



MEMORANDUM

TO: County Council

THROUGH: Satpal Sidhu, County Executive

FROM: Aly Pennucci, Deputy Executive & Director of Administrative Services and Rob Ney, Director, Facilities Management

CC: Whatcom County Sheriff Donnell Tanksley; Kayla Schott-Bresler, Deputy Executive; Perry Rice, Director, Information Technology

RE: AB2025-782: Lease between Whatcom County and Ryanna LLC for office and storage space for the Sheriff's Office at 4600 Ryzex Way, Bellingham

DATE: October 28, 2026

Summary

This memo provides background information and a description of a proposed lease to relocate to the Whatcom County Sheriff's Office to 4600 Ryzex Way in Bellingham's Cordata neighborhood. This proposal comes several months evaluating options to address the long-standing need for a more functional and modern workspace for the Sheriff's Office. The recommended lease agreement and subsequent supplemental budget requests require approval by the County Council.

Under the lease agreement, this will be a triple net lease (NNN), meaning the County will pay property taxes, insurance, and operating and maintenance costs, in addition to base rent. The annual base rent in 2026 will be \$507,132, or \$16.92 per square foot, for the 29,970 square foot facility — an amount competitive with lease rates for comparable properties.¹ With the NNN included, the total annual costs are estimated at approximately \$750,000.

The proposed lease provides a practical and timely solution to meet operational needs while the County continues long-term planning for future facilities across the organization.

Background and Purpose

The Sheriff's Office currently operates from the basement of the County Jail, a space that was never intended to be a permanent location for the Sheriff's Office. This space has maintenance challenges, limits operational efficiency, and fails to meet modern law enforcement facility standards as the department has grown.

For many years, the County has contemplated, and listed on the adopted Capital Improvement Program (CIP), the need to construct a new Sheriff's Office. This project has been on the CIP alongside other critical County facility projects, most notably redeveloping the Northwest Annex property to replace the aging facilities that currently house Planning & Development Services and some Public Works employees. In addition, the County has identified a critical need for a new County morgue; the current

¹ Facilities Management Staff reviewed two similarly sized office buildings in Bellingham; one renting at \$825k annually (\$27/square foot) and a second at \$489k annual (\$16.00 square foot).

morgue space is undersized and presents serious operational, safety, and accreditation problems. Previously discussions for these projects assumed that new construction was the path forward.

On March 25, 2025, the Executive's office presented to Council updated financial analysis regarding the County's capacity to fund these three major capital projects. This analysis, conducted with the expertise of financial consultant Doug Merriman, evaluated the previous funding assumptions, which relied predominantly on debt financing secured by Real Estate Excise Tax (REET) revenues. The analysis clearly indicated that previous plans were unsustainable, due to volatile revenue, escalating project costs, and a more complete review of longer-term financial projections. The Executive asked the County Council to prioritize the projects.

From those conversations it was clear that the Sheriff's Office is the highest priority project and that all options need to be on the table (new constructing, buying or leasing an existing facility, delaying other projects). An opportunity to lease an existing building that will meet the needs of the Sheriff's Office was presented to the Executive's Office. In consultation with the Sheriff's Office and the County Council, the Executive is recommending leasing the building at 4600 Ryzex Way to relocate the Sheriff's Office.

Real estate searches to purchase or lease office space in Whatcom County for the Sheriff's Office have not yielded a comparable option in terms of location, size, layout, and age. Constructing a new building would take time and would likely not provide cost savings due to land acquisition costs, design fees and constructions costs. Completing a tenant improvement in an existing building would have a shorter time frame for the urgent space need.

This recommendation was not made easily after weighting the pros and cons of owning versus leasing. While owning a building – either by purchasing an existing building or constructing new – typically offers better long-term value than leasing through asset ownership and cost stability, leasing is the most viable option at this time given:

- Current budget constraints
- Lack of suitable properties for purchase at reasonable prices
- Multiple competing capital projects
- Need for immediate space solutions

Leasing can provide flexibility to address the immediate need while the County continues to evaluate long-term County facility options and manages its capital project pipeline. This location would address a critical need for the safety and healthy operations of our Sheriff's office and is in a location, just off of Guide Meridian, that is essential for response times. Given that construction of a purpose-built facility would be 2-3 years away minimum, and draw resources away from the Justice Center project and other critical needs, leasing this building is the best option available at this time.

