



City of San Antonio

Agenda Memorandum

File Number: 17-1988

Agenda Item Number: 17.

Agenda Date: 3/9/2017

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Lease Agreement for Fratello's, LLC for 2,509 square feet of retail space at Plaza de Armas Building

SUMMARY:

This ordinance authorizes the negotiation and execution of a five-year license with Fratello's LLC for use of 2,509 square feet of retail space within the City-owned building located at 115 Plaza de Armas in Council District 1.

BACKGROUND INFORMATION:

The renovated Plaza de Armas building was purposely designed with City offices and a public art gallery that hosts events along with the creation of a retail establishment. When this retail space was recently vacated, City staff initiated a competitive process to identify an operator with a proven record of success operating restaurants. Four submissions were received and an evaluation committee comprised of City staff and individuals with knowledge of restaurant operations met to consider the proposals and unanimously endorsed Fratello's. Balancing the need to maximize the value of this real estate asset with the realities of the marketplace, the license has been structured with competitive terms that reduce obstacles that could be an impediment to Fratello's success.

ISSUE:

Approval of this item will activate this City-owned retail space and provide Fratello's, LLC a license that is

structured to provide time for the new restaurant to establish a customer base and grow upon that success.

ALTERNATIVES:

The Council may elect not to approve this license and search for another vendor to rent the space. However, staff is confident that sufficient interest in the space was generated as evidenced by the multiple submissions received and it is unlikely that another campaign to identify other users will bear more favorable results.

FISCAL IMPACT:

Under the terms of the license over the course of the five-year term, a license fee will be charged as follows:

Term	Monthly License Fee	Annual License Fee
Months 1-18	No charge	\$0.00
Months 19-24	\$1,000.00*	\$6,000.00
Months 25-36	\$1,500.00*	\$18,000.00
Months 37-48	\$2,000.00	\$24,000.00
Months 49-60	\$3,000.00	\$36,000.00

* if sales exceed \$50,000 per month for two consecutive months

After accounting for the operational startup, the license also contains a provision that in the event monthly sales during the initial two years that the restaurant is open exceed \$60,000.00, a fee will be charged during that period at the rate of three percent of monthly sales. Alternatively if sales during the first three years of the license term fall below \$50,000.00 per month for two consecutive months, then no license fee shall be charged for this period and the month following. These provisions are designed in the event the restaurant exceeds expectations, then the City will participate financially in that success, and in the event that sales are slower than anticipated or external conditions negatively impact sales such as the San Pedro Creek construction adjacent to the property, the operator will have time to financially recover.

RECOMMENDATION:

It is recommended that City Council authorize the negotiation and execution of a license with Fratello’s LLC for a five-year term commencing within not more than 120 days from the date Council approval becomes effective.