

## CITY COUNCIL AGENDA MEMORANDUM

### **SUBJECT**

Resolution No. 8694 authorizing execution of an eleven-year lease agreement with Talon Portfolio Services, LLC, including 3 five-year options to renew, in an amount not to exceed \$6,744,923 plus any applicable common area maintenance costs and taxes, to house the relocated Bellevue District Court facility and Probation Services.

### **FISCAL IMPACT**

Approval of this lease agreement obligates the City to pay \$6,744,923 over a period of 11 years for facility space needed to run court operations. Included in this lease agreement are three options to renew for an additional 5 years each. The funds associated with the 2014 rent and operating expenses were included in the 2013-2014 Mid-Biennium Budget Update. Funding for future years' rent and operating expenditures will be requested during the 2015-2016 budget process.

Additionally, tenant improvement and other capital costs are funded by CIP Plan No. G-84, Relocation of Courts from Surrey Downs to Alternate Site. This project was originally adopted as part of the 2013-2014 Budget with a total project budget of \$4.45 million. The City's share of tenant improvements and other capital costs will not be known until further design and construction bids are completed. Staff anticipates at this time and continues to work with design staff to ensure the City's costs are within the project budget.

As the project progresses, staff will regularly update Council at crucial milestones with budget updates. Any final change in budget will be added or removed in 2015-2016 CIP recosting which will be done with the 2015-2021 CIP Budget discussions.

### **STAFF CONTACT**

Nora Johnson, Director, 452-4167  
Susan Harper, Sr. Project Manager, 452-6458  
Max Jacobs, Real Property Manager, 452-4182  
*Civic Services Department*

Jerome Roaché, Assistant City Attorney, 452-4085  
*City Attorney's Office*

### **POLICY CONSIDERATION**

#### **Bellevue City Code:**

- Under Bellevue City Code 4.30.020, City Council must approve execution of real property leases that exceed one year in duration or \$50,000 per year in cost.

#### **City Practice:**

- Where the City leases real property, under City practice and the City's Real Property Policies, the City pays not more than fair market value. To that end, the City retained commercial real estate

analysts and brokers to develop the best siting options and to represent the City's best interests in negotiating a market lease.

## **BACKGROUND**

King County provides District Court services through an interlocal agreement with the City. Pursuant to an agreement with the County, the City provides Probation Services and a facility to house court services. The Bellevue District Court is currently located within a building on City-owned property at Surrey Downs. For several years the City has planned to relocate the District Court and Probation program from the Surrey Downs property to another facility, the costs for which were included in the City's 2013-2019 Capital Investment Program (CIP Plan No. G-84, Relocation of Courts from Surrey Downs to Alternate Site) for the purpose of creating a permanent, cost-effective solution for these important public services. As anticipated in the budget plan, this relocation also would help facilitate construction of the East Link project. Under the East Link design, the Surrey Downs facility must be vacated before construction of the rail guideway begins in the second quarter of 2015 because access to the existing court must be closed in connection with Sound Transit's construction work along 112<sup>th</sup> Avenue SE.

With the assistance of outside real estate consultants, the City conducted an exhaustive search of potential relocation sites. The analysis considered several types of solutions, including developing new City-owned buildings, buying existing buildings, and leasing existing office space. Timing and cost considerations ultimately pointed to a lease as the best option. Through commercial real estate brokers the City focused its search on available lease property.

At the end of that process the City identified a property that met all the key site search criteria: the Bellefield Building within the Bellefield Office Park. This building is located in Bellevue, provides the required size and a floor plate that can be modified to accommodate a court and probation facility, offers sufficient parking to meet operational needs, and is located on transit routes and close to the existing court building and City Hall. After extensive evaluation and due diligence, the property proved to be an acceptable choice. Through its brokers the City negotiated the lease being presented to Council for consideration.

After lease execution the required court build-out will be designed. The costs are not yet known, but under the lease the landlord will pay for a significant portion of the work. The City's early cost estimating analysis has been guided by the existing CIP project budget, although that was based on relocating the court to a different building with significantly different tenant improvement requirements. Staff is working with architectural and engineering consultants and the landlord's construction team to keep the capital expenses within the CIP project budget. As the schedule progresses, staff will have better understanding as to the true cost of the project and will update Council at crucial milestones.

## **EFFECTIVE DATE**

If adopted by Council, this resolution will become effective immediately.

## **OPTIONS**

1. Approve Resolution No. 0694 authorizing execution of an eleven-year lease agreement with Talon Portfolio Services, LLC, including 3 five-year options to renew, in an amount not to exceed \$6,744,923 plus any applicable common area maintenance costs and taxes, to house the relocated Bellevue District Court facility and Probation Services.

2. Reject Resolution No. 8694 and provide alternative direction to staff.

**RECOMMENDATION**

Approve Resolution No. 8694 authorizing execution of an eleven-year lease agreement with Talon Portfolio Services, LLC, including 3 five-year options to renew, in an amount not to exceed \$6,744,923 plus any applicable common area maintenance costs and taxes, to house the relocated Bellevue District Court facility and Probation Services.

