTACHMENTS: TENANT RESPONSES

Attachment 1: Central Area Senior Center Response

Attachment 2: Centerstone (CAMP) Response

Attachment 3: Neighborcare Response

Attachment 4: Northwest Senior Center Response

Attachment 5: Phinney Neighborhood Assoc. (Greenwood Senior Center)

Response

Attachment 6: SPARC Response

Joyce, Kyle

From: Cynthia Andrews [cynthiaa@seniorservices.org]
Sent: Tuesday, December 04, 2012 4:40 PM
To: Joyce, Kyle
Subject: Central's response

Dear Kyle,

Thank you for meeting on November 15, 2012 to discuss our current lease and options. This letter is in response to your request addressing the rent and property issues for The Central Area Senior Center (The Central).

The Central Area Senior Center contributes \$246.38 monthly for rental fees for the space located at 500 30th Ave. South. The City of Seattle's fair market rental estimate increase would raise the rate 30 times to \$7483.50. This has a deleterious effect on the The Central's bottomline and its ability to serve over 16,000 seniors annually. It is difficult to provide a dollar amount to the services we provide, but there is no agency in the city of Seattle that attends to the critical and diverse population served at The Central. To cover this \$86,000 annual increase, the special needs and intergenerational programs such as our Kinship program, Seattle Cares mentoring program and our Mother and me programs could no longer be sponsored free of charge at the Central. Finally, civic organizations such as Tabor 100, Alpha Kappa Alpha, Inc. and the Greater Seattle Chapter of Links Inc. and other local groups such as neighborhood block watches could no longer be hosted at theno or low cost due to the shortfall. All of these services address the needs of African American Elders as well as serves a broader community in Seattle and King County. Central is unique for its diverse membership as well as the volunteers that work to keep this agency moving forward. Thus far, ther has been over 3650 volunteer hours served in 2012.

Our current services include Activities include exercise programs, computer classes, guitar lessons, card clubs, dance classes, language classes, recreational trips, and much more. We also specialize in health and wellness programs with an emphasis on diabetes management. Cafe Central, CASC's in-house kitchen, serves up hot meals five days a week including special meals like Soul Food Tuesdays and monthly Birthday Lunches.

Since 1972, there has been a very solid interest and yearning in the African American Community to own this property. Today, there is even a stronger desire to acquire the location. Aligning ourselves with the Neighborhood Plan, we want to build The Central Intergenerational community that continues our African American Heritage but yet serves our entire community. We believe it is important to create a unique sense of place, building on historical strengths and fabric which is woven by all who live here. It would be most beneficial for the community if The Central was to receive ownership of this property. There will be a renewed sense of trust, protection and accountability to maintain, fund and services at this location.

The Central has recently been awarded a Large Neighborhood Matching Grant for design and planning of a new facility at this location. Our goal to ensure this facility remains intact to provide even more services for our current elders, our neighbors and surrounding communities. Our future plan is to build a facility that houses the following: (all *starred programs are currently)

1. A Senior Center which provides education, meals, activities, wellness programs and resource services.*
2. A Specialized health and wellness program for African American Elders*
3. A Community Technology Center open to the entire community*
4. Counseling, educational and activity services for youth aging out of the foster care system

5. After school care for grades K-8
6. A Child Development Center
7. A Kinship Caregiver Center that provides information, assistance and referrals for relatives caring for children*
8. The Urban Green Center that provides education, information and assistance with green energy concepts
9. Youth Mentoring*
10. Café Central is a congregate meal site and café for all ages*
11. Community conference and meeting spaces*

In 2011, the City of Seattle spent approximately \$39,000 in maintenance costs for The Central's facility. This year the cost has significantly decreased to \$13,000 attributable to The Central's being responsible for most all maintenance.

I would like to continue the conversation about property transfer in the very near future. I believe The Central can remain on its own and build towards a brighter tomorrow for our community.

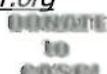
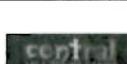
Sincerely,

Cynthia Andrews, Executive Director

Cynthia Andrews, Executive Director

THE CENTRAL - Central Area Senior Center

500 30th ave S
Seattle, Wa 98144
206-434-2230 cell
206-726-4926 office
206-32-9928 fax
www.centralareaseniorcenter.org



A bit of fragrance always clings to the hand that gives you roses.

~Proverb~

Our Mission: The Central Area Senior Center is a non-profit organization that provides physical, emotional and spiritual resources in a multicultural, intergenerational environment, fostering the well being of older adults, their families and the greater community.



November 29, 2012

Kyle Joyce
Department of Finance and Administrative Services
PO Box 94689

Dear Mr. Joyce,

Thank you for meeting with us at Centerstone on November 15th to review current MOB policies and suggested changes to the rental agreement.

After careful review of the information in the Council SLI and the other documents you provided, we want to start by saying how much we appreciate the clear message that your department is committed to working with us to come to a fair and equitable agreement.

We realize that our current rent of \$3,191.75, with 10% of it in cash and the remainder provided as services, which benefit city of Seattle residents, has long been outdated. We are happy to move forward with a discussion resulting in an increase in rent, but due to our tight budgetary constraints, it's imperative that we don't sacrifice our level of service to those living in poverty in Seattle. We suggest that a building rent value should be decided and the services that Centerstone provides to the community should be taken into account for a revised discount to that amount.

In 2011, we provided the following services:

Food Bank

Food given to residents of local area (@\$1.50/lb)	\$1,628,314
Individual Served	87,194
Volunteer Hours Provided	10,474

Energy Assistance

# of Clients given grants to help with energy costs	12,458
Amount distributed in grants	\$4,024,081
Hours of Energy Conservation Education Provided	3,114

Also, in addition to the services we offer, Centerstone has leveraged available private and public funds to make approximately \$150,000 of repairs and upgrades to the building over recent years including: new carpeting, refinishing existing flooring, adding updated room dividers, repainting, bathroom remodel, conference room and kitchen remodel, replacing inefficient freezers in the food bank and removal of various defunct hardware and fixtures.



Based on our conversation and the figures provided, we'd be interested in continuing the current limited services maintenance arrangement that seems to cost somewhere in the \$15K/ year range. With that amount, our revised calculations for 'Updated Rent with 50% of Admin and Maintenance Costs' as outlined in the Rent Calculations spreadsheet, we would be able to afford an increase based on the numbers below.

Updated Rent per 50% of Recent Administrative and Maintenance Costs

Estimated Maintenance Costs (2011)	\$15,000
Monthly Maintenance Cash Rent at 50%	\$625
Property Management Specialist (loaded at 5%, 50%)	\$267
Total Monthly Cash Rent	\$892
Service Rent	\$24,908

We realize this is a process of both sides agreeing to all aspects of a revised lease, we are happy to work further on the details. Please contact us at your convenience to let us know what next steps would be.

Thank you,

Andrea Caupain
Chief Executive Officer



RECEIVED

2013 JAN -3 PM 10:00

FLEETS AND FACILITIES
DEPARTMENT

ADMINISTRATIVE OFFICE

905 Spruce Street, Suite 300, Seattle, WA 98104 • 206-461-6935 • 206-461-8382 (Fax)

www.neighborcare.org

December 31, 2012

Kyle Joyce
Department of Finance and Administrative Services
City of Seattle
7000 5th Avenue, Suite 5200
P.O. Box 94689
Seattle, WA 98124-4689

Dear Mr. Joyce:

In the meeting that you, Jan Oscherwitz and I had on December 7th you requested that I provide a written response to you concerning the continuation of the mutually and offsetting benefit (MOB) lease arrangement that Neighborcare Health enjoys at the City-owned facility housing our Rainier Park Medical Clinic.

As you described, the reason for your investigation is that the City Council adopted a Statement of Legislative Intent (SLI) in 2011 which called for a review of the present MOB lease terms. You indicated that it is the City's desire to see MOB lease rates increased to the "standard City rent," which is \$8.89 per square foot in 2013 (although you clarified that it would not be the City's intent to impose this increase during 2013). You also presented me with a copy of the summary presented to Council with the Department of Finance and Administrative Services' response to the portion of the SLI dealing with identification of non-roof related repairs needed to maintain the six MOB buildings, including the Southeast Health Clinic.

Lastly, we reviewed the terms of the existing lease, in particular Section 5.B dealing with maintenance-repairs. You noted that the City is now forced to observe this section in a strict manner, whereas in years gone by the City may have paid for maintenance issues that were beyond its obligation. (I noted that Neighborcare Health has recently made more than \$30,000 in investments in the building.)

The following points are in response to your request:

1. Proposal to increase rent to standard City rate. Neighborcare currently leases 9,203 square feet of the SE Health Clinic facility (including the 775 square feet of pharmacy space previously held by Public Health, Seattle-King County). At the \$8.89 per foot rate, this would amount to an increase in our rental cost of more than \$67,000 per year. Keeping in mind that Neighborcare Health is currently experiencing an operating deficit, a rent increase of this magnitude would represent a financial hardship, and would no doubt represent a loss in uncompensated services afforded to low income City residents.

2. Description of current services provided. Through November 30, 2012, our Rainier Park Medical Clinic had provided 17,229 visits to its overwhelmingly low-income patient population. The dollar value of the uncompensated care provided to uninsured patients approached \$400,000. We are happy to provide a complete year-end reporting of services provided to Seattle City residents at your request.
3. Condition of the SE Health Clinic building. After the SLI was adopted we were hopeful that the study you would commission to comply with the first set of questions concerning condition of the existing building would be sufficient to answer questions we had about the underlying condition of the building. In fact, the review of this particular building by ARC Architects was very cursory, and as a result we contracted separately for a much more extensive review of the building. The conclusion reached by ARC architects, as described in the summary report presented to Council, is that no capital construction costs are needed for repairs. The study that we have conducted refutes this and we will be sharing the conclusions with you in the near future. The need for capital investment in the building, including issues related to the integrity of the building envelope, is substantial.
4. Neighborcare Health interest in assuming ownership of the building. As you know, we have expressed interest in ownership of the building for some time now. We appreciate the predicament that the City is in with this and other MOB leases—that they represent an unfunded mandate placed on your department, and there has been very little capital appropriated to deal with building maintenance issues. This has led to deterioration in the condition and appearance of the building that is problematic for us as lessee. We would like to aggressively explore transfer of ownership of the building to Neighborcare Health, and our understanding is that your department is receptive to this. We understand that a key issue is satisfying the concerns from Public Health, Seattle-King County that their long term space needs will be met. We will be addressing this concern and other points as part of an overall proposal in the near future.

We greatly value the support we have received from the City of Seattle, including your department. We look forward to continuing the dialogue about potential transfer of the building to Neighborcare Health, a true win/win deal in our view.

Please let me know if you have further questions.

Sincerely,



Mark Secord
CEO

cc. Jerry DeGriek, Mayor's office

Ballard Northwest Senior Center



"A Place Where Friends Meet"

**5429 32nd Ave., NW
Seattle, WA 98107**

**Phone
(206) 297-0403**

**Fax
(206) 297-0558**

www.ballardseniorcenter.org

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Tax ID # 91-0823767



Dear Kyle,

Ballard NW Senior Center appreciates the opportunity to provide information to the Department of Facilities and Administrative Services for the SLI report to the Seattle City Council. We would like to thank Kyle Joyce and Jan Oscherwitz for their informative explanation of the current MOB Lease situation and the next steps in the process. Ballard NW wants to work with the city to reach an agreement that is fair to all concerned. The center understands the city's needs and believes the city will take into consideration the center's magnitude of programs and services providing a public benefit to the elders in our catchment area.

As the only senior center in the northwest community. We provide services to seniors in the Ballard, Magnolia, Queen Anne, Fremont, Sunset Hill, Olympic Manor, Blue Ridge, Carkeek Park and north to approximately 145th.

The center served 3,548 individual community seniors in 2012 and the volume of service was 59,312. The mission of the center is "promoting the well being of older adults". We are a place "Where Friends Meet Friends". Ballard NW is a full service senior center that provides health and wellness services, nutrition, social services, social work, legal and financial advice, educational opportunities, socialization and volunteer services among other programs to the elders in these and surrounding communities. Here are comments from some of our participants:

"I love the lunch program, truly good food and there is always laughter and good cheer. It isn't only the food it is getting out and being with people".

"The computer lab is a great way to stay in touch with my grandkids, that is important, they need my good influence".

"Exercise is so important to your health. The variety of classes is wonderful. Great teachers and everyone is so positive. Laughter yoga is the best!"

"The social worker is very good, his classes and groups bring new perspectives to our lives".

"This is the friendliest center, everyone is welcome. I knew I was home when I walked through the door".

Our center has a small staff, 2 full time and 2 part time, to serve the needs of these participants. Volunteers are extremely important to the successful operation of the center. We are thankful for the 451 volunteers who provided 26,885 hours of service to the center in 2012. These volunteers make the center successful. Please see the yearly volunteer hour reports attached. At the current minimum wage these hours of service would be valued at \$247,073.15. After adjusting several positions to reflect their higher rates we calculate that these services would be valued at \$261,300.00. The preventive services we provide keep seniors independent and valuable members of the community. Without our quality services, the government and other entities (dental, footcare, mental and physical health services, nutrition, exercise and social providers and programs etc.) would have to begin or greatly expand services at a enormous expense to accomplish what the center already provides. According to the Chiles and Company report the highest and best use for the property is to remain a senior center for the foreseeable future.

The center's budget for 2012 was \$286,328.00. As of November 30th the center had a deficit \$19,216.85. The majority of the deficit is the result of an estimated \$21,000.00 spent in building maintenance costs (final 2012 figures are not yet available). Until later in 2011 the city had generously provided many maintenance services to the building. The center budget did not provide for the cessation of these services. The building requires additional maintenance work; (See City of Seattle report Response to Legislative Intent 58-1-A-Z- Northwest Senior Center).

In regards to the center's ability to pay the Fair Market Rent of \$8,400.00 per month or the City Adjusted Rate of \$5,677.00 per month with the current expected deficit of \$20,000.00, (year end figures are not yet available), we at this time are unable to pay either amount due in large part to the extra maintenance fees we incurred for elevator, electrical, sewer, plumbing, carpentry and door work. With the calculation of volunteer hours provided, see above information, that these services provided to the community it would make a service rent deduction applicable. The budget for 2013 is \$329,546.00. Much of this additional amount is to cover the need for increased maintenance costs. We want to work with the city to find a reasonable solution that will meet both our needs. We appreciate the several options you presented and we have supplied the figures as you asked. We hope this will provide background to open the communication for the best solution.

