

July 16, 2018

## **CITY COUNCIL AGENDA MEMORANDUM**

### **SUBJECT**

Resolution authorizing authorizing execution of a three-year contract with an option to renew for two additional years with Azose Commercial Properties for the management and leasing of the City's Lincoln Center property, for a total contract amount not to exceed \$1,500,000, plus all applicable taxes.

### **FISCAL IMPACT**

Approval of this action obligates the City to a three-year contract with an option to renew for two additional years with Azose Commercial Properties for a total contract amount not to exceed \$1,500,000, plus all applicable taxes.

The contract value is based on the property management company's service fee of \$2,500 per month or 4 percent of the gross annual rental revenue collected, leasing commissions on new leases and renewals (or approximately \$35,000 per year), and all operating expenses required to operate the Lincoln Center property. The majority of the total contract value will consist of the direct property operating costs such as maintenance, repairs, utilities and tenant services.

All costs incurred under this contract are fully funded by lease revenue generated by this property and reserves within the Land Purchasing Revolving Fund. Costs for these services were anticipated and included in the 2017-2018 Budget. Future costs will be requested in the 2019-2020 Budget and will be subject to final budget appropriation.

### **STAFF CONTACTS**

Laurie Leland, Interim Director, 452-4366  
Ira McDaniel, Real Property Manager, 452-4182  
Natasha Platin, Real Property Agent, 452-7837  
*Civic Services Department*

### **POLICY CONSIDERATION**

City Purchasing Policy:

City purchasing guidelines specify that all service contracts exceeding \$50,000 must be approved by Council.

Council Policy:

Resolution No. 7825 authorizes the City Manager or his designee to approve all leases associated with this property.

### **BACKGROUND**

The City purchased the Lincoln Center property, located at 515 116<sup>th</sup> Avenue NE and 555 116<sup>th</sup> Avenue NE, Bellevue, in August 2008 to satisfy several potential future needs, including the NE 6<sup>th</sup> Street extension project. The property consisted of two 2-story office buildings totaling approximately 70,000 square feet on an estimated 4.32-acre site. In 2016, Sound Transit demolished the 555 116<sup>th</sup> Avenue NE

building as part of East Link construction, leaving the 515 building which is approximately 41,733 square feet in size.

The City typically contracts with outside property management firms to manage rented properties. Services typically include collecting rent, responding to tenant requests and after-hours emergencies, coordinating maintenance and repairs, and ensuring compliance with property rules, regulations and lease agreements. With regard to commercial properties such as Lincoln Center, such outside services also involve marketing and leasing the property and maintaining lease records and accounts.

City staff selected Azose Commercial Properties to serve this role at the conclusion of a Request for Proposal process that was completed on May 17. City staff identified Azose Commercial Properties as qualified to effectively deliver the scoped services based on the firm's experience, pricing, ability to manage the property efficiently, knowledge of the local commercial real estate market, and their proposed management approach of continuing to maximize the assets revenue pending construction of other projects.

The proposed contract includes the following scope of work:

1. Property Management: Manage communication with tenants, including responding to tenant concerns; coordinate repairs; manage all operations and maintenance functions; maintain lease files; collect rents, late fees and other property-related income; inform City of issues, including delinquencies, debt collection and promptly recommend solutions.
2. Marketing and Leasing: Market vacant space for the purpose of bringing in new tenants; negotiate new leases and lease renewals to optimize income of the property; develop and implement leasing strategy focusing both on tenant retention and on securing new tenants.
3. Accounting and Reporting: Establish accounts payable processes acceptable to the City; handle all vendor contracts, invoicing, and payment disbursements; develop budgets; provide property management reports in format acceptable to City.

#### **EFFECTIVE DATE**

If approved, this Resolution becomes effective immediately upon Council adoption.

#### **OPTIONS**

1. Adopt the Resolution authorizing execution of a three-year contract with an option to renew for two additional years with Azose Commercial Properties for the management and leasing of the City's Lincoln Center property, for a total contract amount not to exceed \$1,500,000, plus all applicable taxes.
2. Do not adopt the Resolution and provide alternative direction to staff.

#### **RECOMMENDATION**

Option 1

#### **MOTION**

Move to adopt Resolution No. 9438 authorizing execution of a three-year contract with an option to renew for two additional years with Azose Commercial Properties for the management and leasing of the City's Lincoln Center property, for a total contract amount not to exceed \$1,500,000, plus all applicable taxes.

**ATTACHMENTS**

A. Vicinity Map

Proposed Resolution No. 9438

**AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

Property Management Contract