**MOTION**

Move to approve Resolution No. 8694 authorizing execution of an eleven-year lease agreement with Talon Portfolio Services, LLC, including 3 five-year options to renew, in an amount not to exceed \$6,744,923 plus any applicable common area maintenance costs and taxes, to house the relocated Bellevue District Court facility and Probation Services.

**ATTACHMENTS**

Vicinity/Project Map

CIP Description

Proposed Resolution No. 8694

**AVAILABLE IN COUNCIL OFFICE**

Lease Agreement with Talon Portfolio Services, LLC, in substantial form.

FY 2011 - FY 2017 Capital Investment Program

**G-84 Relocation of Courts from Surrey Downs to Alternate Site**

Category: General Government  
 Department: N/A

Status: New  
 Location:

Programmed Funding								
Programmed Funding	Appropriated To Date	FY 2011 Budget	FY 2012 Budget	FY 2013 Budget	FY 2014 Budget	FY 2015 Budget	FY 2016 Budget	FY 2017 Budget
4,455,000	-	1,310,000	3,070,000	75,000	-	-	-	-

Description and Scope

This project provides the funding necessary to design and renovate an existing facility for the Courts and Bellevue Probation and complete minor renovations to other facilities necessary for implementation.

Rationale

This project will offer a permanent cost-effective solution for a long-standing problem for the Bellevue District Court as required in the court interlocal agreement between Bellevue and King County. Surrey Downs, the current location for Courts and Probation, was built in the '60's and now requires approximately \$2.1 million to be spent over the next 2-5 years to address code and life-safety issues so these functions can continue to operate safely thus avoiding significant risk and liability to both employees and citizens. Relocating Courts from Surrey Downs will result in a cost avoidance or significant reduction of this, and will allow the Surrey Downs Park Redevelopment plan to proceed consistent with policy interests. Additionally, funding this project will likely have a positive impact on future planning for the Sound Transit routing.

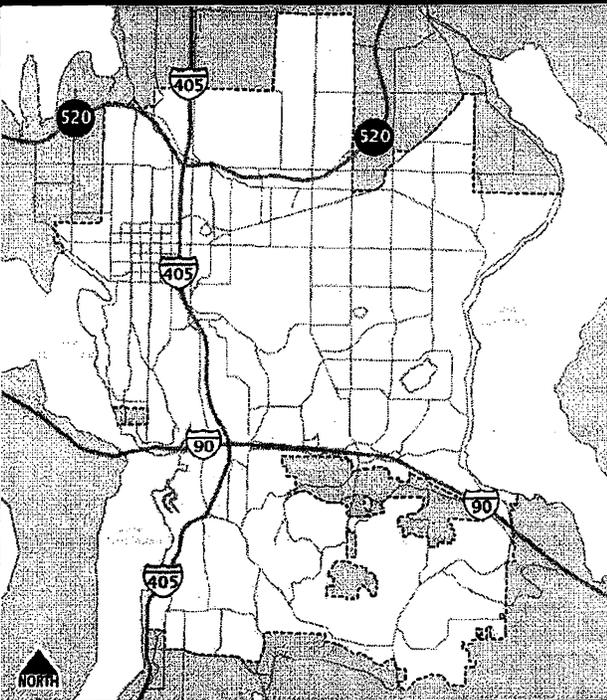
Additionally, this proposal, as opposed to a potential relocation to a building not owned by the City, offers greater flexibility to the City in controlling its court facility costs for the long-term. Although the savings in construction costs cannot be specifically quantified, based on the 2008-2010 bid climate it is estimated that this project could cost 20-50% more in future years as the economy and the construction industry in particular recover. The primary partnership is with King County; however the contemplated location offers opportunity for potential partnering with other Eastside cities in the long term.

Environmental Impacts

Unaware of any environmental impacts of this project.

