

August 1, 2016

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution authorizing execution of a Lease Agreement between Kimschott Factoria Mall, LLC and the City for the Bellevue Police Community Substation at Factoria Mall.

FISCAL IMPACT

In 2015, the City paid \$10,778 to occupy the Police Substation at Factoria Mall. These costs are not actual rent. Instead, the current month-to-month lease specifies that the City will pay utilities directly and reimburse the landlord for a proportionate share of common area maintenance (CAM) and operating costs.

The Lessor has proposed to change the language in the lease to eliminate the CAM sharing provision, and instead provide for a fixed rent of \$12.00/square foot (for 1,224 square feet) escalating by 3% per year, as follows.

Lease Year			Contract Rent/mth	Contract Rent/Year
4/1/2016	to	3/31/2017	\$1,224.00	\$14,688.00
4/1/2017	to	3/31/2018	\$1,260.72	\$15,128.64
4/1/2018	to	3/31/2019	\$1,298.54	\$15,582.48
4/1/2019	to	3/31/2020	\$1,337.50	\$16,050.00
4/1/2020	to	3/31/2021	\$1,377.62	\$16,531.44
Five Year Total				\$77,980.56

The 2016 increase in rent (\$3,584) is not budgeted in the Police General Fund budget, but will be funded by a reduction in other discretionary spending. The rent increase will be included in the Police Budget One proposal for 2017-2018.

STAFF CONTACTS

Steve Mylett, Chief of Police, 452-4334
Patrick Arpin, Acting Deputy Chief, 452-4333
Carl Krikorian, Fiscal Manager, 452-6961

Police Department

Mike Murray, Sr. Real Property Agent, 452-6024
Civic Services Department

POLICY CONSIDERATION

City Code:

Under Bellevue City Code 4.30.020, City Council must approve execution of real property leases that exceed two years in duration.

BACKGROUND

The goal of neighborhood police substations is to decentralize police operations into neighborhoods where officers can be more accessible to the surrounding communities. The visible presence of these

small police facilities creates an atmosphere of neighborhood ownership. To address this goal, the City has occupied a substation in Factoria Mall since 1997.

The Police Department currently has a month-to-month lease in Factoria Mall for 1,224 square feet of space for their community substation. The Lessor (Kimschott Factoria Mall, LLC) has asked for a five-year lease extension from April 1, 2016 through January 31, 2021, along with restructuring how the City's costs are calculated. A survey of market rents indicates that the proposed new rent is reasonable from a market perspective.

	Cost per square foot
Current City Expenses	\$8.80
New Proposed Rent	\$12
Gross Rents in Factoria Mall (including CAM charges)	\$33.50 – 49.50

The Lessor also wants the option to relocate Lessee into equivalent space, with 60-day notice and at Lessor's sole cost, within two potential relocation zones in the Mall (as depicted on the attached site plan).

After a review of the proposed Lease Agreement, a survey of market rents, and an investigation of alternative sites within the designated relocation zones, staff believes that Kimschott Factoria Mall is offering a fair arrangement which covers the Lessor's costs of maintaining and operating the police substation while recognizing the value of having the Police operation on-site.

EFFECTIVE DATE

If approved, this Resolution will become effective immediately upon Council adoption.

OPTIONS

1. Adopt the Resolution authorizing execution of the Lease Agreement between Kimschott Factoria Mall, LLC and the City of Bellevue for the Bellevue Police community substation at Factoria Mall.
2. Do not adopt the Resolution and provide alternative direction to staff.

RECOMMENDATION

Option 1.

MOTION

Move to adopt Resolution No. 9127, authorizing execution of a Lease Agreement between Kimschott Factoria Mall, LLC and the City for the Bellevue Police Community Substation at Factoria Mall.

ATTACHMENTS

Site Plan with Permissible Relocation Zones
Proposed Resolution No. 9127

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

Proposed Lease Agreement