As we look to the future we are preparing for augmented services and programs to meet the increased number of citizens becoming seniors and needing what we provide. The Ballard NW Senior Center plays a vital role in the life of the community and with 2013 our 40th year of service we look forward to another 40 years of service.

Thank you for the opportunity to provide some information. Please contact me for any additional information or to further our discussions. Please visit us here at any time to see all that the center provides.

Best Regards

Carlye Teel

Carlye Teel
Director



Phinney Neighborhood Association Response to FAS's Request for Information on the MOB Lease December 20, 2012

OVERVIEW OF THE PHINNEY NEIGHBORHOOD ASSOCIATION

Since 1980, the Phinney Neighborhood Association (PNA) [www.phinneycenter.org] has been dedicated to building community with a wide variety of programs and services that serve people of all ages and interests. *PNA's mission is to build, engage and support our diverse community through programs, services and activities that connect neighbors and foster civic engagement.* Programs include four preschools, a before and after school child care program, two hot meal programs, a senior center and aging in place village, a computer lab, an art gallery, a tool lending library, a community education program and countless special events that bring neighbors together. PNA programs, events and activities, offered at five sites, annually serve more than 20,000 people from throughout the Puget Sound area. The PNA is a membership organization and currently has 2,500 household members and 275 business members. The organization has a \$2.5 million annual budget, is financially stable and has ended 4 of the last 5 years with a surplus budget.

SERVICES PROVIDED AT THE GREENWOOD SENIOR CENTER

The PNA's Greenwood Senior Center (GSC) has been serving northwest Seattle neighborhoods since 1974, first as an independent nonprofit, then as part of Senior Services, and since 2006 as a program of the PNA. GSC is a community gathering place focused on positive aging, providing a broad spectrum of services, including health and wellness, nutrition, and social, recreational and educational activities. The GSC's mission is to provide programs and services which offer seniors the opportunity to enhance their physical fitness, mental stimulation and emotional well-being and to support seniors in their efforts to preserve traditions, embrace change and maintain independence. GSC is a hub for services to the elders living in northwest Seattle.

In 2011, GSC served 1,100 individuals with 22,000 visits. Examples of the types of services offered include: a daily lunch program, 9 support groups, 50 classes and numerous social activities offered each month, an early stage memory loss enrichment program and our newest program, the PNA Village, focuses on seniors aging in place in their homes.

In 2011, 120 volunteers provided almost 5,000 hours of service at the senior center, doing a variety of jobs including: staffing the front desk, doing data entry, supporting early stage memory loss programs, preparing meals for the daily lunch program, helping out at events, participating on the fundraising committee, organizing field trips and much more.

CURRENT MOB LEASE WITH THE CITY OF SEATTLE

The City of Seattle purchased the property at 525 N. 85th Street in Greenwood in 1978 and since that time, the GSC has operated out of this facility under a Mutually Operating Benefit Lease (MOB). The original lease expired in 2003 and we have been operating without a lease on a month-to-month basis since this time. PNA pays rent in in-kind services to the community but does not pay any cash rent. The eastern portion of the parking lot is a 3,000 square foot separate parcel, owned by the PNA.

Since 2010, the PNA has been in conversation with City staff from FAS, Office of Housing and HSD, to potentially move forward with a partnership to build affordable housing for seniors and rebuild the senior center on the ground floor at the current location. Although we have met multiple times and worked hard to get an agreement to move forward, conversations stalled earlier this year. At our meeting with FAS in November of this year, we were informed the City is no longer interested in pursuing a redevelopment of this site.

PNA'S ABILITY TO PAY RENT

At our meeting with FAS on November 14, 2012, we were asked about our ability to pay the lesser of fair market rent or standard rent. Fair Market Rent for this property was calculated to be \$9,211 per month and City Facilities Standard Rent was \$6,225 per month. *PNA has no ability to pay \$6,225 per month in rent and would have to close the senior center.* PNA would be able to pay the \$573 per month required by the status quo MOB policy rent. A change in policy that requires additional cash rent may be possible, but we would need to explore new revenue options or expense reductions in order to pay the rent.

PNA'S INTEREST IN OBTAINING THE PROPERTY FROM THE CITY

PNA is extremely interested in pursuing a transfer of the property with the City in 2013 and was excited to learn of this potential opportunity, given the sources of funds used to purchase the property. At its November, 2012 meeting, the PNA Board of Directors passed a motion directing the PNA Executive Director to explore the opportunity to transfer the property with the City. We are hopeful that after doing our due diligence, we will want to pursue the opportunity to have the property transferred to our organization.

The PNA recently completed a strategic framework for 2013-2015 that will provide guidance to the organization for the next three years. One of the key priorities identified was stewardship of our sites. Having stable and affordable homes for all PNA programs is critically important for us to meet our mission to build community. This is perfect timing for us to be discussing a potential transfer of the property to the PNA.

The Board, staff and communities of the PNA are very excited by the opportunity to own the GSC property and look forward to working with the City of Seattle to explore the transfer of the property. We have the interest, the experience and the capacity to take on ownership of the property from the City and continue to provide services to our seniors and their families in northwest Seattle.

PNA'S ABILITY TO MANAGE THE PROPERTY IF OWNERSHIP IS TRANSFERRED

As a tenant of the property for the past seven years, PNA has the experience and the capacity to continue managing the property as an owner. As the City has reduced its maintenance support over the last several years, the PNA has filled the gap, providing regular maintenance and repairs on the facility. We had a 30+ year history of managing the Phinney Center as a renter, until we purchased the campus from the Seattle School District in 2009. We have a proven track record in managing aging buildings effectively and efficiently in a cost effective manner. Staff are experienced, and we have a wealth of volunteers in the community who work side-by-side with us on projects, whether it is designing a new handrail to improve accessibility, or create a landscaping plan to suit our needs.

The PNA made a significant decision in 2008 to enter into a long-term capital campaign to purchase and renovate the Phinney Center campus, and have been extremely successful in our campaign to date. We raised \$6.5 million (thanks in great part to the City of Seattle's support!!), and have been able to do the following: purchase the campus, complete major repairs and capital projects, including repairing the boiler and putting a new roof on the Brick Building, repairing sewer lines, and most recently in the Blue Building, installing an elevator, completing major seismic improvements and building a new entry way and community plaza in the Blue Building. We anticipate having approximately \$600,000 in the capital campaign account at the end of this phase of the campaign. We also have a secured line of credit for \$250,000, which we have not had to draw on, but is available through 2014. We have broad based community support, with over \$1 million raised directly from the hundreds of donors from our community during this campaign. The community has shown its support of the PNA in this campaign and we are confident that this support will continue in the future.

In 2011, the Mayor and City Council generously supported several of the MOB sites by making much needed investments in the infrastructure. Unfortunately, the Greenwood Senior Center property was not included in the investments. We know why this happened – the PNA and the City were in conversation about potentially redeveloping the property into affordable housing with a senior center on the ground floor. However, now that we are not moving forward in this direction with the City, we respectfully request that the City consider making a similar investment at the GSC as it did with the other MOB sites. As we consider taking on the property, we do have some concerns about the condition of the property. Our most immediate challenge is the fact we operate a senior center in a non-accessible site. We simply cannot serve all of our community because people aren't able to travel from one floor of the building to another, and the parking lot is also extremely unfriendly to anyone with mobility challenges. If the City were to invest even a modest amount of \$100,000, it would allow us to make great strides towards full accessibility. There are also some deferred maintenance projects, like removing a tree that has been determined to be a hazard, and other maintenance that we would like assistance with. We are prepared to tackle the long-term maintenance of the site but having the City make this one-time investment will facilitate this to happen much more quickly.

FOR MORE INFORMATION

Contact Lee Harper, PNA Executive Director, 206.783.2244 or leeh@phinneycenter.org

Response to Facilities and Administrative Services

December 17, 2012

Re: SPARC/Seattle Mutually Offsetting Benefit Agreement

This document is in response to a meeting held on December 3rd, 2012 between representatives of the South Park Area Redevelopment Committee (SPARC) and representatives of the City of Seattle's Department of Finance and Administrative Services (FAS). The meeting was held in the conference room of the South Park Neighborhood Center (SPNC) and the meeting attendees were: Dagmar Cronn ~ President of SPARC; Marty Oppenheimer ~ SPARC Board-member; Bill Pease ~ ex-officio SPARC Board-member & SPNC building manager; Kyle Joyce ~ FAS; Jan Oscherwitz ~ FAS.

As per the request of the FAS representatives, this response is due 14 days after the initial meeting and, as such, may contain some numerical errors and quite possibly some misinterpretations of the position of the City of Seattle vis-à-vis negotiations towards an updated Mutually Offsetting Benefits Agreement (MOB).

First and foremost, SPARC would like to thank Mayor Mike McGinn, and the Seattle City Council for allocating and approving 1.9 million dollars to address major maintenance issues for 6 of the MOB buildings (including the SPNC). Our review of the April 2nd, 2012 memorandum from FAS to City Council members Burgess, Conlin and Godden addressing the needed repairs to the SPNC shows us that our maintenance concerns are not only well founded, but corroborated by independent sources. The South Park Neighborhood Center serves over 1500 needy clients every week, and that level of service takes a heavy toll on the physical structure of the building.

Since 1972, SPARC has partnered with the City of Seattle to manage the SPNC and provide much-needed services to the underserved population of South Park. At the time of the original agreement, the mutually offsetting benefit agreement required SPARC to pay nominal cash rent, manage and pay the day-to-day operations of the SPNC, and provide volunteer hours in lieu of the remainder of City-level rent. The building logged 13,300 hours of volunteer work in 2011 and will log larger hours for 2012. That total is about the same as other Seattle senior centers that receive City funds for staffing and other expenses. South Park receives \$6,600 per year from the City to operate the South Park Senior's Program and no other funding for the building. The MOB agreement, in effect, relieves the City of the costs of providing necessary social services, and shifts that burden (and the operational costs of the building) solely unto a struggling non-profit run by volunteers. Over the years the budget for programming has dried up, and SPARC has been expected to make up the difference. SPARC receives rents from non-profits and others that pays about two thirds of the operating costs for the building (not counting any costs borne by Facilities). In addition, over the past 5 years, the position of the City has been to cut maintenance services to the MOB facilities to the point where SPARC was informed that FAS was only required to maintain the exterior of the building and *major* interior structural issues. As of the current fiscal year, SPARC is running a deficit of \$12,000 in operating costs to maintain the MOB with Seattle. Even the least increase of cash rent to the City of \$666 per month presented by FAS, up from \$283 dollars per month, would increase the annual deficit by another \$4,600 per year.

SPARC has persisted in finding additional funding to offset the deficits in building operations for years. Unfortunately, finding those additional funds year after year has robbed all possible SPARC income for any other purpose to benefit the neighborhood. Other than a small stipend for a ¼ FTE building manager (paid for by SPARC), there is no paid staff to see to the work of operating the building. Because of these difficulties, the stress has worn down the volunteers who have struggled together to keep the doors of the Center open.

As a 501(c)(3) non-profit, SPARC can legally operate at a loss, but given the fact that SPARC was originally incorporated as a redevelopment organization, we feel that not only have we strayed from our original intent of economic and neighborhood development, we have been sidelined by our MOB with the City.

It is the current intent of the South Park Redevelopment Committee Board to end our month-to-month MOB agreement with the City of Seattle at the close of fiscal year 2013. (The MOB agreement has not been renewed for about 20 years.) SPARC will continue to manage the building for the upcoming year (2013) as it would create an undue hardship on all parties if we were to end our service earlier. SPARC will be returning to the neighborhood intermediary role that the South Park leadership has determined it should re-assume. The neighborhood will benefit from the long-range vision, the strategies for obtaining the resources to bring about those visions, and the advocacy for the neighborhood that have always been SPARC's primary purpose.

That being said, it is by no means either implied or intended, that the South Park Neighborhood Center should close its doors and end its programs. SPARC will advocate vociferously for all of the current programming to continue beyond the cessation of the current MOB agreement. The South Park neighborhood continues to have a population with great needs, and is still one of the most chronically underserved neighborhoods in the Metro Seattle area.

To that end, SPARC pledges to work vigorously with the City of Seattle in the effort to find a new management structure that will satisfy the needs of the FAS and simultaneously satisfy the needs of the South Park community.

On behalf of the SPARC Board,



Dagmar Cronn—President, South Park Area Redevelopment Committee

May 18, 2012

To: Government Performance & Finance Committee
From: Peter Harris, Central Staff
Re: SLI and Proviso on Mutual & Offsetting Benefit Properties

Introduction

Last fall the Council took two budget actions related to Mutual & Offsetting Benefit properties, which are buildings owned by the City and leased to tenants who provide a public service in lieu of some rent. The proposed budget included \$1.9 million to replace roofs on six of these buildings. The Council approved this budget, but placed a proviso on \$1.4 million of this amount pending the first of two reports called for by a Statement of Legislative Intent (SLI). Copies of the SLI and the Green Sheet placing the proviso are attached.

You received the first SLI report in early April. On May 31, the Committee will be briefed on this report and will discuss and possibly vote on an ordinance that would remove the proviso and allow the roof repairs to proceed as planned.

First I will summarize the SLI and the Executive's first report in response. Then I will summarize the proposed ordinance to remove the proviso.

SLI

The SLI asked a simple question and a complex one. The simple question was whether it would be wise to spend \$1.9 million to repair the roofs on these buildings without knowing the cost of any other critical repairs the buildings might soon require. If the latter cost was large, the total cost might be more than the buildings are worth.

The first SLI report estimates that the total cost of other critical repairs to these six buildings is \$312,000, ranging from \$0 for the Southeast Health Clinic building to \$132,000 for the Central Area Motivation Program building. A copy of the report is attached.

The report says the Executive will look for the additional \$312,000 in the 2013 Proposed Budget. This implies that the Executive believes the total repairs are justified – that is, it is not only worthwhile to spend \$1.9 million to maintain these buildings, it is also worth \$2.2 million.

The more complex question in the SLI is how to resolve the apparent discrepancies between policy and practice in the leases on these properties – in particular, differences between the cash rent required by policy and the actual cash rents paid under at least some of the leases. See the SLI for a discussion of this question. This question will be addressed in the second SLI report, due June 30.

Proposed ordinance to remove the proviso

The proposed ordinance that will be before the Committee on May 31 would remove the proviso on \$1.4 million of the \$1.9 million budgeted for roof repairs. If the Council agrees that it is worthwhile to spend a total of \$2.2 million to repair these buildings, it makes sense to remove the proviso.

