



City of San Antonio

Agenda Memorandum

File Number: 17-4718

Agenda Item Number: 21.

Agenda Date: 9/21/2017

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Lease Renewal - Sushi Zushi of Downtown, LLC, 203 S. St. Mary's

SUMMARY:

This ordinance authorizes the execution of the 3rd Renewal of Lease Agreement for the continued use of a 2,000 square foot retail restaurant space within the City-owned International Center Building located at 203 South Saint Mary's Street, Suite 170, in Council District 1, for a five-year term starting on October 1, 2017 at an initial monthly rent of \$4,906.67 increasing to \$5,206.67 per month in the final year of the term.

BACKGROUND INFORMATION:

The International Center Building was developed in the late 1990's as an operational hub for government sponsored activities aimed at promoting and fostering international trade between San Antonio and other countries, most particularly Mexico. Envisioned as a means to capitalize on San Antonio's long standing support of international trade, this building has housed government organizations and non-profit entities that focus on the exchange of cultural programs and encourage trade related investment to the benefit of San Antonio and the South Texas region.

Capitalizing on the buildings location at the intersections of two major thoroughfares with river access, the building was purposely developed with retail users in mind for the first floor. The space that is the subject of this ordinance has been used by Sushi Zushi of Downtown, LLC since March 2002 for restaurant purposes with a focus on downtown clientele. This action will serve to renew the existing lease term for an additional five

years, effective October 1, 2017.

ISSUE:

Sushi Zushi presently occupies 2,000 square feet of retail space in the International Center Building and has operated from this facility for over 15 years. The present lease will expire on September 31, 2017 and the restaurant has agreed to continue its use of the facility for an additional five years at a rental rate that is comparable to privately owned retail space in the area. This action is consistent with the City's policy to generate revenue through the leasing of City-owned properties.

ALTERNATIVES:

City Council could choose not to approve this lease renewal. However, this would result in a vacancy and loss of rental revenue to the City for an unknown period of time. In addition to the loss of rental revenue, the City will incur expenses such as brokerage fees and tenant inducements associated with releasing the space.

FISCAL IMPACT:

The changes to the existing lease are outlined in the chart below.

| Item | Current | Proposed | Net Change |
|---------------|----------------|----------------|------------|
| Premises Size | 2,000 SF | 2,000 SF | None |
| Term | Ends 9-30-2017 | Ends 9-30-2022 | 5-years |
| Monthly Rent | \$4,833.00 | \$4,906.67 | \$73.76 |

During the extended term, monthly rent will be as follows:

| Period | Rate S.F. | Monthly Rent | Annual Rent |
|--------------------|-----------|--------------|-------------|
| 10-1-17 to 9-30-18 | \$29.44 | \$4,906.67 | \$58,880.04 |
| 10-1-18 to 9-30-19 | \$29.88 | \$4,980.00 | \$59,760.00 |
| 10-1-19 to 9-30-20 | \$30.33 | \$5,055.00 | \$60,660.00 |
| 10-1-20 to 9-30-21 | \$30.78 | \$5,130.00 | \$61,560.00 |
| 10-1-21 to 9-30-22 | \$31.24 | \$5,206.67 | \$62,480.04 |

These revenues are consistent with the FY 2018 Adopted Budget, with funds collected to be deposited in the General Fund.

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of the 3rd Renewal of Lease Agreement with Sushi Zushi of Downtown, LLC, for a term of five years.

