

City Council – Action Request Form

Date: April 8, 2019

To: The City Manager

From: Damon C. Dequenne, Assistant City Manager
S. Kirk Bjorling, Real Estate Administrator

Council Action Requested:

Resolution Authorizing Modification and 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 were approached by Elizabeth’s Pizza (Francesca, LLC) proposing to open a restaurant in an approximate 3000 sq. ft. space identified as Suite 210. On May 21, 2018, the City Council authorized a lease with Elizabeth’s Pizza for 3,000 sq. ft. in Suite 210 for \$12,000 in years 1 and 2, \$24,000 in year 3, and \$36,000 in years 4 and 5. If exercised, the first five-year option would pay \$40,500 per year and the second five-year option would pay \$50,250 per year.

Committee Action:

Committee	<u>Finance 4/8/19</u>	Action	<u>Approval</u>
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For	<u>Unanimous</u>	Against	<u></u>
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Remarks:

Additional negotiations regarding the size of the various suites has necessitated Elizabeth's Pizza to require the lease of space in Suite 218 containing 992 sq. ft., for a total of 3,914 sq. ft. Due to the historical nature of the building, the men's and women's lounge/restrooms are a super-adequacy measuring 374 sq. ft. For this reason it is proposed that Elizabeth's Pizza pay the equivalent of 3,540 sq. ft., while actually having use of the entire 3,914 sq. ft. Elizabeth's Pizza is agreeable to pay the same rate for the additional 540 sq. ft. which would increase the lease payments from \$12,000 to \$14,160 in years 1 and 2, from \$24,000 to \$28,320 in year 3, and from \$36,000 to \$42,480 in years 4 and 5. If exercised in the first five-year option, the amount would be increased from \$40,500 to \$47,790 per year, and if exercised in the second five-year option, the amount would be increased from \$50,250 to \$59,295 per year. The modification of the lease as described could result in an additional \$103,275 in lease payments to the City over the term of the lease. The modified lease would include the lease of the entire 3,914 sq. ft. in Suites 210 and 218, including the super-adequate men's and women's lounge/restrooms. This resolution also authorizes the City Manager to negotiate and implement any future changes regarding space 208. In order for the City to share in the success of the restaurant, Elizabeth's Pizza has agreed to an additional rent payment of 3% of the annual net sales over \$1,000,000, which could potentially further this lease income beyond that which is known.

This lease would provide an anchor tenant for the Union Station retail space and add a new restaurant to the area. The attached resolution authorizes modification and execution of a sublease of Atkins CDC's lease with Elizabeth's Pizza (Francesca, LLC, or its assigns) as described herein and as approved by the City Attorney.