Operating Budget Impacts

Project Map



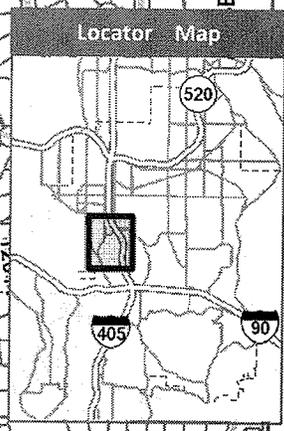
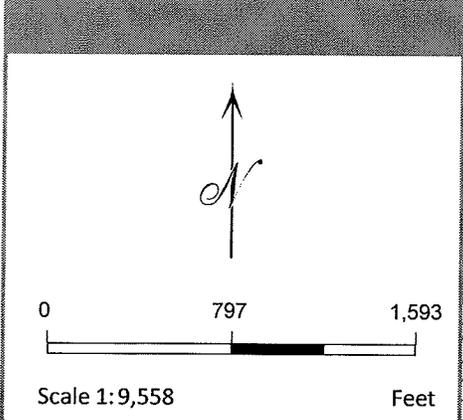
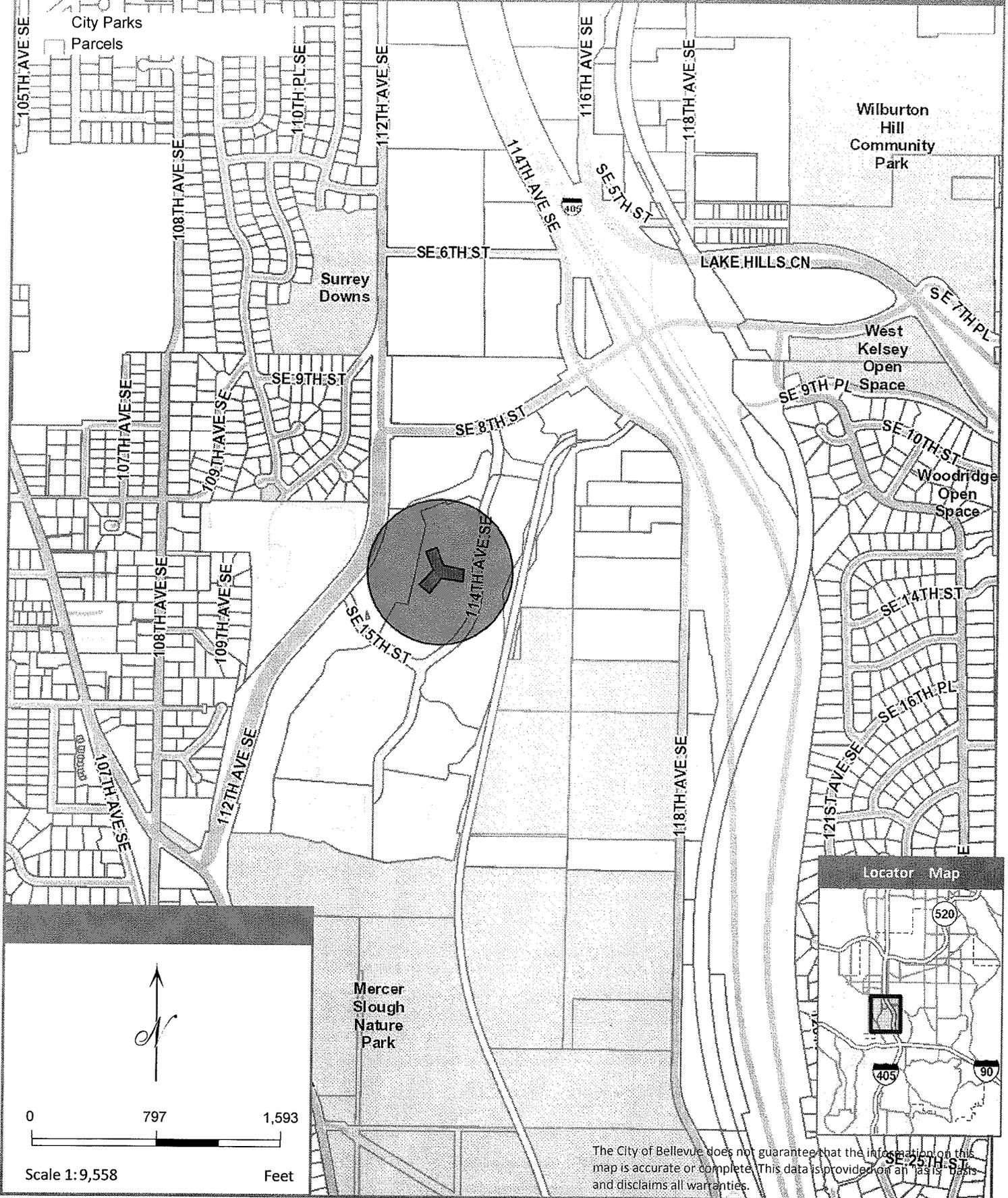
Schedule of Activities

Project Activities	From - To	Amount
Project Costs	2011 - 2013	4,455,000
<b>Total Budgetary Cost Estimate:</b>		<b>4,455,000</b>

Means of Financing

Funding Source	Amount	
General Taxes	4,455,000	
<b>Total Programmed Funding:</b>		<b>4,455,000</b>
<b>Future Funding Requirements:</b>	<b>0</b>	

# Bellefield Building



The City of Bellevue does not guarantee that the information on this map is accurate or complete. This data is provided on an "as is" basis and disclaims all warranties.

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8694

A RESOLUTION authorizing execution of an eleven-year lease agreement with Talon Portfolio Services, LLC, including 3 five year options to renew, in an amount not to exceed \$6,744,923 plus any applicable common area maintenance costs and taxes, to house the relocated Bellevue District Court facility and Probation Services.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized to execute an eleven-year lease agreement with Talon Portfolio Services, LLC, including 3 five year options to renew, in an amount not to exceed \$6,744,923 plus any applicable common area maintenance costs and taxes, to house the relocated Bellevue District Court facility and Probation Services, a copy of which lease agreement in substantial form has been given Clerk's Receiving No. \_\_\_\_\_.

Passed by the City Council this \_\_\_\_\_ day of \_\_\_\_\_, 2014, and signed in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

(SEAL)

\_\_\_\_\_  
Claudia Balducci, Mayor

Attest:

\_\_\_\_\_  
Myrna L. Basich, City Clerk