## REVISED STAFF REPORT

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| **Agenda Item:** | 5 | **Name:** | Miranda Leskinen |
| **Proposed No**.: | 2016-0013 | **Date:** | February 24, 2016 |

**COMMITTEE ACTION**

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| ***Proposed Substitute Ordinance 2016-0013, which would authorize the Executive to execute and take actions necessary to implement a new lease for the Public Health North Dental Clinic in Seattle, passed out of committee on February 24, 2016, with a “Do Pass -- Consent” recommendation. The ordinance was amended in committee with Amendment 1 that makes authorization to execute the proposed lease (Attachment A) contingent on executing a lease amendment (Attachment B) that corrects internal references in the hazardous materials indemnification section to insure those provisions survive lease termination.*** |

**SUBJECT**

Proposed Ordinance 2016-0013 relates to a new lease for the Public Health North Dental Clinic in Seattle to provide continuing dental services in King County.

**SUMMARY**

Proposed Ordinance 2016-0013 would allow King County to continue leasing space for the Public Health North Dental Clinic at its current location on Lake City Way Northeast in Seattle for another five years, with the option to execute an additional five-year extension. Lease costs amount to approximately $8,740 per month during lease year one, increasing incrementally to approximately $9,837 in lease year five. The clinic operates under a holdover agreement pursuant to an expired lease until commencement of the proposed new lease agreement.

**BACKGROUND**

North Dental Clinic, operated by Public Health, is located in a 4,048 square foot building at 12359 Lake City Way Northeast, and is equipped with five, fully built out and specially-equipped dental stations. The clinic provides preventive and restorative general dental services to low-income, uninsured and underinsured children and eligible adults. In 2015, this clinic provided dental services to 3,353 clients, and mostly to children 12 years of age and younger. Additionally, this facility is located approximately one block from public transportation.

King County has leased space at this location since 1998, with the most recent 3-year lease having expired at the end of 2014 (on December 31st). The clinic continues to operate under an interim holdover agreement pursuant to the aforementioned expired lease and subject to monthly rent at 125 percent of the prevailing rate. The County paid holdover rent in the amount of $6908 for the first half of 2015 (January through June). The landlord has waived the holdover rent[[1]](#footnote-1) from July 1, 2015 through the commencement date of the proposed new lease agreement negotiated by the King County Facilities Management Division. However, the landlord is not precluded from issuing the County (tenant) a Notice of Lease Termination while tenancy remains in holdover status, in turn potentially subjecting the County to retroactive payment of the waived holdover rent.

**ANALYSIS**

Proposed Ordinance 2016-0013 would authorize the Executive to execute and take actions necessary to implement the proposed new lease for the North Dental Clinic. The proposed five-year lease includes 3,370 square feet of office space, as well as use of at least seven onsite parking stalls for client use. The terms of the proposed lease are listed in Table 1 below:

**Table 1. Proposed North Dental Clinic Lease Terms**

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| **Lease** | **Agency** | **Term** | **Term Dates** | **Annual Cost Range** **(Includes Rent and Operating Costs)** |
| Capo North, LLC | Public Health-North Dental Clinic  | 5 years, with a 5-year extension option | Commences upon Council approval of lease agreement and mutual lease execution by landlord and tenant (lease commencement date), and terminates on the last day of the 60th month after the lease commencement date. | Year 1: $104,881 Year 5: $118,040NOTE:Year 1 total is subject to change depending on lease commencement date*.* |

The base rent is consistent with the market rate for the area and set at $22.00 per square foot during the first year of the lease, increasing incrementally on an annual basis to a rate of $24.76 per square foot in lease year five. Along with base rent, the County would be responsible for covering its share of operating costs for the building including water and sewer, property insurance and taxes, garbage and recycling, administration fees and maintenance. The County would be separately responsible for paying for its electricity, phone, internet and janitorial services. (A summary of the annual base rent and operating costs is enclosed with the fiscal note).

Considerations

*1. Impacts to Services*

According to Executive staff, North Dental Clinic is a well-established facility that is easily accessible via public transportation and provides important health care services to vulnerable populations in an underserved area. The proposed lease would allow for continued clinic operations without service interruption.

*2. Lease and Location Alternatives*

Since receiving notice of the most recent lease term expiration, the King County Facilities Management Division, in consultation with Public Health, has determined that negotiating a new lease at the current location is the most cost-effective option for continuing dental services in North King County. This determination is due to the lack of an appropriate alternative county-owned location with the capacity to provide these services, the infeasibility of acquiring the current facility, and the cost-prohibitive nature of building out an existing property to accommodate the needs of a dental clinic.

*3. Funding*

This lease is funded through the Public Health Fund and is not backed by new revenue. It is important to note that the 2015/2016 budget assumed extension of this lease, so a supplemental appropriation would not be required during the current biennium. Additionally, with respect to future appropriation, it should be noted that the proposed lease does not contain a termination clause for nonappropriation. However, as dental health service costs are covered by associated service revenues, continued operation of the stand-alone dental clinic is currently sustainable.

**AMENDMENT**

Amendment 1 makes authorization to execute the proposed lease contingent on executing a lease amendment that corrects internal references in the hazardous materials indemnification section to insure those provisions survive lease termination. Facilities Management Division staff indicate that the landlord has agreed to execute the lease amendment. The landlord has already signed the lease amendment.

1. Amounts to $1,381.79 per month and equals the difference between the base and holdover rent rates. [↑](#footnote-ref-1)