

## City Council – Action Request Form

**Date:** November 12, 2019

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

**From:** Ben Rowe, Assistant City Manager

**Council Action Requested:**

Resolution Authorizing an Agreement with Winston-Salem State University 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 (WSSU), more specifically the Winston-Salem State University Foundation. WSSU 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

WSSU officials also are considering utilizing the space planned for campus tours to provide some continuing education programming.

After discussing the requirements to lease space to the Winston-Salem State University Foundation, City and WSSU staff have recommended leasing space directly to the University. N.C.G.S. 160A-274 authorizes governmental entities to “exchange with, lease to, lease from, sell

**Committee Action:**

<b>Committee</b>	<u>Finance 11/12/19</u>	<b>Action</b>	<u>Approval</u>
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<b>For</b>	<u>Unanimous</u>	<b>Against</b>	<u></u>
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**Remarks:**

to, or purchase from any other governmental unit any interest in real or personal property.” Under University of North Carolina System regulations, WSSU can lease space for up to ten years with the approval of only the WSSU Board of Trustees as long as the annual lease amount does not exceed \$749,999. Leases exceeding ten years require the approval of the University of North Carolina System Board of Governors, State Property Office, and the Governor and Council of State. While City and WSSU officials have discussed a long-term lease of thirty years, the proposal under consideration would provide for an initial lease term of ten years. This shorter-term lease would enable WSSU to move forward with meeting the space needs outlined above. In the fifth year of the initial lease, WSSU officials would seek approval from the University of North Carolina System Board of Governors, State Property Office, and the Governor and Council of State to extend the lease an additional twenty years, for a total term of thirty years. At the same time, City staff also would bring an action item to the Mayor and Council to approve an extension to the lease.

Based on Union Station’s location and the lack of comparable office rental rates in the area, City staff recommend a rental rate of \$10 per square foot, for an annual rent of \$80,000. 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. Under the proposed lease, the City would pay for the upfit of WSSU’s space for a not-to-exceed amount of \$300,000, using a portion of the remaining balance in the Union Station project budget. City staff continue to work with WSSU’s architect on developing the scope and cost of the upfit. WSSU would pay for furniture, fixtures, and equipment, currently estimated to cost between \$175,000 and \$200,000.

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 December.

The attached resolution authorizes the City Manager to enter into an agreement with Winston-Salem State University to lease approximately 8,000 square feet on the second level of Union Station.