



TO: Elizabeth Pauli, City Manager
FROM: Jeff Robinson, Director, Community and Economic Development (CEDD)
COPY: Economic Development Committee, Tadd Wille
PRESENTER: Gloria Fletcher, CEDD
SUBJECT: Commercial Tenant Overview
DATE: July 30, 2019

PRESENTATION TYPE:

Informational Briefing

SUMMARY:

The purpose of this presentation is to present a general overview of commercial real estate laws and practices in the City of Tacoma.

BACKGROUND:

Over the past five years, Tacoma has welcomed several new landlords and commercial tenants throughout the city. While much of this has been from new and redevelopment projects some can be attributed to the sale of buildings occupied by long-term commercial retail tenants (“legacy businesses”). Both types of market activity can cause disruptions in the leasing market such as unexpected rent increases or changes in lease terms.

Many legacy businesses occupy their space via leases that are month to month rather than a defined term, and often this is due to mutually beneficial relationships with their landlords. However, this situation may affect the building value because of an uncertain income stream and can create risk for the tenant due to an uncertain occupancy term. A building sale can exacerbate either or both of these issues. While Washington State has landlord and tenant laws, it does not have a specific commercial landlord-tenant act. Therefore, nearly all the terms and conditions of a commercial lease are subject to negotiation.

This presentation will review the basic legal requirements of commercial leases, including termination, as well as the typical elements in a standard lease. We will also present the resources available to our local business community on this issue as well as some examples of what other Washington State cities have learned during this recent economic cycle.

ISSUE:

This is an informational briefing only.

ALTERNATIVES:

This is an information briefing only.

FISCAL IMPACT:

This is an informational briefing only. No fiscal impact.

RECOMMENDATION:

This is an informational briefing only. No recommendation