

## Tacoma Rhodes Question & Answer Forum

June 16, 2020, 3:00 p.m.

### **Introduction of participants:**

**Enterprise Services:** Jim Hickman, RFP Coordinator, Stefanie Fuller, Acquisition and Disposal Manager, and Kathleen Hoff, Administrative Assistant.

**Prospective Buyers and/or representatives:** Mark Lahaie, MJR Development, Amy Hartman, Ethos Commercial Advisors, Harrison Laird and John Bauder, CBRE, Jeff Mincheff, prospective buyer, and Josh Bean, broker, Joe Capra, Boyd Waterson, Aaron Moore and Chris Pulling, Time Equities.

Jim clarified that the Tacoma Rhodes Complex is ***not*** surplus real property. Enterprise Services, by proviso, has been approved to sell the property by Legislature.

Jim went through expectations and format of the forum.

### **Question and Answer Session:**

**Question:** Are the leases still being renegotiated, and what is the status of the leases?

**Answer:** All of the state tenant leases have been extended for five years with the exception of the Court of Appeals (COA). We have been told that Court of Appeals will be moving out by January 1, 2021. The Private Sector Tenants (Enterprise, EAN Holdings and Sundance Café) have leases that will survive beyond the sale. They have both expressed interest in staying. The other governmental agencies (GSA and FDA) have also expressed interest in staying

**Question:** Do you know if the Court of Appeals would stay if a private sector owner would offer them a reasonable lease rate?

**Answer:** No, we have been told by Court Of Appeals that they have a signed lease at a different location and will not be staying. The Office of Financial Management (OFM) had already approved the Court of Appeals request to move prior to the building being offered for sale.

**Question:** Regarding Pierce County's lease, it is subject to "Appropriations clause" which is a requirement. They are extending for five years, contingent upon that provision.

**Answer:** They have renewed their lease for another 5 years with the "Appropriation clause" language included.

**Question:** The question of property tax came up. Would the new owner be subject to Property Tax?

**Answer:** – Yes, the new owner will need to pay property tax. No property tax abatement will apply to a new owner of a non-State owned facility, as we understand it. The State of Washington is not required to pay property taxes when they own the property.

**Question:** Have there been any recent facility assessments conducted, including but not limited to mechanical, electrical or structural?

**Answer:** We will post whatever reports or assessment available on the DES outward Facing website for Tacoma Rhodes Sale.

**Questions asked by proposers outside of the Question and Answer forum.**

**Question:** Please specify which suites are office, retail, and amenity space.

**Answer:** Broadway floor 1 -Suites 100, 104, 106 & 118 are believed to be retail or office space use. Market St. Floors 1 & 2, are currently utilized for mostly storage space & a wellness room. Other uses may be allowed. The remaining floors may best be suited as office space use.

**Question:** Please confirm all leases are Full Service Gross.

**Answer:** – Yes, all lease are Full Service Gross.

**Question:** Please confirm which leases have escalations and amount.

**Answer:** Enterprise Rent-A-Car in Parking Garage – 2% per year, all others are flat rates for the term of the lease.

**Question:** Please confirm lease rate for 950 Broadway, Suite Mezzanine (Census Bureau).

**Answer:** \$22.50 per square foot per year (psfpy) Shell Rent, plus \$7.26 psfpy for Operating Costs, plus \$2,400.00 per year for 2 parking spaces.

**Question:** Please confirm which, if any, tenants are month-to-month.

**Answer:** Parking Tenants are the only tenancy with month-to-month lease agreements.

**Question:** 950 Broadway: 3,031 square feet (sf) is marked “unusable” on rent roll, but included in Rentable Square Feet (RSF) – please clarify. –

**Answer:** General Services Administration (GSA) pays rent for 6,600 sf maximum on the Broadway Mezzanine level; however, the mezzanine is physically larger. Rather than GSA creating walls to section off the 6,600 sf that they agreed to lease and leave the Mezzanine in a state in which DES would have to remove the demised walls upon their vacancy, it was decided to allow GSA to utilize the useable area of the entire Mezzanine level. There is a rear hallway on the west end that GSA does not have access to that is considered unusable space, it is about 900 sf.

