



City of San Antonio

Agenda Memorandum

File Number:13-826

Agenda Item Number: 13.

Agenda Date: 11/21/2013

In Control: City Council A Session

DEPARTMENT: Convention & Sports Facilities

DEPARTMENT HEAD: Michael J. Sawaya

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

Amendment and Restatement of the Henry B. Gonzalez Convention Center (Business Center) Lease Agreement with The UPS Store

SUMMARY:

This Ordinance authorizes an Amendment and Restatement of the Henry B. Gonzalez Convention Center (Business Center) Lease Agreement with Texas Badger Developments-1, LLC (d/b/a The UPS Store) to 1) extend the term through December 31, 2017, 2) provide for a five-year renewal option, 3) incorporate terms and conditions related to the finish-out of the future business center space in the current Convention Center expansion, and 4) modify and update other terms and conditions of the agreement, with estimated revenue to the City of \$124,947.00 over the initial extension period.

BACKGROUND INFORMATION:

Ordinance Number 94484, dated September 6, 2001, authorized the Henry B. Gonzalez Convention Center (Business Center) Lease Agreement with the original tenant, F. Kellogg Enterprises, Inc. (d/b/a Mail Boxes, Etc.), for the finish out and operation of a business center inside the convention center. The initial lease was of 1,386 sq. ft. was for an initial term of five years with a three-year renewal option. The term effectively commenced January 1, 2002, and expired December 31, 2006, and had a three year renewal option through December 31, 2009. The base monthly rent was \$1.55 per square foot, or \$2,148.30 per month, or 10% of net monthly sales of minimum services and products, whichever was greater, and 40% of gross margin on non-exclusive services and products.

Subsequent amendments and ordinances, or administrative actions, resulted in the following:

- Added an additional 375 square feet of storage space, for a total of 1,761 square feet, and increased the monthly base rent to \$2,729.55;
- Assigned the agreement to Texas Badger Developments-1, LLC, to operate a franchise of Mail Boxes Etc. d/b/a The UPS Store;
- Exercised the three-year renewal option through December 31, 2009;
- Extended the expiration of the agreement for an additional five years through December 31, 2014, and provided for a three-year renewal through December 31, 2017. In addition, the monthly base rent increased to \$1.60 per square foot, or \$2,817.60 per month, or the amended percent of net monthly sales of minimum services and products as follows, whichever was greater:

Period	Percent & Sales
Jan. 1, 2010 - Dec. 31, 2012	10% of \$35,000.00 or less
	11% of \$35,000.01 or more
Jan. 1, 2013 - Dec. 31, 2014	11% of \$40,000.00 or less
	12% of \$40,000.01 or more

- Reclaimed 132 square feet of space, reducing the total square feet to 1,629, and decreasing the monthly base rent to \$2,606.40.

The UPS Store provides packing and shipping services, document services, typing/word processing services, mailbox rental, computer services, passport and photo ID services, notary services, fax services, and a variety of office and mailing supplies, as well as sundries, to clients and visitors to the Convention Center.

In contemplation of the Convention Center expansion slated to open in the fall of 2015, the City believes it's important to transition to the new facility and ensure continuity and quality of service for its clients and visitors. To this end, the City and The UPS Store have negotiated the following proposed terms and conditions for the extension of the agreement through this transition period:

1. Term: Early exercise of the current three-year extension option through December 31, 2017, and the addition of a five-year renewal through December 31, 2022, subject to mutually-agreeable terms and conditions.
2. New Business Center: City finish-out of the new 1,184 square foot business center in the Convention Center expansion, including all building, mechanical, and electrical requirements. The UPS Store would be responsible for all of their own furniture, fixtures and equipment, including cabinetry and counters, signage, and any additional finish-out type items above and beyond what the City is providing.
3. Rent: The current rental rate structure would remain in place until The UPS Store takes occupancy of the new business center, at which time their monthly base rent would decrease from the current \$2,606.40 to \$2,500.00 for the remainder of the extension term through December 31, 2017.

In addition, the agreement's remaining terms and conditions have been modified and updated to comport with current City and other standards and requirements.

ISSUE:

The current lease agreement with The UPS Store is slated to expire on December 31, 2014, and has a three-year

renewal option available through December 31, 2017. The Convention Center expansion is expected to open in the fall of 2015, which is approximately 24-27 months prior to the expiration of The UPS Store agreement. With requirements for finish-out of the new business center and adequate time to recoup capital costs by The UPS Store, and the necessity for a seamless transition of services through the opening of the Convention Center expansion, it's necessary to amend the lease agreement to exercise the available three-year renewal option early, and to add an additional five-year renewal option.

ALTERNATIVES:

Alternatives to the proposed action include directing staff to revise the terms and conditions of the amended and restated agreement.

It's important during the opening of the Convention Center expansion that the City maintains the experience and service that The UPS Store provides, and that clients and visitors have come to expect from the facility. The City has negotiated mutually-beneficial terms with The UPS Store that accomplish the objective of maintaining continuity of service through the opening of the expansion, while at the same time not encumbering the City long-term and reserving the City's flexibility past the opening of the expansion.

FISCAL IMPACT:

The current monthly base rent is \$2,606.40, which would generate a minimum of \$26,064.00 for the remainder of FY 2014. Beginning in the fall of 2015, upon occupancy of the new business center by The UPS Store, the monthly base rent decreases to \$2,500.00 for the remainder of the term through December 31, 2017.

This revenue is budgeted in the FY 2014 Adopted Budget.

RECOMMENDATION:

Staff recommends authorizing Amendment and Restatement of the Henry B. Gonzalez Convention Center (Business Center) Lease Agreement with Texas Badger Developments-1, LLC (d/b/a The UPS Store).

If approved, the agreement will become effective December 1, 2013.