Because roof repairs depend on weather, it may not be feasible to complete the repairs in 2012. Accordingly the proposed ordinance would allow any unspent funds to be carried over for this same purpose to 2013.

Conclusion

If you have any questions, please let me know.



City of Seattle

Mike McGinn, Mayor

Department of Finance & Administrative Services

Fred Podesta, Director

MEMORANDUM

Date: April 2, 2012

To: Councilmember Tim Burgess, Chair,
Government Performance and Finance Committee
Councilmember Nick Licata
Councilmember Sally Clark
Councilmember Mike O'Brien

Via: Beth Goldberg, City Budget Director

From: Fred Podesta, Director
Department of Finance and Administrative Services

Subject: **Response to Statement of Legislative Intent 58-1-A-2
Report from FAS on Major Maintenance of Mutual and Offsetting Benefit
(MOB) Lease Properties**

Summary

This memorandum summarizes the findings of recent Mutual and Offsetting Benefit (MOB) building assessments conducted in response to Statement of Legislative Intent (SLI) 58-1-A-2, which was adopted by the City Council as part of its 2012 budget process. The SLI requests two reports and specifically states: "The first report, which shall be provided by March 31st, shall estimate the cost of repairs needed to building systems, including roofs, to maintain MOB properties in a tenantable condition and shall set out options for funding repairs, including, but not limited to, an assessment of eligibility and availability of American Recovery and Reinvestment Act retrofit funds and uncommitted real estate excise tax revenue." I have provided a more detailed account of the findings in the report attached to this summary. The second report called for by the SLI, which focuses on MOB leases and options for MOB facilities, will be provided by June 30, 2012.

Background

The Department of Finance and Administrative Services' (FAS') 2012 Proposed Budget included \$1.9 million to re-roof six City-owned buildings that house tenants operating under MOB arrangements with the City. These tenants include the Northwest Senior Center, South Park Area Redevelopment Committee (SPARC), Teen Parent Home, Central Area Senior Center (CASC), Central Area Motivation Program (CAMP), and Southeast Health Clinic. During its 2012 budget deliberations, the City Council issued SLI 58-1-A-2, directing the Executive to identify all other non-roof-related repairs needed to maintain these six MOB facilities in a tenantable condition.

FAS subsequently hired ARC Architects to assess the six buildings, identify what critical repairs would be needed, and provide cost estimates for each. For the purpose of the assessment, critical repairs were defined as items that if left unresolved would:

- Cause immediate vacation of the building or area of building;
- Cause an emergency project to be undertaken;
- Result in hazardous egress or other life safety issues; or
- Result in flagrant ADA violations (e.g., lack of access to entry, lack of compliant restroom, etc.)

Non-essential and/or upgrades to existing systems that would extend the life of the asset were not included in the condition assessments. Examples of these types of upgrades would include replacing single pane windows or providing new lenses for light fixtures.

Based on ARC's assessments, we have determined that each of the City's six MOB buildings has one major system failure – the roof – and that other required repairs, such as HVAC and electrical systems that are beyond their useful lives or do not meet current safety standards, will be considerably less expensive to fix. As a result, we believe that a total of \$312,000 would cover critical, non-roof repairs for all six buildings. The building-specific summaries below outline the needed repairs, their respective total costs, and the time that will be required to complete them.

Northwest Senior Center

The majority of the repairs needed at the Northwest Senior Center (located at 5431 32nd Avenue NE) relate to its heating system. The boiler will need to be replaced within the next few years as well as several radiators on the second floor. Beyond these items, several thresholds need to be rebuilt to remove tripping hazards, and some minor electrical work is required to comply with current electrical safety standards. The total project duration for these repairs is approximately six months.

Construction Costs:	\$ 31,000
<u>Design/Permitting/WSST:</u>	\$ 10,000
Total Cost of Critical, non-roof Repairs:	\$ 41,000
Total Cost of Re-roof:	\$ 265,000

South Park Area Redevelopment Committee (SPARC)

Similar to the NW Senior Center, the largest repair needed at SPARC (located 8201 10th Avenue South) relates to the heating system—a rooftop unit that will need to be replaced in the next few years. Beyond the HVAC system, there are accessibility and exiting issues that must be resolved in order to provide safe egress, and some minor electrical work that must be addressed to meet fire safety standards. The total project duration for these repairs is approximately six months.

Construction Costs:	\$ 33,000
<u>Design/Permitting/WSST:</u>	\$ 11,000
Total Cost of Critical, non-roof Repairs:	\$ 44,000
Total Cost of Re-roof:	\$275,000

Burgess via Goldberg/Podesta
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Teen Parent Home

The Teen Parent Home, located 339 22nd Avenue E, will need a new gas furnace within the next few years. Outside of the furnace, there are some minor egress repairs and one signage issue that need to be addressed. The total project duration for these repairs is approximately two months.

Construction Costs:	\$ 23,000
<u>Design/Permitting/WSST:</u>	<u>\$ 8,000</u>
Total Cost of Critical, non-roof Repairs:	\$ 31,000
Total Cost of Re-roof:	\$105,000

Central Area Senior Center (CASC)

The majority of the repairs needed at the CASC building, which is located at 500 30th Avenue South, are electrical in nature. These electrical repairs range from replacing original (1959) panels that lack short circuit ratings, to replacing exterior pathway lighting that no longer operates. Beyond these items, several accessibility and life/safety issues need to be resolved in order to provide safe egress and comply with life/safety codes. The total project duration for these repairs is approximately six months.

Construction Costs:	\$ 48,000
<u>Design/Permitting/WSST:</u>	<u>\$ 16,000</u>
Total Cost of Critical, non-roof Repairs:	\$ 64,000
Total Cost of Re-roof:	\$455,000

Central Area Motivation Program (CAMP)

The CAMP building, located at 722 18th Avenue, requires the most work of any of the other MOB facilities. The majority of repairs are electrical, involve the replacement of multiple unrated panels and the need to resolve code violations. Beyond these items, there are minor life/safety issues that need to be resolved in order to protect the tenants from unnecessary hazards. The total project duration for these repairs is approximately six months.

Construction Costs:	\$ 99,000
<u>Design/Permitting/WSST:</u>	<u>\$ 33,000</u>
Total Cost of Critical, non-roof Repairs:	\$132,000
Total Cost of Re-roof:	\$315,000

Southeast Health Clinic

ARC Architects and FAS staff determined no necessary repairs were evident at the Southeast Health Clinic (4400 37th Avenue South), due to the building's relative age (it was built in 1989) and recent upgrades made to its HVAC and plumbing systems. The building's roof is in very poor condition, however, and documents for the roof replacement project are ready to bid. Should funding be made available by June 1, 2012, roof construction could be completed within the 2012 summer weather window.

Construction Costs:	N/A
Total Cost of Re-Roof:	\$485,000

Burgess via Goldberg/Podesta
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Cost Summary

	Critical, Non-Roof Repairs	Re-Roof
NW Senior Center	\$41,000	\$265,000
SPARC	\$44,000	\$275,000
Teen Parent Home	\$31,000	\$105,000
CASC	\$64,000	\$455,000
CAMP	\$132,000	\$315,000
SE Health Clinic	\$0	\$485,000
Total Cost	\$312,000	\$1,900,000

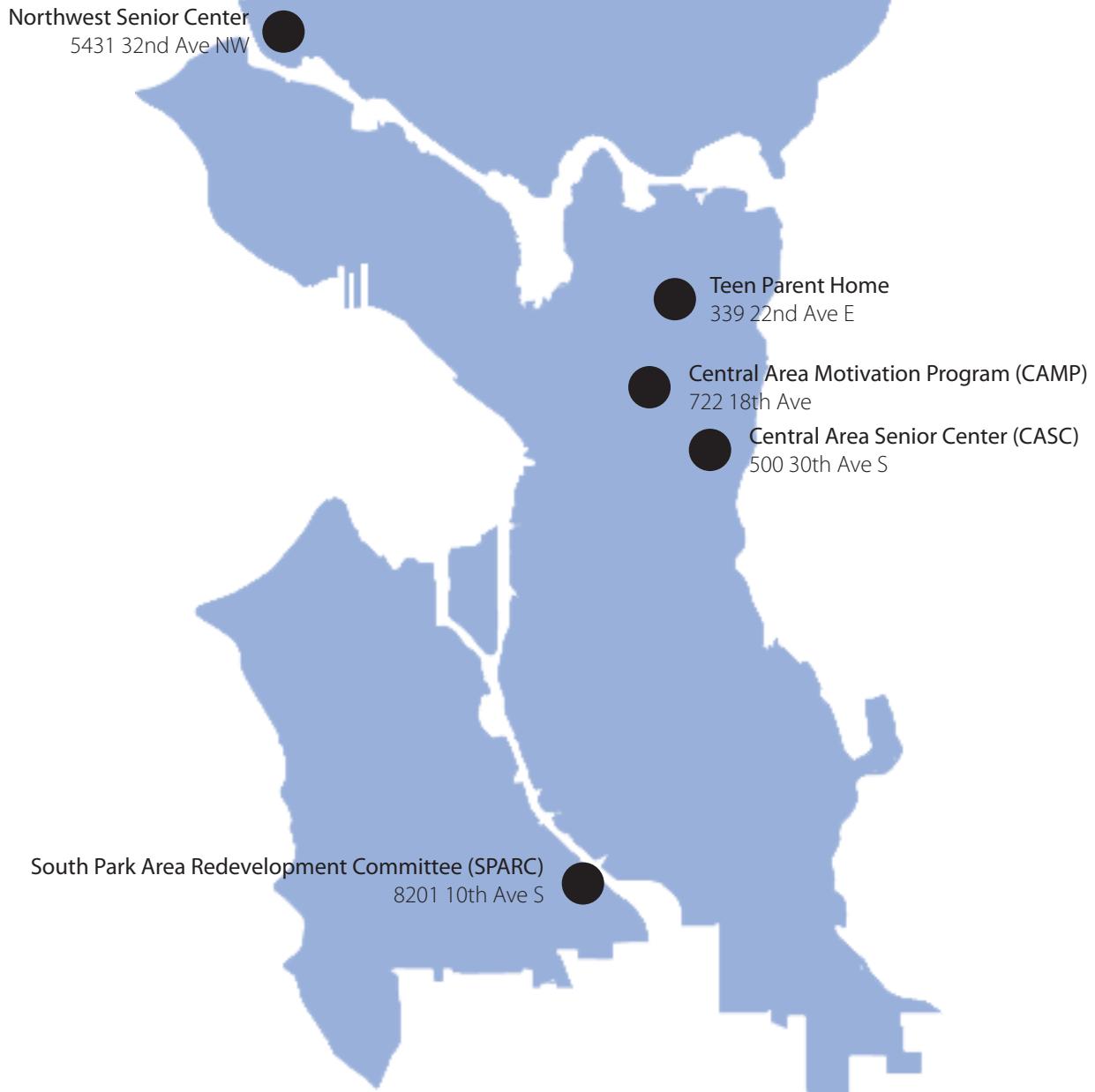
Funding Options

FAS staff investigated the potential use of ARRA funding for these projects, but discovered it has been fully programmed and is therefore not available for this purpose. Other funding sources for capital improvements needed to make the MOB properties tenantable could come from REET I, General Fund and/or a combination of those, as well as debt financing.

While FAS cannot identify any current pools of uncommitted, available funding to make these repairs in 2012, we will continue to research the issue within the contexts of Part II of the SLI and the 2013-2014 Proposed Budget.

I hope you have found this information helpful. If you have questions or would like to be briefed on this matter, don't hesitate to call me at 386-0041.

Attachment: MOB Facility Assessments Report



CITY OF
SEATTLE
FACILITY
ASSESSMENTS

**OWNER**

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 Department of Finance and Administrative Services
 Capital Development & Construction Management Division
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 Seattle, WA 98104
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 Jeff Wandasiewicz, Project Architect <wandasiewicz@arcarchitects.com>
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 (206) 378-0569

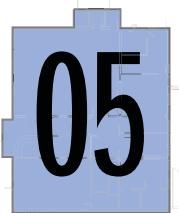
ELECTRICAL ENGINEER

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 Jeremy Vining, Project Electrical Engineer <jeremyv@rushingco.com>
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 Seattle, WA 98109
 (206) 285-7100

ASSESSMENT TEAM

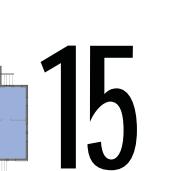
04

Summary

**05****Northwest Senior Center**

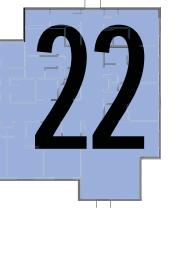
Facility Assessment Inventory

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

**10****South Park Area Redevelopment Committee (SPARC)**

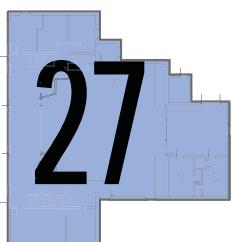
Facility Assessment Inventory

- Architectural Assessment
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- Electrical Assessment

**15****Teen Parent Home**

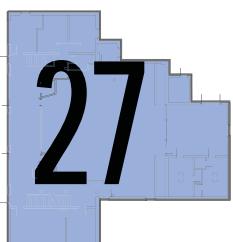
Facility Assessment Inventory

- Architectural Assessment
- Mechanical Assessment
- Electrical Assessment

**22****Central Area Senior Center (CASC)**

Facility Assessment Inventory

- Architectural Assessment
- Mechanical Assessment
- Electrical Assessment

**27****Central Area Motivation Program (CAMP)**

Facility Assessment Inventory

- Architectural Assessment
- Mechanical Assessment
- Electrical Assessment

INTRODUCTION

The objective of this document is to provide construction cost estimates for specific repairs at (5) five mutual and offsetting benefit (MOB) properties owned by the City of Seattle. The repairs considered were identified based on the direction given by Statement of Legislative Intent (SLI) #2012-58-1-A-2.

The Department of Finance and Administrative Services (FAS) contracted with ARC Architects and its consultant team to prepare this report. FAS staff and the consultant team toured each building, with and without on-site staff, in order to compile the following report.

