

City Council – Action Request Form

Date: May 14, 2018

To: The City Manager

From: Gregory M. Turner, Assistant City Manager
S. Kirk Bjorling, Real Estate Administrator

Council Action Requested:

Consideration of a Resolution Authorizing Execution of a Lease for Surplus Space in the Union Station Building at 300 South Martin Luther King, Jr. Drive under the Provisions of N.C.G.S. 160A – 272 (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:

On December 30, 2010, the City of Winston-Salem acquired title to the historic Union Station building at 300 South Martin Luther King, Jr. Drive. The facility will serve as a multi-modal transportation facility, and the proposed leasing of 12,000 sq. ft. of the building will be consistent with the condemnation purpose and the broad restriction on the use of the facility.

On December 21, 2015, the City Council authorized the Simon G. Atkins Community Development Corporation (Atkins CDC) to serve as the leaseholder of 12,000 sq. ft. of the Union Station building and the subleasing of that space to other retail entities. Atkins CDC and the City have been approached by Elizabeth’s Pizza proposing to open a restaurant in an approximate 3000 sq. ft. space identified as Suite 210. The initial term would be for five years with two five-year options. The tenant would pay approximately \$40,000 in equipment upfit costs and the City would provide approximately \$283,000 in equipment upfit costs and finish-out of the space. This equipment will remain with the leased space at the termination of the lease. The City’s investment in equipment upfit costs would be repaid in approximately the first nine years of the lease term. The lease rate would be \$4.00 per sq. ft., or \$12,000 per year, in years 1 and 2; \$8.00 per sq. ft., or \$24,000 in year 3; and \$12.00 per sq. ft., or \$36,000 per year, in years 4 and 5.

Committee Action:

Committee	<u>Finance 5/14/18</u>	Action	<u>Forwarded to Council</u>
For	<u>Council Member Adams</u>	Against	<u>Opposed: None; Absent: Council Member Burke; Abstaining: Council Members Clark and MacIntosh</u>

Remarks:

If exercised, the first five-year option would be at a rate of \$13.50 per sq. ft., or \$40,500 per year, and the second five-year option would be at a rate of \$16.75 per sq. ft., or \$50,250 per year.

The lease would provide an anchor tenant for the Union Station retail space and add a new restaurant to the area. The attached resolution authorizes a sublease of Atkins CDC's lease with Elizabeth's Pizza as described herein and as approved by the City Attorney.