

City Council – Action Request Form

Date: October 14, 2019

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager

Council Action Requested:

Resolution Approving an Agreement with the Winston-Salem State University Foundation for the Lease of Space in Union Station (East Ward)

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: Promote Commercial Development in Economically Disadvantaged Areas

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

At the Finance Committee's September meeting, City staff presented the framework for leasing approximately 8,000 square feet on the second level of Union Station to Winston-Salem State University, more specifically the Winston-Salem State University Foundation. The University would lease the space for the following activities:

- Passport acceptance agency
- Print shop/limited postal service
- One-stop operation for enrollment management
- Campus tours
- Admissions

City and University officials have discussed a long-term lease of thirty years. According to an office building survey conducted in January 2019, the average asking rent for Class B office space in the downtown sub-market was \$12.48 per square foot. Based on Union Station's location and the lack of comparable office rental rates in the area, City staff recommend a base rental rate of \$10 per square foot, for an annual rent of \$80,000. Under the proposed lease, the City would pay for the upfit of the University's space using a portion of the remaining

Committee Action:

Committee

Action

For

Against

Remarks:

balance in the Union Station project budget. City staff continue to work with the University's architect on developing the scope and cost of the upfit. In order to recover the cost of the upfit over a reasonable time, the City initially would set a higher rental rate and then adjust the rate to cover operating costs (including maintenance) for the leased space and to set aside funds for a maintenance reserve. Based on an estimated cost of \$250,000 to upfit the space and a payback period of ten years, the initial rental rate would be set at \$13.13 per square foot, for a total annual rent of \$105,040.

At the Finance Committee's September meeting, Council Members also discussed the option of developing the second level space into a business incubator to support the development of small businesses in East Winston. If the Council wishes to explore this option, City staff could issue a request for qualifications (RFQ) to contract with an economic development organization to manage the operation.

The City has received proposals for the development of part of the main level (i.e., third level) space for a restaurant. City staff are in the process of reviewing the proposals and plan to bring an information item to the Mayor and Council in November.

Because the City would enter into a long-term lease with the Winston-Salem State University Foundation, a non-profit organization separate from the University, the City would have to conduct an upset bid process according to G.S. 160A-269 and 160A-272. The attached resolution authorizes the City Manager to enter into a lease agreement with the Winston-Salem State University Foundation, subject to the upset bid process.