PROCESS

There are five full assessments with their own section in this report. A non-intensive structural assessment was completed for the NWSC in Ballard but it did not reveal any immediate need for repairs. Photos of most conditions were recorded and are on file, but only an example of items photographed are included. For each facility, background information about building use, size- an approximate year built and location is included. Within each section is a detailed list of items suggested for repair by discipline (architectural, electrical and mechanical):

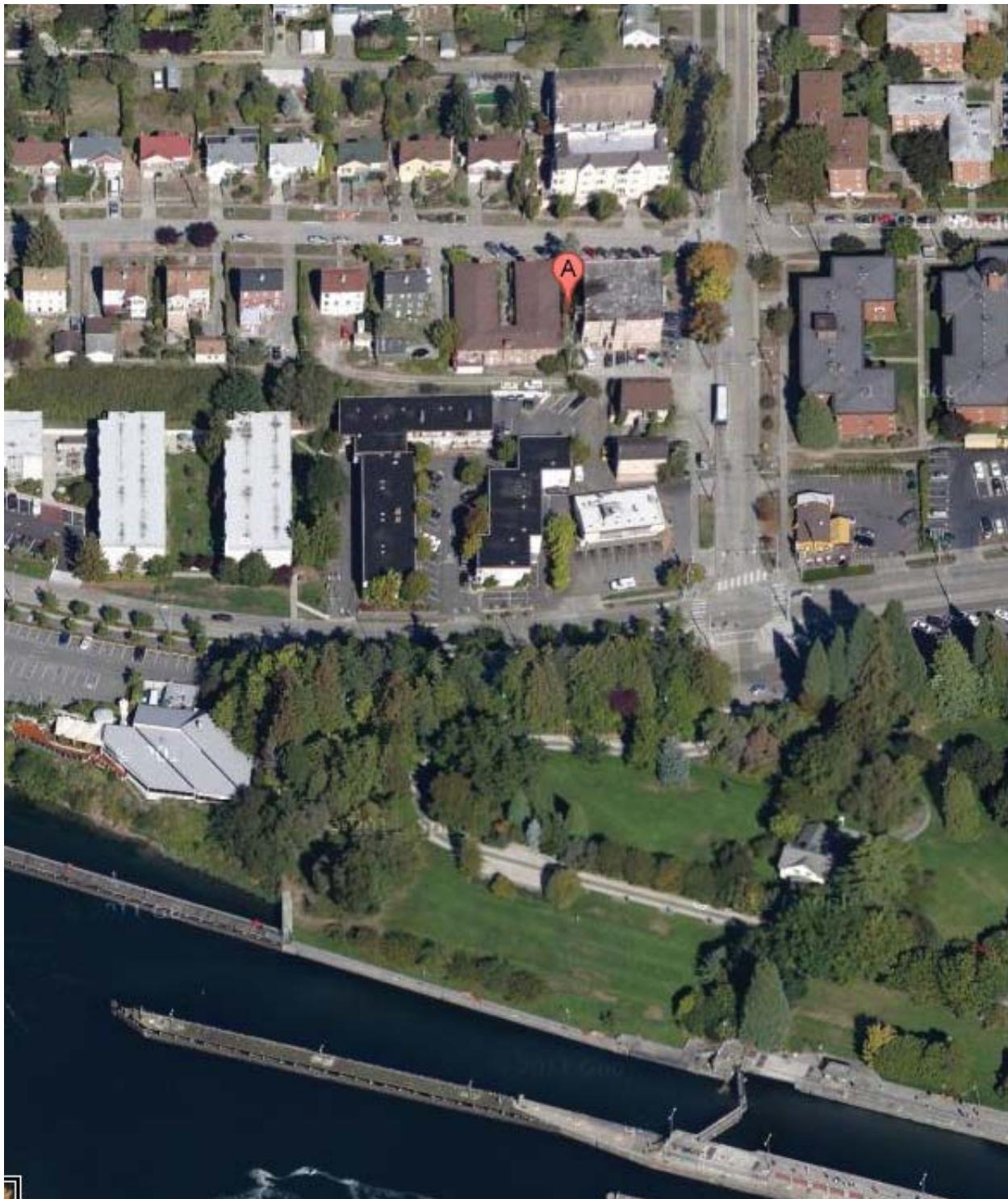
- Items are enumerated in spreadsheet form and color coded to the plans
- Estimates, exclude soft costs (taxes and escalation), but are calculated to sub-contractor pricing in today's dollars and totaled with general contractor and design contingency mark-ups of 20 and 15 percent .

Northwest Senior Center
5431 32nd Ave NW



NW SENIOR CENTER

The Northwest Senior Center is affiliated with Senior Services, the most comprehensive non-profit corporation serving older adults in the state of WA. The building (circa early 1970's) is a two story, partial basement structure of approximately 8,400 SF located at 5431 32 Ave. NW. It provides office and support space for this organization's mission. The high-level facility assessment for this building was conducted as an escorted walking tour of the facility. The tour took place on January 23rd, 2012 with ARC and their consultants.

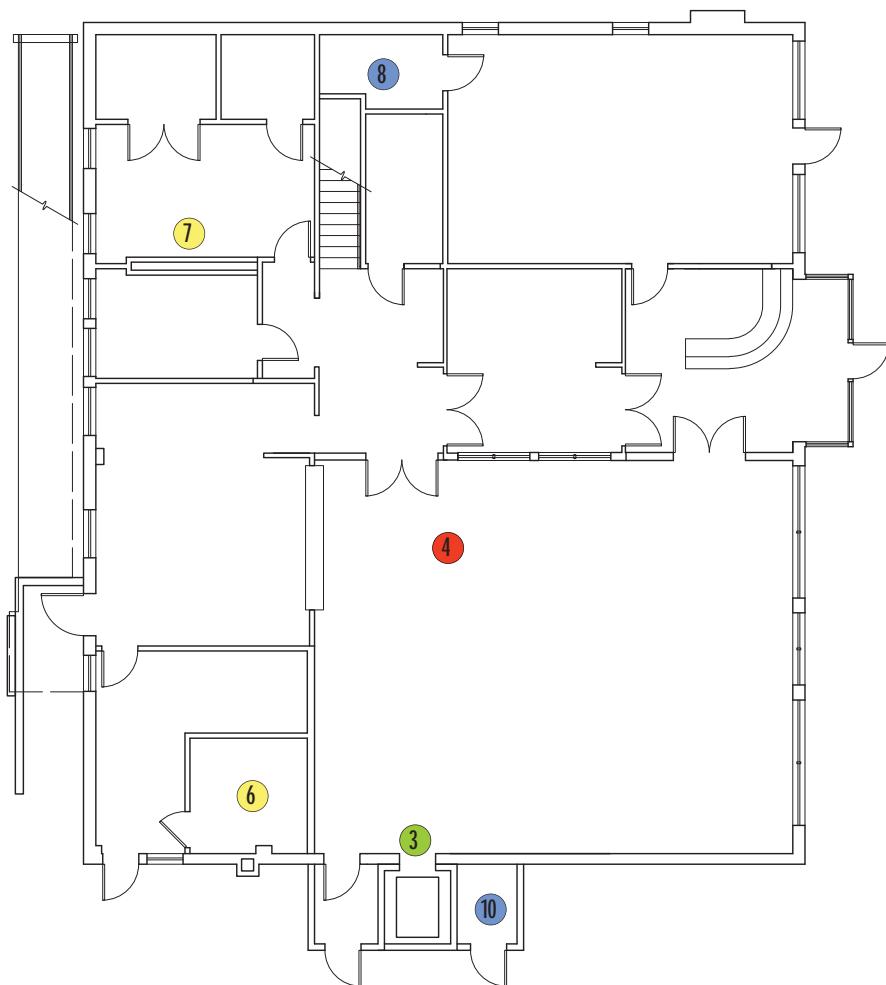


NW SENIOR CENTER

Northwest Senior Center

Repair / Maintenance	Estimate
Architectural	
1 Replace loose parquet wood floor tile; door threshold too high - 10 sf	\$750
2 Install panic hardware on this exit way door	\$250
3 Secure firemen override keys for elevator - currently left in 2nd floor override	\$0
Structural	
4 No observable threat to life/safety issues. No corrections necessary at this time.	
Mechanical	
5 Replace (3) non functional radiators on second floor	\$1,500
6 Boiler is 25 years old and nearing end of life. Budgetting for future replacement should be considered.	\$15,000
7 Provide duct smoke detector in (2) ventilation air handling units for shutdown	\$3,000
Electrical	
8 Remove abandoned 120/240V fused breaker pullman panel - no short circuit rating	\$1,200
9 Provide smoke detector outside elevator on 2nd floor in existing j-box	\$480
10 Provide smoke detector in elevator machine room	\$480
Subtotal	\$22,660
GC Mark-Ups; General Conditions, Bonding & Insurance, OH&P	20%
Estimating Contingency	15%
TOTAL COST ESTIMATE FOR NWSC	\$31,271

NW SENIOR CENTER



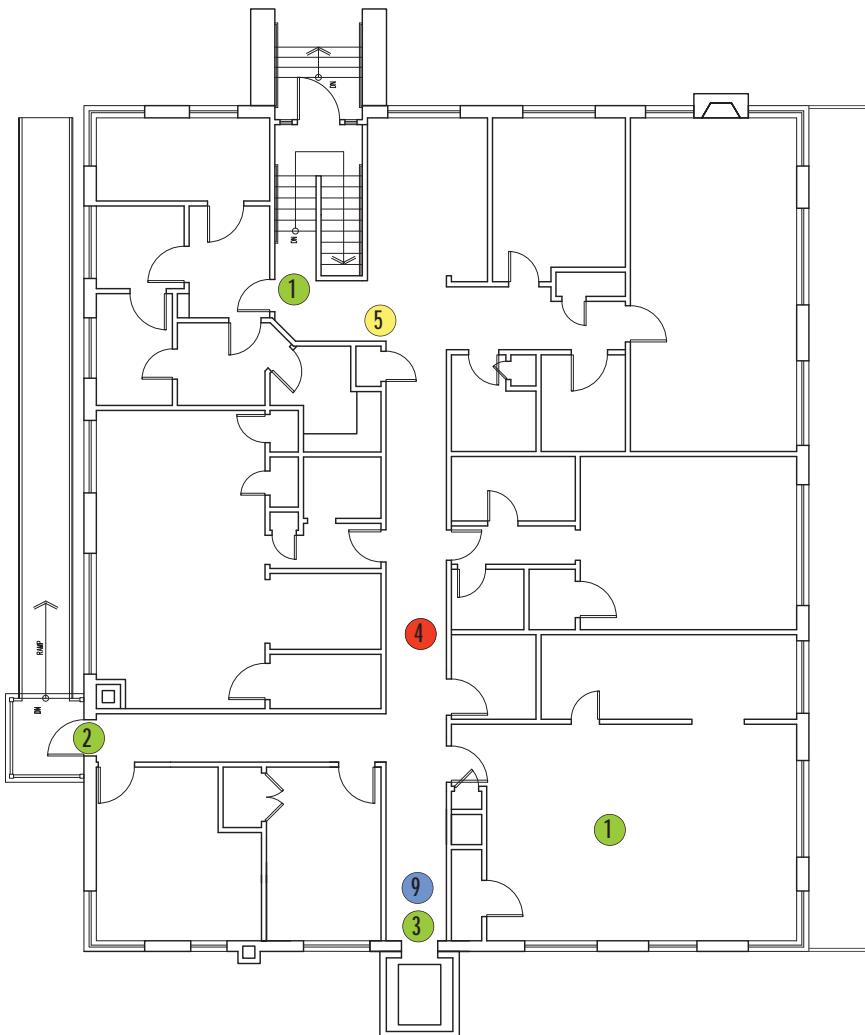
GROUND FLOOR PLAN

SCALE: 1/16" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

NW SENIOR CENTER



SECOND FLOOR PLAN
SCALE: 1/16" = 1'-0"

PLAN LEGEND

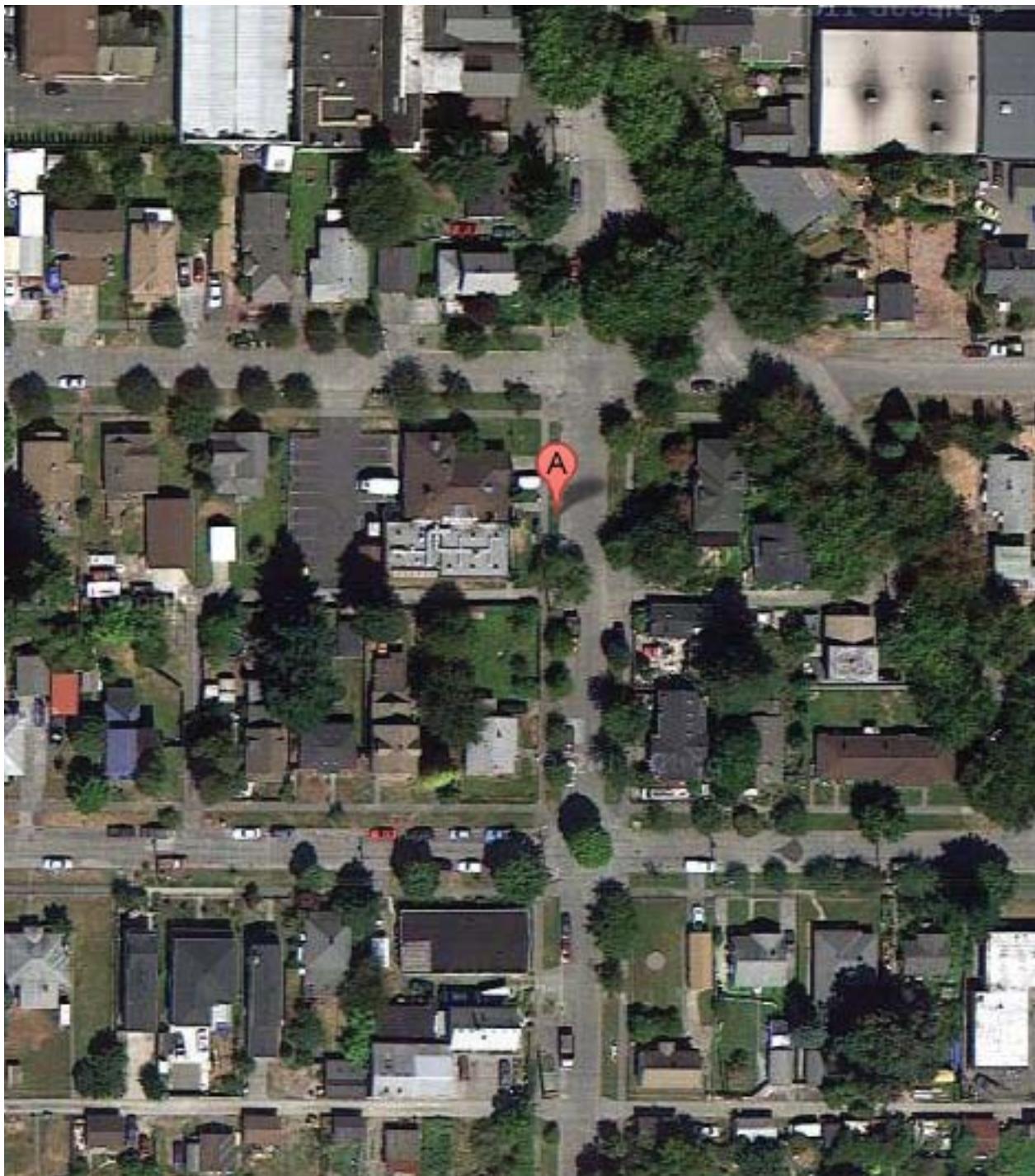
- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment



