



City Council Agenda Bill

19985

Subject: Commercial Street Theatre Lease

Summary Statement: On June 19, 2013, the City of Bellingham entered into a public-benefit lease with Kuntz Community Dance, a Washington non-profit corporation doing business as Commercial Street Theatre (the "Lease") for use of 3,847 square feet in the City's Parkade building along Commercial Street (City Contract No. 2013-0281). Kuntz Community Dance is now seeking to extend the funding and construction deadlines in the Lease for an additional six (6) months in order to raise funds to establish a 216-seat performing arts venue and multi-use space.

Previous Council Action: Approval of lease given by Council on May 20, 2013.

Fiscal Impact: Lease requires tenant to pay rent of \$500 per month, which is approximately 20% of market rent of \$2,565.00 per month, in recognition of the public benefits associated with its proposed use of the space. The requested six-month extension would preclude the City from pursuing another tenant and potential revenue.

Funding Source: Parking Fund

Attachments: Staff Memorandum, Major Lease Points dated May 1, 2013

Meeting Activity	Meeting Date	Staff Recommendation	Presented By	Time
Committee Briefing Council Direction Requested	12-Aug-2013	Provide Direction to Staff	Ted Carlson, Public Works Director	5 min

Council Committee:
Public Works / Public Safety
Stan Snapp, Chair
Terry Bornemann; Gene Knutson

Agenda Bill Contact:
Patty Fernandez 778-7980

Committee Actions:

Reviewed By	Initials	Date
Ted Carlson, PW Director	<i>TAC</i>	8/5/13
Legal	<i>PMR</i>	9/6/13
Mayor	<i>KL/EA</i>	8/16/13

Council Action:

MEMORANDUM
Department of Public Works
Administration & Engineering Divisions

TO: Ted Carlson, Director of Public Works
FROM: Patty Fernandez, Real Property Manager
DATE: May 1, 2013
RE: Major Lease Points - Commercial Street Theatre

Premises: 3,847 square feet located at 1302–1310 Commercial Street, in the Parkade.

Use: Primarily for performing arts, but also for community multi-use meeting space.

Lease Date: June 1, 2013

Interim Term: June 1, 2013 to September 1, 2014 to provide Tenant the time to obtain funding and complete substantial tenant improvements to convert the space into a 216-seat performance theater with a sprung stage.

Possession Date: August 1, 2013, subject to tenant obtaining 50% financing of tenant improvements. Tenant begins paying leasehold excise tax payments of \$329.30 month and its pro rata share of landlord's operating and maintenance expense of \$400.23 per month.

Tenant Improvements ("TI"): Installation of a 216-seat performance theater with sprung stage, estimated to cost \$656,000. The TI work will be at tenant's cost and will be constructed as a private project. No rent credits will be provided.

Financing Deadlines: 50% of construction estimate by August 1, 2013

75% of construction estimate by November 1, 2013

100% of construction estimate by February 1, 2014

Construction of TI: Begins on or before March 1, 2014 to be completed on or before September 1, 2014.

Rent Commencement: September 1, 2014.

Rent: \$500 per month, plus annual 3% increases (market rate would be \$2,565 per month). Tenant will also pay a percentage rent on gross revenues if gross revenues for any fiscal year exceed \$100,000. If gross revenues are \$100,000 to \$124,999, then a percentage rent of 7.5% will be due. Gross revenues of \$125,000 and above will be charged a 10% percentage rent. The proposed lease rate is submarket in recognition of the substantial public benefits associated with tenant's proposed use of the space, which were detailed in its proposal presented to Council on October 8, 2013.

Primary Term: 10 years from September 1, 2014 through August 31, 2024.

Extension Option: Tenant has the option to extend the term for one additional 10-year period.

Early Termination: City may terminate lease if tenant fails to obtain funding, or fails to construct the improvements.