City of Redmond

15670 NE 85th Street
Redmond, WA

Memorandum

Date: 11/12/2025
Meeting of: Committee of the Whole - Finance, Administration, and Communications
File No. CM 25-599
Type: Committee Memo

TO: Committee of the Whole - Finance, Administration, and Communications
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Finance	Kelley Cochran	425-556-2748

DEPARTMENT STAFF:

Finance	David Amble	Real Property Manager

TITLE:
Approval of Lease Amendment for Northwest Restaurants, Inc.

OVERVIEW STATEMENT:
The City owns the parcel at 15802 Bear Creek Parkway and leases the property to Northwest Restaurants, Inc. (NWR), which operates a Kentucky Fried Chicken (KFC) restaurant at the location. The lease is currently operating on a year-to-year basis and will expire on June 30, 2026, if no additional 1-year options are exercised. NWR's franchise agreement with KFC requires NWR plan and perform capital improvements on the property; however, NWR will forego improvements without a long-term lease. The proposed lease amendment revises the terms to two five-year periods, along with four five-year options. The profit-sharing portion of the original lease is maintained.

☒ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ **Receive Information** ☒ **Provide Direction** ☐ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
  N/A.
- **Required:**
  N/A
- **Council Request:**
  N/A
- **Other Key Facts:**
  The lease amendment switches from a CPI-U based rate escalator to a fixed rate, providing more predictable revenues and expenses for both parties. Prior lease terms are kept, including the annual 6% profit share after deduction of annual rent expenses.

OUTCOMES:
Upon amending the lease, the property will remain occupied, and the City will continue to receive revenue from the lease and the profit-sharing agreement. NWR will also move forward with capital improvement planning to upgrade the building and property.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
  N/A
- **Outreach Methods and Results:**
  N/A
- **Feedback Summary:**
  N/A

BUDGET IMPACT:

Total Cost:
N/A

Approved in current biennial budget: ☐ **Yes** ☐ **No** ☒ **N/A**

Budget Offer Number:
N/A

Budget Priority:
N/A

Other budget impacts or additional costs: ☒ **Yes** ☐ **No** ☐ **N/A**
If yes, explain:
Lease Revenue Forecast, per five-year period:

- Period 1: 2026-2030 $528,000
- Period 2: 2031-2035 $580,000
- Option Period 1: 2036-2040 $639,000
- Option Period 2: 2041-2045 $703,200
- Option Period 3: 2046-2050 $773,400
- Option Period 4: 2051-2055 $850,800

Profit sharing (6%) is based on sales figures after deduction for rent.

Funding source(s):
N/A

Budget/Funding Constraints:
N/A

☐ **Additional budget details attached**

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
6/20/2023	Business Meeting	Approve

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
11/18/2025	Business Meeting	Approve

Time Constraints:
The current lease will expire June 30, 2026, unless another 1-year option is exercised. The lease should be amended as soon as possible to ensure long-term revenue for the City and facilitate NWR's capital planning.

ANTICIPATED RESULT IF NOT APPROVED:
If the lease is not amended, NWR will lose its franchise and vacate the building. The City will not receive any rental income from the property until a new tenant leases the space.

ATTACHMENTS:
Attachment A: Draft Lease Amendment for Northwest Restaurants, Inc.