South Park Area Redevelopment Committee (SPARC)
8201 10th Ave S

SPARC

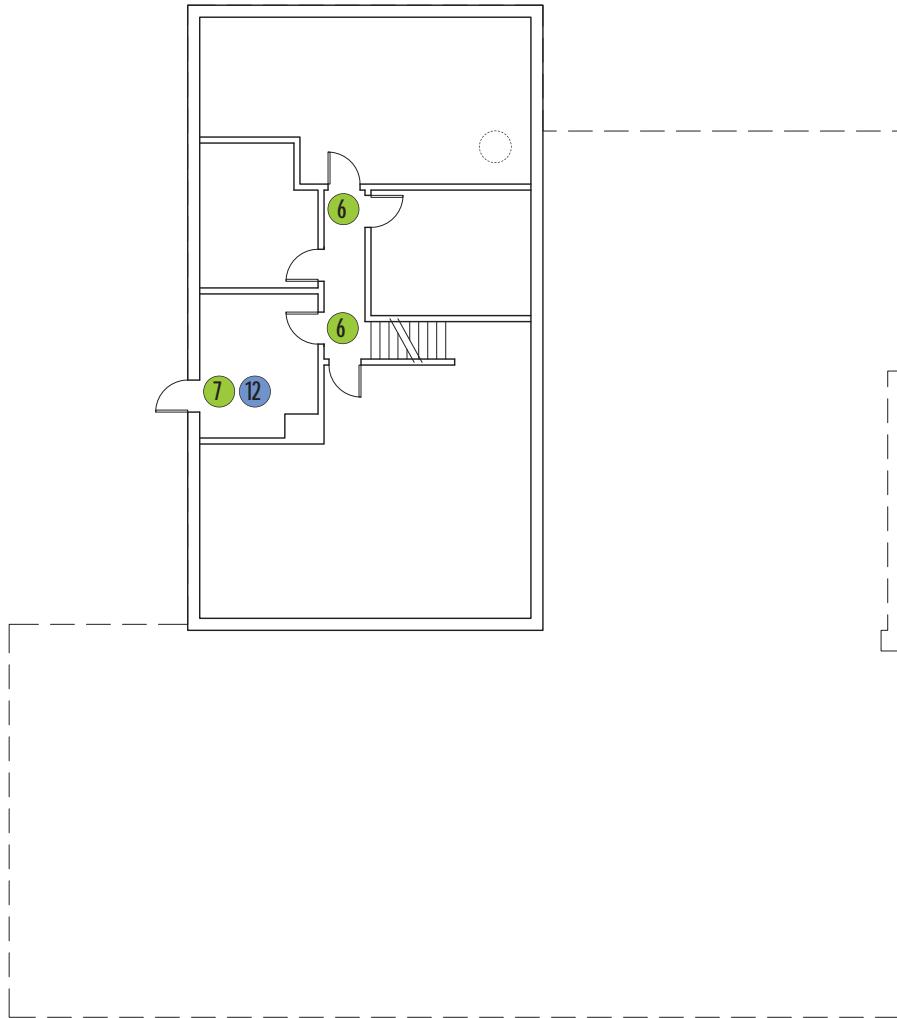
The South Park Area Redevelopment Committee is a not-for-profit corporation currently operating the South Park Neighborhood Center, located at 8201 10th Ave. South. The building (circa early-mid 20th century with an addition early 1980's) is a one story, partial basement structure of approximately 5,200 SF that provides office and support space for this organization's mission. Additionally, it houses over a dozen organizations, including the South Park Senior Program, Providence Regina House Food and Clothing Bank and the South Park Information and Resource Center. The high-level facility assessment for this building was conducted as an escorted walking tour of the facility. The tour took place on January 23rd, 2012 with ARC and their consultants.



South Park Area Redevelopment Committee

Repair / Maintenance	Estimate
Architectural	
1 VCT flooring missing tiles	\$200
2 Door pull too high for ADA accessibility; push side clearance lacking	\$450
3 Panic hardware and closers missing; door width not wide enough	\$3,000
4 Exit signage needed above door; threshold at exterior not accessible for WC	\$225
5 ADA parking stall provided but no accessible route to building	\$600
6 Exit signage needed above door	\$300
7 Panic hardware necessary OR accessible window and light well needed for egress	\$250
Structural	
Not Assessed	
Mechanical	
8 Replace multi-purpose room gas furnace	\$15,000
9 Cap return duct in greenhouse, rebalance return ductwork	\$500
10 Remove transfer grill in greenhouse, infill wall	\$500
11 Provide electric unit heater and thermostat for greenhouse	\$600
Electrical	
12 Replace heat detector	\$600
13 Flush floor 120V outlets - remove wiring and outlet, fill with concrete	\$1,440
Subtotal	\$23,665
GC Mark-Ups; General Conditions, Bonding & Insurance, OH&P	20%
Estimating Contingency	15%
TOTAL COST ESTIMATE FOR SPARC	\$32,658

SPARC

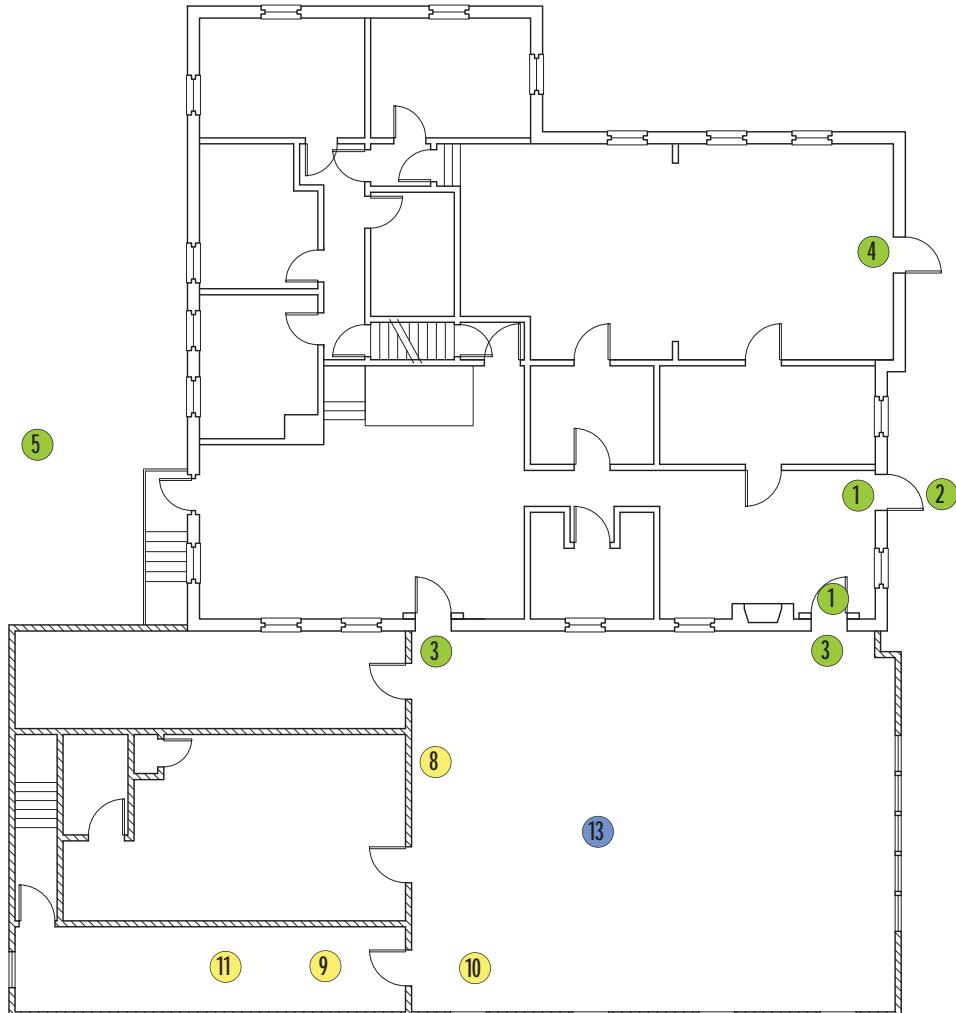


BASEMENT FLOOR PLAN
SCALE: 1/16" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

SPARC



 GROUND FLOOR PLAN
SCALE: 1/16" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

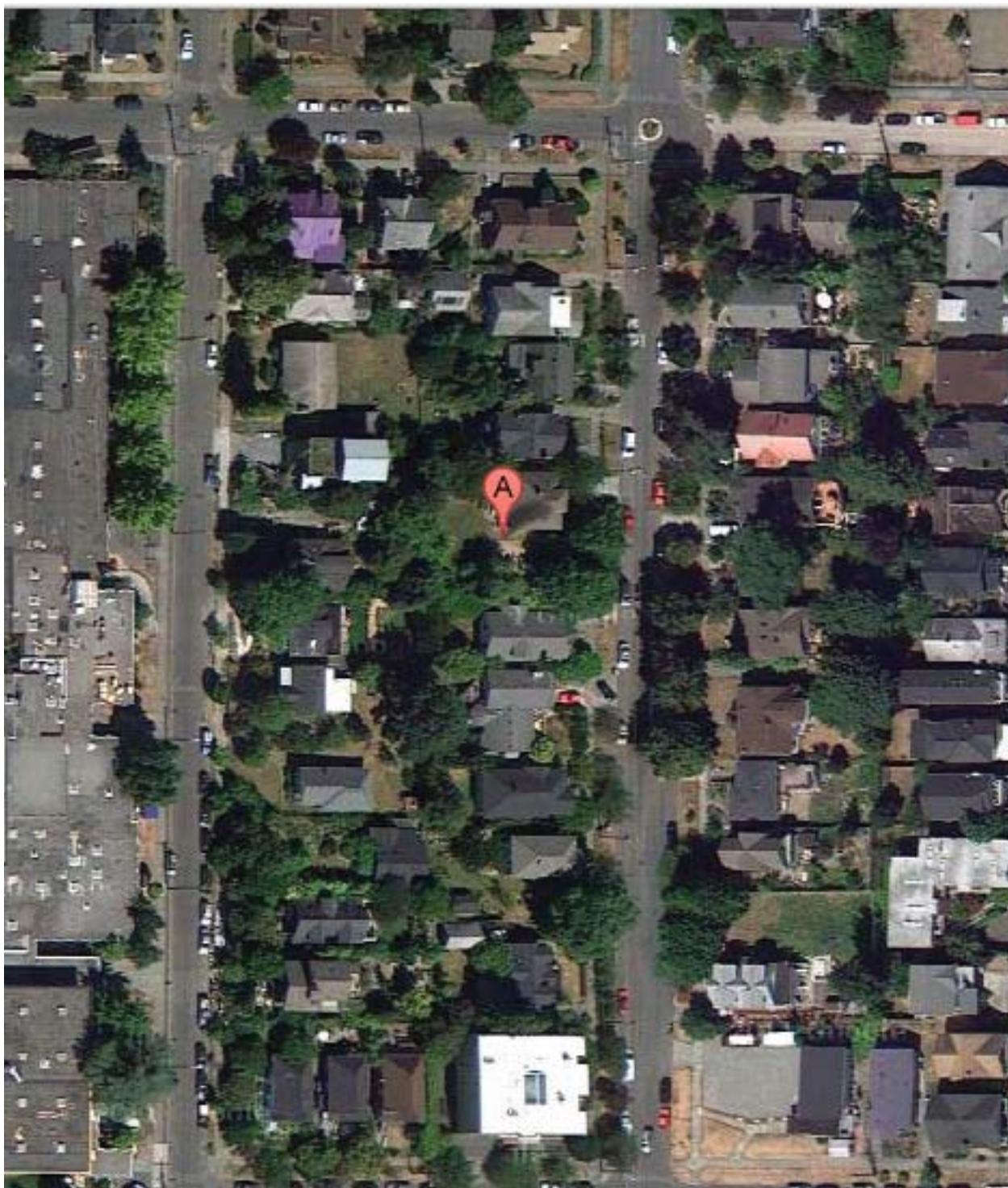
SPARC

TEEN PARENT HOME



Teen Parent Home
339 22nd Ave E

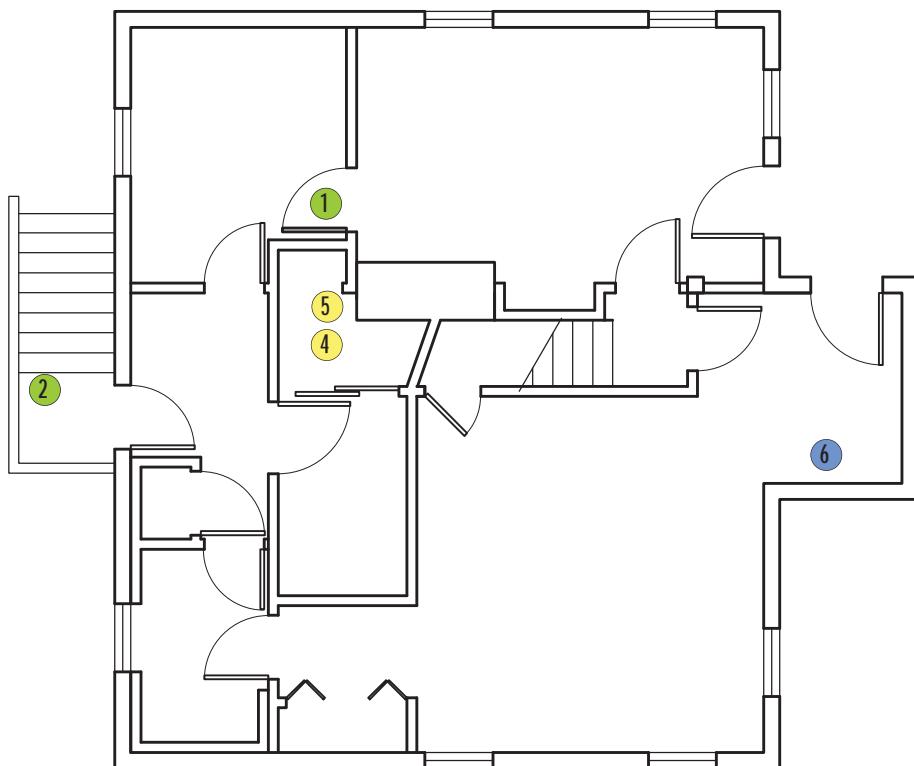
The Teen Parent Home Center is a facility leased to the Goodwill Development Association. The building (circa early 1920's) is a three story (former single family residence) day lit basement structure of approximately 2,880 SF located at 339 22nd Ave. East. It provides office and support space for this organization's mission. The high-level facility assessment for this building was conducted as an escorted walking tour of the facility. The tour took place on February 2nd, 2012 with ARC and their consultants. This facility has a NFPA-R13 (residential) fire suppression system.