Proposed Lease Terms

The proposed Lease Term would commence as soon as practicable following approval by the Whatcom County Council. The term of this Lease will be for ninety-eight (98) months ending December 31, 2033, unless earlier terminated pursuant to any provision of the final lease agreement. The County will have two options to extend the Lease Term for additional periods of two (2) years under the same terms and conditions of the initial lease.

The lease agreement is attached in full for the Council's consideration and includes the following terms and conditions:

1. **Rental Rate:** The County shall be charged the same rental rate currently charged the Owner's existing tenant, with a starting monthly base rent of \$42,261, effective January 1, 2026.

2. **Rent Adjustments:** Annual rent increases will be 3.75% annually for the term of the Lease
3. **Property Modifications:** Owner agrees to the interior and exterior modifications requested by the County.
4. **Furniture Donation:** Owner shall donate ~\$100,000 worth of high-quality office furniture to the Whatcom County Sheriff's Department (cubicles, desks, chairs, conference room tables, meeting chairs etc.)
5. **Parking:** The County may park of all County vehicle types, provided such use does not damage the parking lot beyond normal wear and tear
6. **Tenant Improvements:** The County is authorized to make those necessary improvements listed and described in the final lease agreement, and which may be subsequently agreed to by the Parties.
7. **Specific Scheduled Maintenance to be Completed by Owner:** Owner shall (a) modernize the current Elevator; (b) replace all the current HVAC chillers; and (c) refinish and restripe the parking lot as listed in Exhibit E to the Lease Agreement
8. **Free Rent Period:** Owner shall provide a 60-day rent-free period
9. **Security Deposit:** Owner will waive the requirement for a security deposit
10. **Payment Method:** Owner will allow County lease payments by checks instead of Electronic Payments.
11. **Late Charges:** Owner will waive any late charges between the commencement of the Lease and February 28, 2026
12. **Lease Term Extension Options:** Owner will provide two options to Extend the Lease on identical terms at the end of the initial Lease
13. **Purchase Option:** Owner will provide the County the opportunity to purchase the building in the future
14. **Expansion Opportunity:** Owner will provide the County the opportunity to expand to the adjacent site Whatcom County Assessor Parcel #3802013651600000

Funding

In addition to the annual base rent + NNN, the County's Facilities Management team estimates that the one-time tenant improvements necessary to make the space fully operational for the Sheriff's Office will be \$1.5 million.

Tenant Improvements (TIs). With an eight-year lease, REET 1 can be used to cover those one-time costs. The Executive has proposed limited use of REET 1 and 2 in the 2026 proposed Mid-biennium adjustments while this issue is pending. Following Council action on this proposal, the Executive's Office will continue work to fully evaluate the CIP and all requests and needs for use of REET funds. In the meantime, the NW Annex Project, a new Morgue, and a new Parks Maintenance Facility at Hovander Park – will continue to be paused.

If the County Council approves use of REET 1 to fund these tenant improvements the projected ending fund balance at the end of the 2025-2026 biennium will be \$4.1 million.

Annual lease costs: The Executive recommends that the first year rent and operating costs (for 2026) are funded using ~\$750,000 from the County's Capital Facilities Reserve fund. The Executive will prepare an amendment for Council's consideration to [AB2025-707](#), the Mid-biennium Review Budget Adjustment Ordinance, for the monthly lease payments and operation costs. If the Council approves the lease but

does not approve the budget action the Sheriff's Office would have to absorb those costs which will require additional reductions in 2026 above and beyond the \$1 million reduction already included in the proposed MBR adjustments

For lease payments in 2027 and beyond, funds to cover the ongoing lease and NNN costs need to be identified. The options available to the Council include:

- Ask the Sheriff to identify ongoing reductions to absorb this cost within their existing budget.
- Implement the new public safety Sales Tax, 1/10 of 1% for criminal justice, ([HB 2015 - 2025-26](#)) and dedicate a portion of that for the ongoing lease payments.
- Identify reductions to GF funded programs in other departments to offset these costs.
- Identify other revenues.

Next Steps:

The Executive is requesting approval from the Council for this lease and an indication of support for the funding proposal for the TIs and 2026 lease costs described in this memo. Supplemental budget requests will be prepared and presented for the Council's consideration before the end of the year.

Moving forward, the Administrative Services- Facilities Management and Information Technology divisions and will work with the SO to finalize details on the TIs and the logistics of relocating the Sheriff's Office.