**Question:** Are there any environmental reports available for the property?

**Answer:** DES Buildings & Grounds is unaware of any environmental reports.

**Question:** Please confirm how many stalls are on each floor of the garage.

**Answer:** We are awaiting sketches of the parking garage floor by floor. We will post them on the outward DES Tacoma Rhodes Sale website once they have been provided.

**Question:** Please confirm how many parking stalls are restricted (i.e., ADA, EV).

**Answer:** See attached floor plans. 2 EV chargers owned by LNI are located on the 2<sup>nd</sup> floor of the parking garage and there are 6 reserved EV parking stalls with signs. We are awaiting garage sketches that will locate assigned parking spots and we will post to the DES Tacoma Rhodes Sale website once we receive them.

- Some leases have requirements for reserved parking and some do not, but currently have reserved parking signs posted:
  - Reserved Signs in Lease:
    - Enterprise Rent A Car – 15 spaces on first floor and 25 on 4<sup>th</sup> floor
    - GSA – FDA may have a total of 13 spaces, but currently only has 9 reserved spaces on the 3<sup>rd</sup> floor
    - GSA – Census has 2 spaces on the 3<sup>rd</sup> floor
  - Reserved Signs posted, but not noted in the Lease:
    - Dept. of Labor & Industries – 10 spaces on 2<sup>nd</sup> floor (including one at EV chargers)
    - State Auditor’s Office – 3 spaces on 3<sup>rd</sup> floor
    - Court of Appeals – 25 spaces on 3<sup>rd</sup> floor
    - Sundance Deli – 1 space on 3<sup>rd</sup> floor
    - Department of Natural Resources – 2 spaces on the 2<sup>nd</sup> floor
    - Department of Services for the Blind – 1 space on 3<sup>rd</sup> floor
    - Department of Assigned Council – 12 spaces on 2<sup>nd</sup> and 3<sup>rd</sup> floors

**Question:** Please confirm whether janitorial is part of “other contract services.”

**Answer:** Awaiting this information from DES Financing, the information will be posted on the DES Tacoma Rhodes Sale website.

**Question:** \$355,655 per year property taxes currently abated; since the building is mostly leased to government tenants will part of this be abated going forward?

**Answer:** It is Building and Grounds understanding that no property tax abatement will apply to a new owner of a non-State owned facility. The State of Washington is not required to pay property taxes. However, non-Government Tenants must pay 12.84% of their rent amount for Leasehold Excise Tax to DES who then passes this payment through to the County as referenced in RCW 82.29A.020 (2)(a). Buyers are advised to conduct their own discovery/investigation regarding this issue.

**Question:** Are there any projects in the “Tacoma Rhodes Current Projects” file dated 2-26-20, which will **not** be completed by the Seller?

**Answer:** No.

**Question:** Is the Buyer expected to contribute funding to any of the projects in the “Tacoma Rhodes Current Projects” file dated 2-26-20?

**Answer:** No.

**Question:** What companies are vendors for the current projects?

**Answer:**

- **Elevator Modernization Project** – Ziegler to complete a majority of the elevator modernization on elevators G1, G2 and the Market St. Freight Elevator #7 subcontract Ziegler Construction – Contractor and ThyssenKrupp. ThyssenKrupp is also the maintenance provider and for these three (3) modernized elevators for one year after their return to service. Elevator modernizations are scheduled to be completed no later than August 15, 2020. Additionally, ThyssenKrupp has been contracted to provide elevator maintenance on the other 5 elevators at Tacoma Rhodes center beginning July 1, 2020.
- **Broadway roof recover** – Saybr Contractors, Inc. – Roof is almost complete. Punch list items to be completed by end of July 2020.