Teen Parent Home		
Repair / Maintenance		Estimate
Architectural		
1 Signage for fire alarm control panel		\$200
2 Handrail replacement necessary (5 LF)		\$200
3 Add handrail (25 LF)		\$750
Structural		
Not Assessed		
Mechanical		
4 Furnace is 25 years old and nearing end of life. Budgetting for future replacement		\$15,000
5 Provide flex pipe gas connection to furnace		\$200
Electrical		
6 Remove tape covering smoke detectors		\$60
		Subtotal
		\$16,410
GC Mark-Ups; General Conditions, Bonding & Insurance, OH&P		20%
		\$3,282
Estimating Contingency		15%
		\$2,954
TOTAL COST ESTIMATE FOR TPH		\$22,646

TEEN PARENT HOME

TEEN PARENT HOME

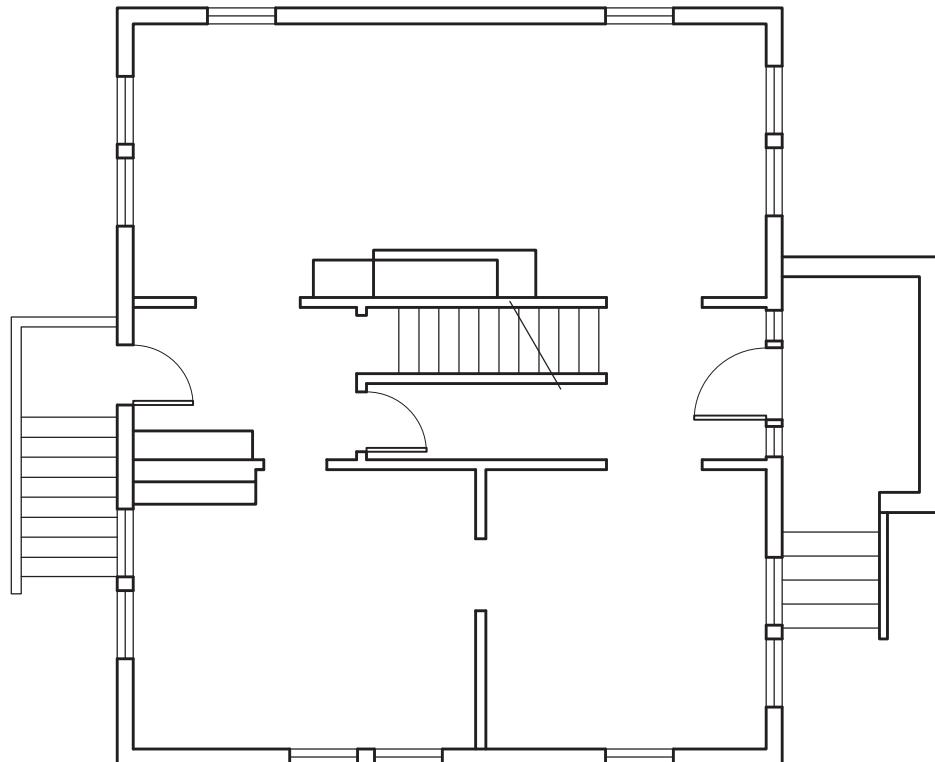


BASEMENT FLOOR PLAN
SCALE: 1/8" = 1'-0"

PLAN LEGEND

- (Green Circle) Architectural Assessment
- (Red Circle) Structural Assessment
- (Yellow Circle) Mechanical Assessment
- (Blue Circle) Electrical Assessment

TEEN PARENT HOME

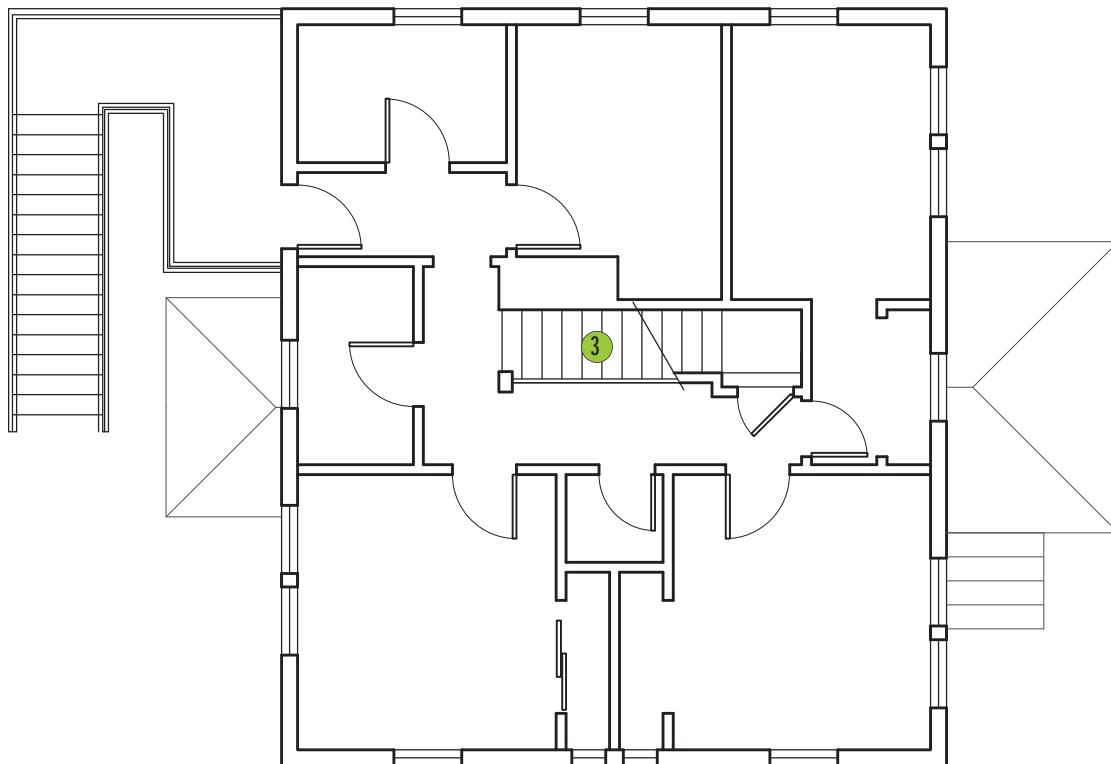


GROUND FLOOR PLAN
SCALE: 1/8" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

TEEN PARENT HOME

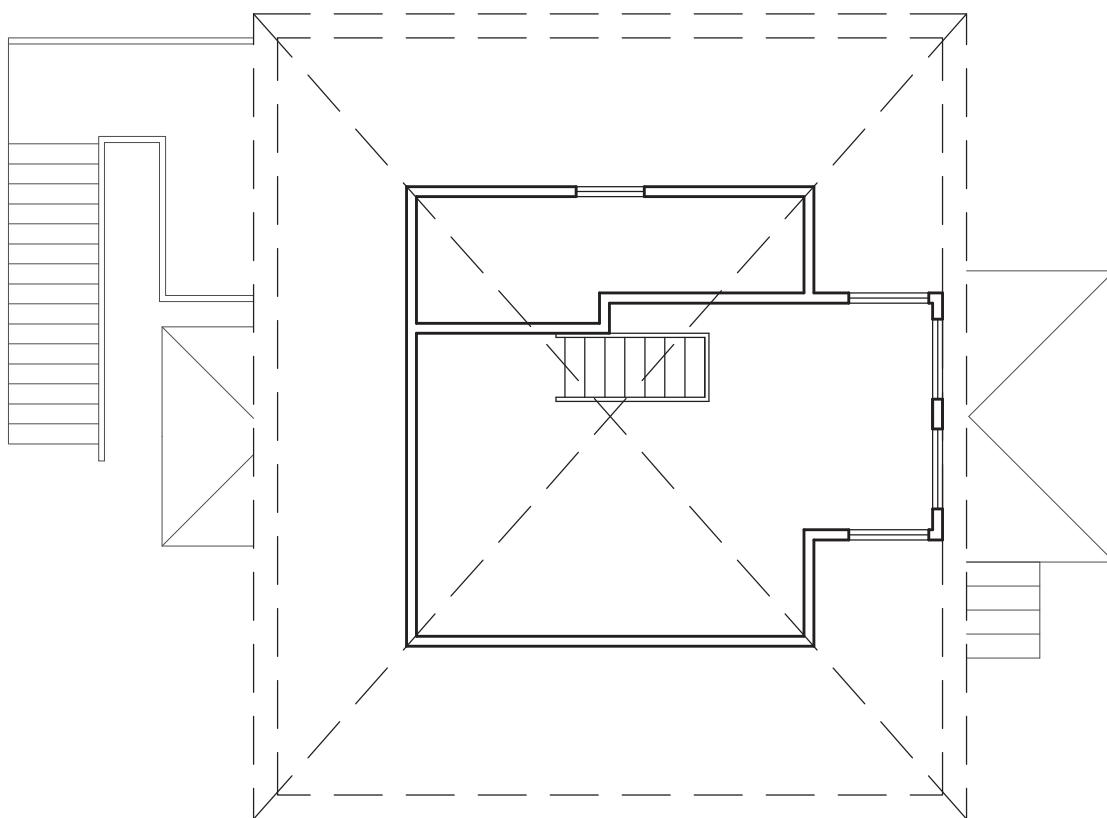


SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

TEEN PARENT HOME



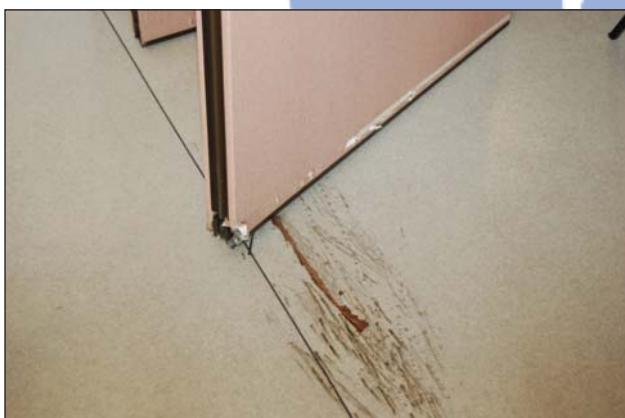
THIRD FLOOR PLAN
SCALE: 1/8" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

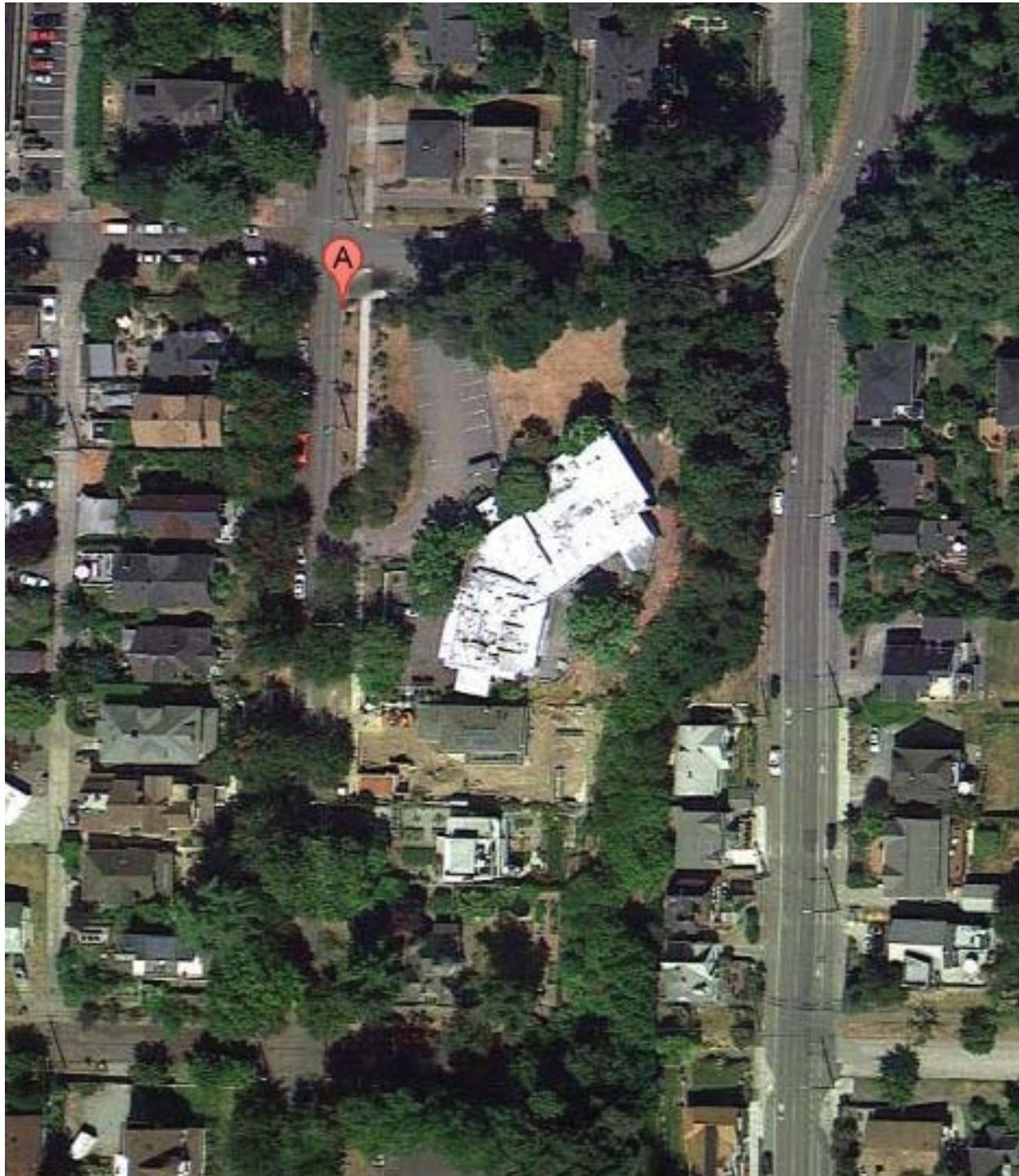


Central Area Senior Center (CASC)
500 30th Ave S



CASC

The Central Area Senior Center is a United Way agency and a member with Senior Services of state of WA. The building (circa late 1950's) is a one story, partial basement structure with approximately 12,000 SF located at 500 30th Ave. South. It provides office and support space for this organization's mission. The high-level facility assessment for this building was conducted as an escorted walking tour of the facility. The tour took place on February 2nd, 2012 with ARC and their consultants.



