

Information Item

Date: September 9, 2019

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

From: Ben Rowe, Assistant City Manager

Subject:

Information about Potential Lease of Space in Union Station to Winston-Salem State University (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



Over the last several years, the City has invested over \$18 million in the acquisition and redevelopment of Union Station. In addition to locating select Department of Transportation operations in the first floor, City staff continue to seek tenants for the building.

Representatives from Winston-Salem State University have expressed interest in leasing space in Union Station due to its proximity to the campus. They have approached City management about leasing approximately 8,000 square feet for the following activities:

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

In addition, University officials have expressed interest in providing building management services for Union Station. According to their proposal, the University would provide the following services for a fee: grounds maintenance, housekeeping, limited facilities maintenance, public safety, overflow parking, and event management. They would maintain their leased space at no cost to the City but would not maintain any space leased for restaurant use. Based on the University's assessment of the building and staffing requirements, they estimate a potential cost of \$178,000 to provide these services. The City would be responsible for major maintenance needs, including the mechanical and electrical systems, roofing, and parking lots.

Under a potential lease, the City would pay for the upfit of the University's space using a portion of the remaining balance in the Union Station project budget. City staff are working 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 lease rate and then adjust the rate to cover only utilities and other operating costs for the leased space. In addition, the City

and the University jointly would contribute to a maintenance reserve based on the square footage occupied by each party. This arrangement would be similar to the City's lease with the University for the Bowman Gray Stadium Field House. City and University officials have discussed a long-term lease of thirty years.

City staff will provide additional information, as requested by the Mayor and City Council, and bring an action item forward in October to approve a lease agreement with the University, as well as an agreement for the University to provide building management services for Union Station.