

Information Item

Date: February 14, 2022

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

From: Ben Rowe, Assistant City Manager

Subject:
Update on 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



In July 2014, the Mayor and City Council approved the issuance of \$18.3 million in Limited Obligation Bonds (LOBS) for the redevelopment of Union Station. The project was completed in September 2019, and Union Station was re-opened. This information item provides an update on all the plans to occupy and utilize the various spaces in the building.

First Level – Relocation of Department of Transportation Operations

The Department of Transportation completely the consolidation of its operations into the first level of Union Station in 2020. City DOT administration, technical assistance, and traffic signal operations now occupy entire first level of the building. The cost to upfit the space totaled \$733,273, with \$202,687 of the cost covered from funding provided through the federal CARES Act.

Second Level – Lease Agreement with Winston-Salem State University

On January 4, 2021, the Mayor and City Council approved the final terms for the lease of 8,000 square feet on the second level to Winston-Salem State University at an annual rent of \$80,000. As part of the lease agreement, the City and WSSU will contribute toward the upfit of the space for a total estimated cost of \$675,000. The City's not-to-exceed contribution will total \$450,000, while WSSU's contribution will total \$225,000. WSSU also will cover the cost of furniture, fixtures, and equipment. The final lease agreement does not provide for the use of any space on the third level of Union Station for the university's use. City and WSSU executed the agreement on January 7, 2022. Actual payment of the rent will be due on the day following the day that the upfit has been completed—the official lease commencement date.

A project team consisting of City and WSSU staff has convened to continue planning for the upfit of the second level. The initial design created office and work spaces for the following uses: passport acceptance agency, print shop/limited postal service, one-stop operation for

enrollment management, campus tours, and admissions. Initial cost estimates were well above the City's not-to-exceed commitment of \$300,000. The primary driver of the increased cost was the needed redesign of the HVAC system to support the planned layout of office space. The original design of the system was based on a more open floor plan, not individual office spaces. City and WSSU staff have reduced the estimated cost of the project through value engineering. The updated design will provide more open space for cubicles to support Sponsored Programs and the print shop. The project team includes Owens Architecture, who will update the design of the space. Once the design is completed, the team will develop a project schedule

Third Level – Proposed Upfit for New Restaurant Space

On September 21, 2020, the Mayor and City Council approved a resolution that established the minimum requirements for a Request for Proposal to solicit offers from potential restaurants to lease space on the third level. One of the conditions states that the City would provide \$283,450 towards the installation of an exhaust fan system and grease trap; installation of equipment and drops for electrical, plumbing, and gas; design and engineering costs; and basic restaurant equipment. Any costs beyond these are the responsibility of the tenant. These costs may include fixtures, furniture, additional equipment (as needed), small wares, china, glassware, silverware, etc. Municipal Engineering engaged Peterson/Gordon Architects to conduct a kitchen alteration study in July 2021. Based on that study, the estimated cost to construct the kitchen space would total \$525,125. This estimate assumes the tenant would purchase the kitchen equipment. Currently, there is not sufficient funding to prepare the kitchen space for a prospective restaurant.

The City advertised a Request for Proposal in late 2020 and received one response from Elite Eats by RE LLC. Their proposal would provide a full-service restaurant offering breakfast, lunch, and dinner, as well as a catering operation and management of public spaces for weddings, receptions, and other types of social gatherings. The owner, Robert E. Hayes, has more than five years of experience operating restaurant and catering businesses. Elite Eats by RE LLC currently operates the Wutyasay-Food Truck and Elite Eats by RE Catering.

City staff propose the following next steps to research further the development of the third level for a restaurant.

- Update the cost estimates for the kitchen alteration considering current challenges experienced by the construction industry (e.g., supply chains and labor shortages).
- Follow up with Elite Eats by RE LLC to continue the City's due diligence review of the company's ability and capacity to operate a full-service restaurant in Union Station.
- Discuss possible City assistance through the Small Business Loan Program to provide funding for equipment and furnishings to be provided by the restaurant owner.

Event Management

Since the opening of Union Station in the fall of 2019, the City has received inquiries from local non-profit organizations about holding fundraisers and other events in the public space on the third level. The Winston-Salem Fairgrounds currently provides event management services for Union Station, including security and furnishings.

As City staff continue to work on the redevelopment of Union Station, future action items will be submitted to the Mayor and City Council for their consideration, as needed.