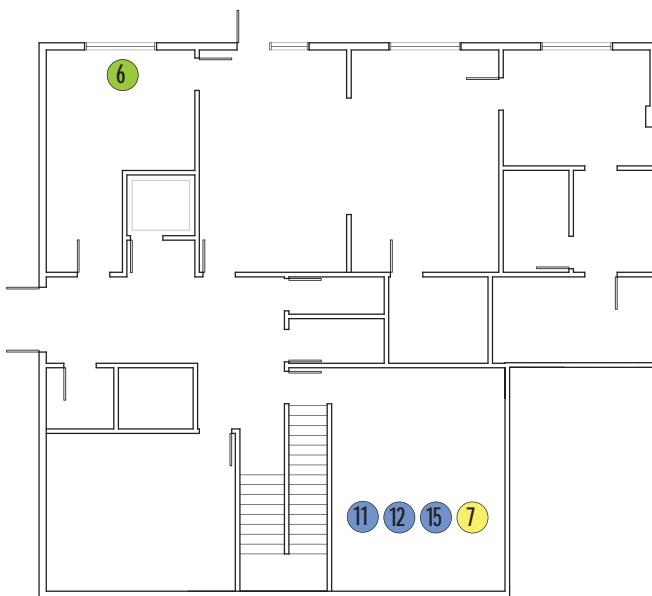
Central Area Senior Center

Repair / Maintenance	Estimate
Architectural	
1 Bury downspout under walk-way	\$250
2 Door too narrow, not accessible	\$3,000
3 Evidence of clerestory glazing leaking water	\$720
4 Threshold repair necessary	\$150
5 Door swing / clear floor area non compliant	\$450
6 Egress signage is needed in storage room being used as a "vintage clothing room"	\$200
Structural	
Not Assessed	
Mechanical	
7 Provide duct smoke detector in ventilation air handling unit for shutdown	\$1,500
Electrical	
8 Replace Bollard lights - waterseal broken, showing condensation, post loose at base	\$4,800
9 Replace exterior fixtures showing water damage - breezeway	\$432
10 Verify de-energized, abandoned FACP and remove - NW storage room	\$1,200
11 Replace non-AIC rated power panels from 1959 (120/208V, 3ph, 300A SE, 200A Pnl) - includes demo cost	\$16,800
12 Relocate Panel C - water piping located directly above panel - basement	\$3,600
13 Seal 3" conduit penetration at exterior entrance wall - numerous exposed conductors	\$600
14 Flush floor 120V outlets - remove wiring and fill with concrete	\$600
15 Provide cover to j-box AND relocate for working clearance - above FACP	\$360
Subtotal	\$34,662
GC Mark-Ups; General Conditions, Bonding & Insurance, OH&P	20%
Estimating Contingency	15%
TOTAL COST ESTIMATE FOR CASC	\$47,834

CASC

FACILITY ASSESSMENTS INVENTORY - CENTRAL AREA SENIOR CENTER (CASC)

25



PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

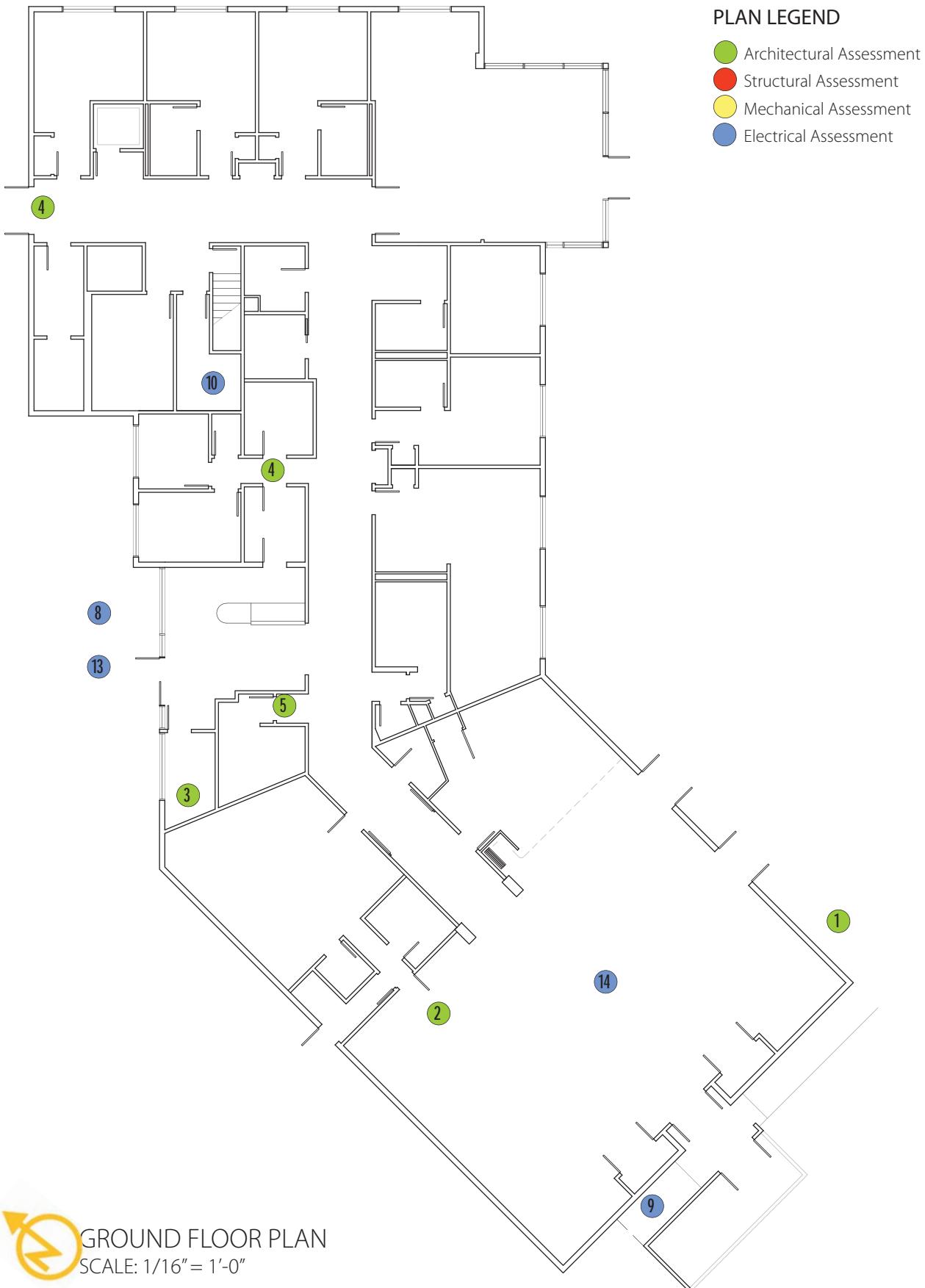


BASEMENT FLOOR PLAN
SCALE: 1/16" = 1'-0"

CASC

FACILITY ASSESSMENTS INVENTORY - CENTRAL AREA SENIOR CENTER (CASC)

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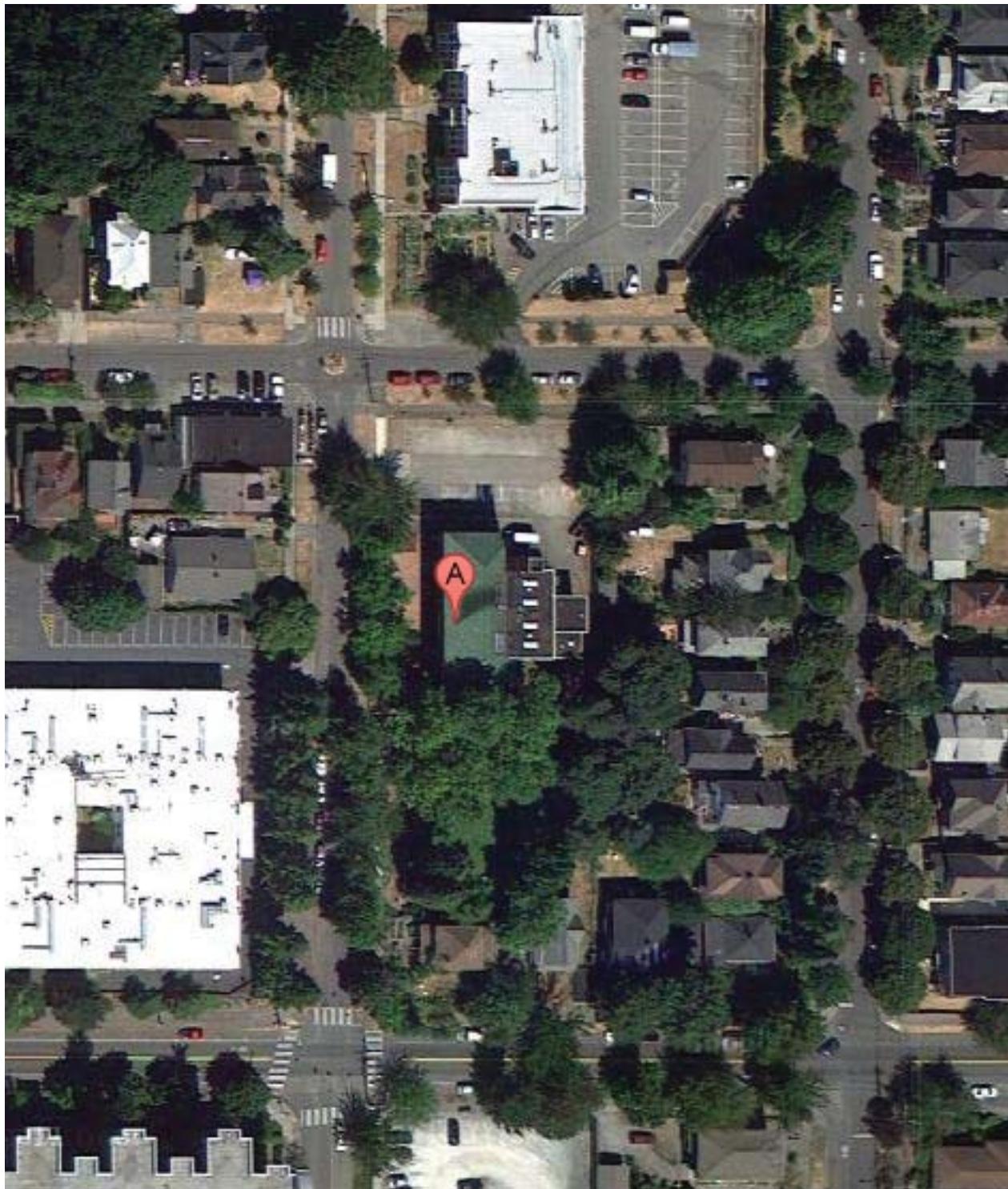
CASC



Central Area Motivation Program (CAMP)
722 18th Ave

CAMP

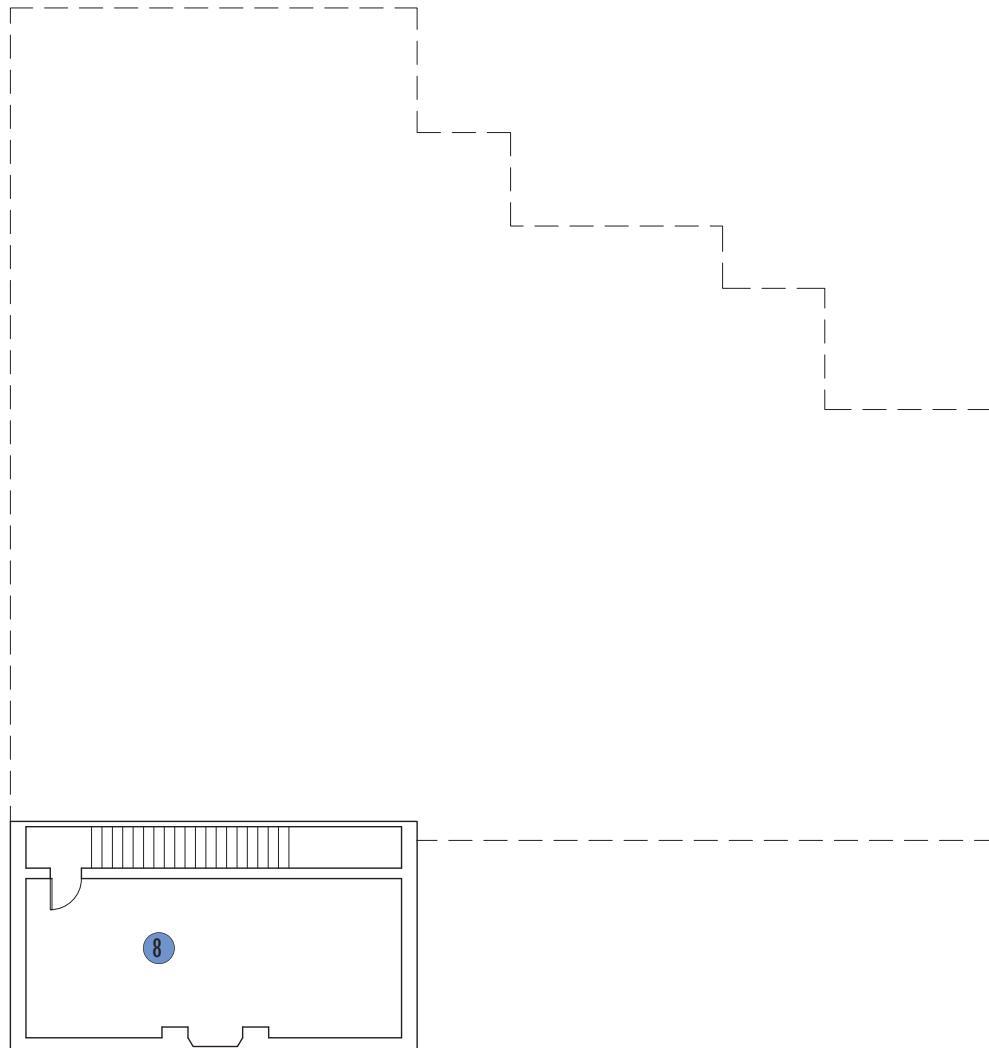
The Central Area Motivation Program operates out of this neighborhood center that addresses essential human services to meet the needs of Seattle's poor. The building (circa early 20th century) is a two story, partial basement structure (once an old firehouse) with approximately 17,000 SF. It is located at 722 18th Ave. The high-level facility assessment for this building was conducted as an escorted walking tour of the facility. The tour took place on February 2nd, 2012 with ARC and their consultants.



