

## CITY COUNCIL AGENDA MEMORANDUM

### **SUBJECT:**

Resolution No. 8754 authorizing the execution of an agreement for a long-term lease with Michaels Deli at City Hall, LLC to operate a food and beverage service deli at Bellevue City Hall.

### **FISCAL IMPACT:**

Approving this Resolution will result in the Facility Fund receiving up to \$4,800 per year for a two-year lease, with an option to renew for an additional two years. These lease payments will offset the utility and other operating costs of City Hall.

The Base Rent shall be increased annually by using the percentage equal to the annual percentage increase in the Consumer Price Index (CPI) for All Urban Consumers in the Seattle-Everett Area for the nearest period preceding the anniversary date. Should the annual percentage rate of CIP be negative, the rent will remain at its then current level.

The lease rate for this vendor is within the range of the current market for space in the Central Business District (CBD) that would be comparable to the space the vendor would operate from within City Hall. Further, these rates exceed those needed to operate this portion of the building. Excess revenue will be placed into the Facility Fund reserves to pay for future projects or reduce rent to departments operating within the building. The State paid no rent during their operations, which is typical for that type of State supported program.

### **STAFF CONTACT:**

Nora Johnson, Director 452-4167  
Frank Pinney, Assistant Director 452-6049  
*Civic Services Department*

### **POLICY CONSIDERATION**

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

BCC Section 4.30.020 requires City Council approval for leases of more than one year in duration. City property is leased at no less than fair market value.

### **BACKGROUND**

After the State of Washington withdrew their first right of refusal of food service operations at Bellevue City Hall, the City held a Request for Proposals (RFP) process which resulted in negotiation of a long-term lease with Paramount Food Services (the only respondent to the RFP for deli service). Paramount operated the deli from August 1, 2011, to April 1, 2013, at which time the lease was terminated by mutual agreement. The City then developed a short-term operating agreement with Michael Deutschman (a staff member recently terminated by Paramount Food Service) in order to continue food service at City Hall until a longer-term solution could be reached.

Michael Deutschman's success operating the deli at City Hall during this interim period led to the development of a trial-term lease with him to continue Deli operations from September 1, 2013, to August 30, 2014. The Deli has experienced continued success and expanded services during the trial-term lease period.

Staff are recommending the City enter into a long-term lease agreement with Michael's Deli at City Hall, LLC, based on the success of the interim agreement; the limited interest from the RFP to operate a deli within City Hall; and the significantly improved Deli customer satisfaction results from the recent All-Staff Survey (47% customer satisfaction rating in 2010 to 89% customer satisfaction rating in 2013).

**EFFECTIVE DATE**

If adopted, this Resolution will become effective immediately.

**OPTIONS**

1. Adopt Resolution No. 8756 authorizing the execution of an agreement for a long-term lease with Michaels Deli at City Hall, LLC, for the lease of space to operate a food and beverage service deli at Bellevue City Hall.
2. Do not adopt the Resolution and provide alternative direction to staff.

**RECOMMENDATION**

Adopt Resolution No. 8756 authorizing the execution of an agreement for a long-term lease with Michaels Deli at City Hall, LLC, for the lease of space to operate a food and beverage service deli at Bellevue City Hall.

**MOTION**

Move to Adopt Resolution No. 8756 authorizing the execution of an agreement for a long-term lease with Michaels Deli at City Hall, LLC, for the lease of space to operate a food and beverage service deli at Bellevue City Hall.

**AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

Lease agreement and operations agreement

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8756

A RESOLUTION authorizing execution of a two-year lease agreement, with an option to renew for an additional two-year period, with Michael's Deli at City Hall, LLC for the lease of space at Bellevue City Hall, to operate a food and beverage service deli.

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 a two-year lease agreement, with an option to renew for an additional two year period, with Michael's Deli at City Hall, LLC, for the lease of space at Bellevue City Hall, to operate a food and beverage service deli located at 450 110<sup>th</sup> Ave NE, a copy of which Lease Agreement 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:

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Myrna L. Basich, City Clerk