Central Area Motivation Program

Repair / Maintenance	Estimate
Architectural	
1 Cracked glazing at skylight	\$825
2 Step in door at threshold is tripping issue (noted but NO repair)	\$0
3 Door threshold non-compliant (too high, cut down)	\$350
Structural	
Not Assessed	
Mechanical	
4 Provide duct smoke detector in air handling unit for shutdown	\$1,500
Electrical	
5 Replace Zinsco 120/240 panelboards, 225A, 30P	\$43,200
6 Replace Zinsco main distribution panel, 800A, 120/240V	\$14,400
7 Provide smoke detectors in food bank distribution area and east 1st floor storage rooms	\$2,880
8 Relocate power panel and Siemens control panel in boiler room - water piping installed above	\$7,200
9 Replace 2 rusted and damaged steel conduits above Panel F	\$1,080
Subtotal	\$71,435
GC Mark-Ups; General Conditions, Bonding & Insurance, OH&P 20%	\$14,287
Estimating Contingency 15%	\$12,858
TOTAL COST ESTIMATE FOR CAMP	\$98,580

CAMP

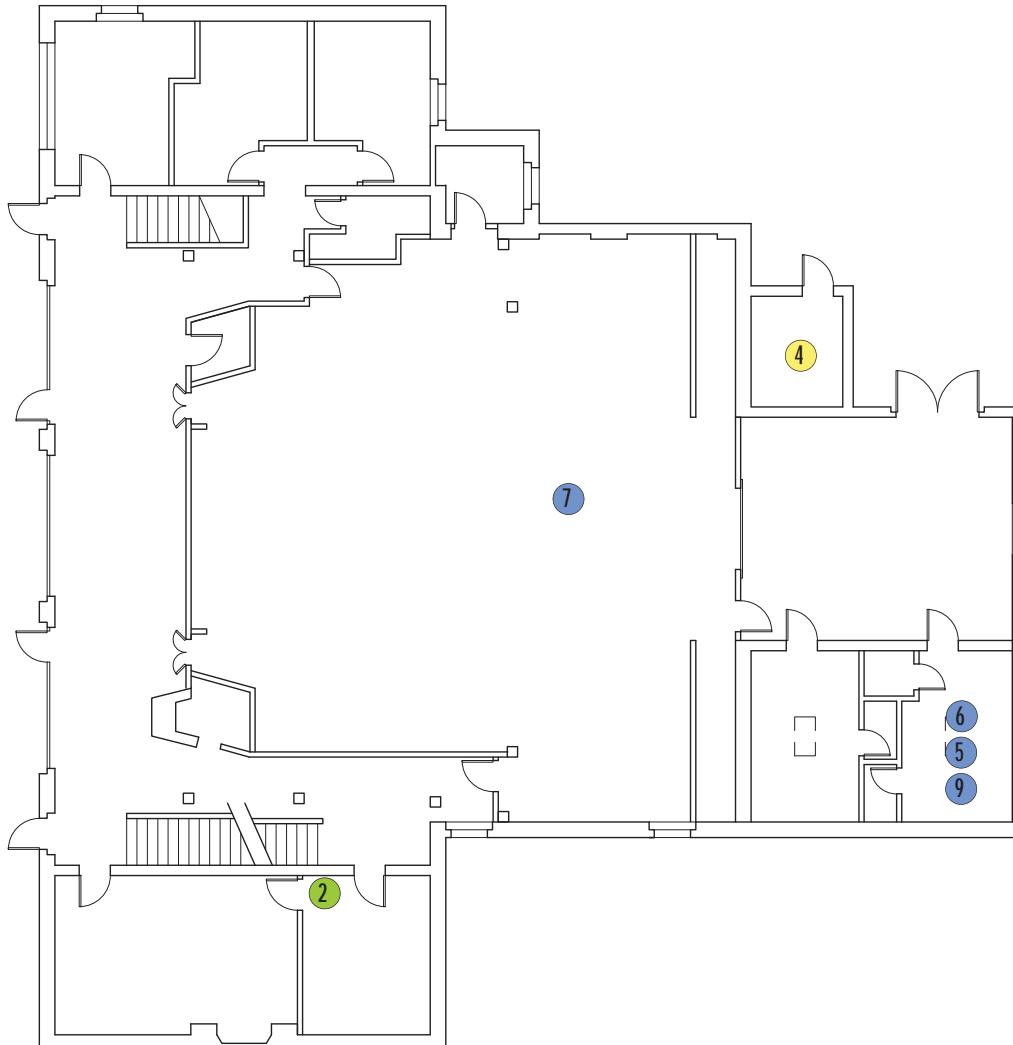


BASEMENT FLOOR PLAN
SCALE: 1/16" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

CAMP



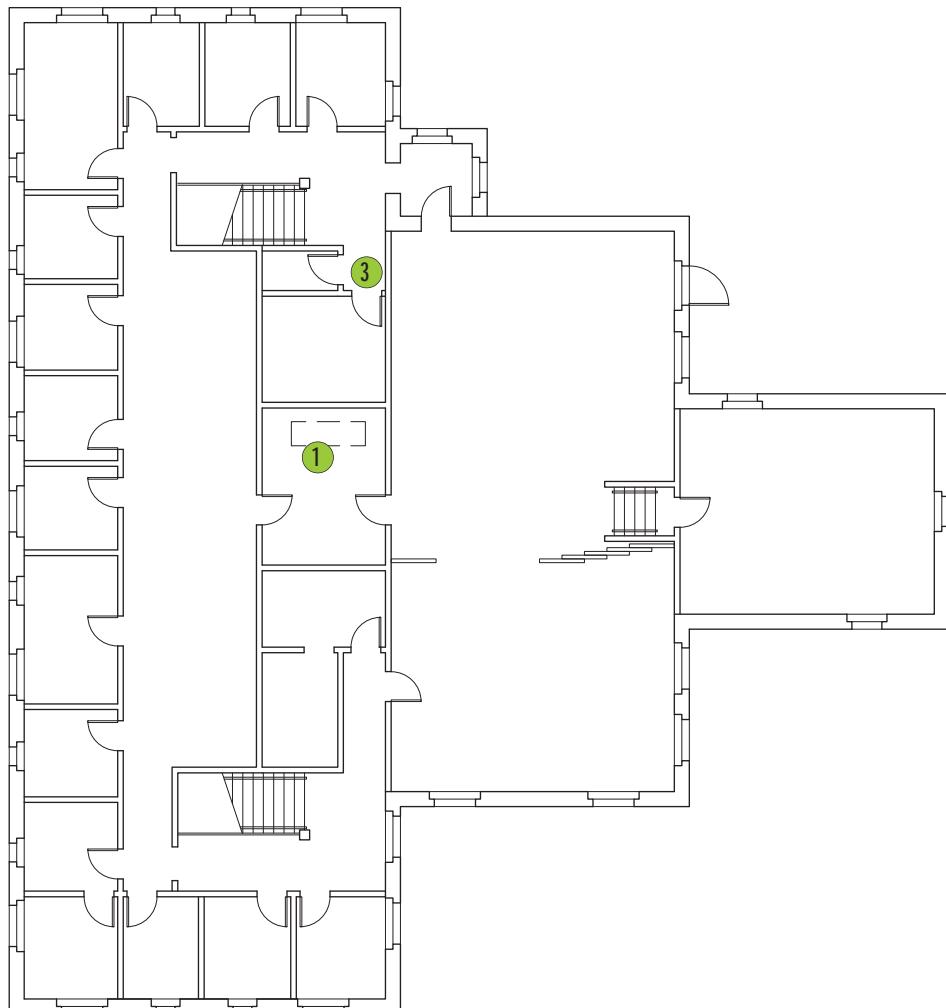
GROUND FLOOR PLAN

SCALE: 1/16" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

CAMP



SECOND FLOOR PLAN
SCALE: 1/16" = 1'-0"

PLAN LEGEND

- Architectural Assessment
- Structural Assessment
- Mechanical Assessment
- Electrical Assessment

CAMP

2012 Seattle City Council Statement of Legislative Intent

Approved

Tab	Action	Option	Version
58	1	A	2

Budget Action Title: Report from FAS on major maintenance of mutual and offsetting benefit lease properties.

Councilmembers: Burgess; Conlin; Godden

Staff Analyst: Ketil Freeman

Budget Committee Vote:

Date	Result	SB	BH	SC	TR	JG	NL	RC	TB	MO
11/10/2011	Pass 7-2-Absent	Y	Y	Y	Y	Y	-	-	Y	Y

Statement of Legislative Intent:

The Council requests that the Department of Finance and Administrative Services provide two reports to the Council related to major maintenance of the City's mutual and offsetting benefit (MOB) properties.

The first report, which shall be provided by March 31st, shall estimate the cost of repairs needed to building systems, including roofs, to maintain MOB properties in a tenantable condition and shall set out options for funding repairs including, but not limited to, an assessment of eligibility and availability of American Recovery and Reinvestment Act retrofit funds and uncommitted real estate excise tax revenue.

The second report, which shall be provided by June 30th, shall present a review of the present MOB situation, policies for MOB leases, and options for MOB facilities, including disposition of the property to current tenants or entities that would ensure that the buildings continue to be leased to organizations providing a public benefit. This report shall be developed with input from current tenants and shall be informed by a survey of current MOB tenants to assess their ability to pay the lesser of fair market rent or standard City rent for similar facilities.

Background:

MOB properties are buildings owned by the City and leased to tenants who provide some public service. Tenants pay fair market rent, which is divided into cash rent and service rent. Cash rent is paid in cash. Service rent is delivered in the form of services provided to the community. Examples of services provided as rent include reduced cost medical care, nutrition education, meals for the elderly, operation of foodbanks, social service referrals, and transitional housing for homeless teen mothers.

The proposed budget appropriates \$1.9 million from the insurance settlement for the 2010 Sunny Jim fire for major maintenance of six mutual and offsetting benefit buildings. Lessees of these properties include: 1) the Central Area Motivation Program, 2) the Central Area Senior Center, 3) the Northwest Senior Center, 4) the Southeast Health Clinic, 5) the South Park Community Service Center, and 6) the Teen Mother Center.

Major maintenance proposed by the Department of Finance and Administrative Services (FAS) would be limited to roof replacement for each building. However, in addition to roof replacement, systems in many of these buildings also need other major maintenance. FAS has not estimated the cost of those additional repairs. The estimated cost by facility for roof replacement only, prioritized in order of deteriorated condition, is set out in the table below.

Facility Name/ (Organization)	Estimate
SE Health Clinic	\$ 485,000
Central Area Senior Center (Senior Services)	\$ 455,000
South Park Community Service Center (SPARC)	\$ 275,000
Central Area Motivation Program (CAMP)	\$ 315,000
Teen Mother Center (Goodwill Missionary Baptist Church)	\$ 105,000
Northwest Senior Center in Ballard (Senior Services)	\$ 265,000
Subtotal:	\$ 1,900,000

Source: FAS

Leases for these buildings are governed by the *Rules Governing the City's Mutual and Offsetting Benefit (MOB) Properties* (MOB Lease Rules), which were most recently amended by the Council through Resolution 27712 in 1988. These rules state that the City "shall be responsible for all normal repairs to **roofs**, walls, and foundations" (Emphasis Added).¹ However, the MOB Lease Rules clearly contemplate that cash rent will cover some major maintenance.

Specifically, under the MOB Lease Rules, cash rent should be a portion of the fair market rental value determined by an appraisal performed every five years and should cover the amortized major maintenance costs over a 40 year life cycle.² Additionally, after the third year of an initial lease, the MOB Lease Rules require that cash rent covers 50% of administrative and major maintenance costs. The remainder of the administrative and major maintenance costs are to be made up through General Fund support.³ In 2010 the Council increased the General Fund support for major maintenance of MOB facilities from \$200,000 annually to \$350,000 annually. FAS estimates that with the increase and with rent from tenants, the ongoing annual needed City support for major maintenance is about \$129,000 more than is currently provided.

Central Staff reviewed the leases for the above facilities. The oldest lease, to the Central Area Senior Center, dates to 1974. The City entered into the most recent lease, to the Goodwill Development Association for the Teen Mother Center, in 2008. Many of these leases do not appear to be consistent with MOB Lease Rules. For example, cash rents payable under the older leases do not

¹ *Rules Governing the City's Mutual and Offsetting Benefit (MOB) Properties*. Section V.H.

² Ibid at Section IX.A and IX.B.1.

³ Id. at Section IX.8.

appear to be based on recent appraisals of fair market rent and in one newer lease the City has elected to charge only service rent.

These discrepancies reflect decisions made by previous administrations and Councils that the value of services provided by the current tenants are sufficient to cover fair market rent. However, those decisions may have compounded the challenge of adequately maintaining these City-owned buildings.

Responsible Council Committee(s): Finance and Budget

Date Due to Council: March 31 (First Report)
June 30 (Second Report)