



City of San Antonio

Agenda Memorandum

File Number:19-4344

Agenda Item Number: 13.

Agenda Date: 6/20/2019

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

POSTING LANGUAGE:

An Ordinance approving a lease renewal and expansion of leased area with Biga International, L.P. for 15,830 square feet of restaurant space for a 10 year period within the City-owned International Center Building located at 203 South Saint Mary's Street in District 1. Revenue generated from this lease is deposited in the General Fund. [Lori Houston, Assistant City Manager; John Jacks, Director, Center City Development and Operations]

SUBJECT:

Biga Restaurant Lease Renewal and Expansion

SUMMARY:

An ordinance authorizing a lease renewal and expansion of leased area with Biga International, L.P. for 15,830 square feet of restaurant space for a 10 year period commencing April 1, 2020 through March 31, 2030, within the City-owned International Center Building located at 203 South Saint Mary's Street in District 1. Revenue generated from this lease is deposited in the General Fund.

BACKGROUND INFORMATION:

Since 2000 Biga Restaurant has occupied space on the street level of the International Center Building. Soon to enter its 20th year in business at this location, Biga continues to build on its long standing success and has proposed expanding the lease to take over management of the ballroom facilities located on the third floor of the building.

ISSUE:

Biga on the Banks is seeking an opportunity to renew the existing lease with the City, which expires on March 30, 2020, in order to move forward with a significant interior renovation investment in the Restaurant. The need to exercise their option to renew the lease afforded the City the opportunity to negotiate terms that allow Biga to also assume management of the ballroom facilities in the building. The City will still be able to use the ballroom facility at no charge.

Additionally, with Biga managing the ballroom facilities the City will be able to re-allocate staff resources to other critical facility management needs. With the increased marketing effort provided by Biga, it is anticipated the City's net revenues generated by the ballroom will increase.

ALTERNATIVES:

Biga has the option to renew the lease for an additional five years. However, allowing the lease to be renewed for 10 year allows Biga to invest into improvements to the space thereby providing leverage for the City to require that they take over management of the ballroom. The City could choose to only renew for the contract specified five year term, but negotiating a mutually satisfactory situation allows both parties to benefit.

Recognizing the benefit the ballroom provided for City departments to use for meetings and events, a provision has been included allowing City use 30 times during a calendar year at no charge.

FISCAL IMPACT:

An ordinance authorizing a lease renewal and expansion of leased area with Biga International, L.P. for 15,830 square feet of restaurant space for a 10 year period commencing April 1, 2020 through March 31, 2030, within the City-owned International Center Building located at 203 South Saint Mary's Street in District 1. The lease renewal includes the Guaranteed Monthly rent of \$19,432.50 (includes CAM and utilities), plus Banquet Space percentage rent as provided in the Lease of 9% on all gross sales up to \$1,000,000 and 8.25% of all gross sales in excess of \$1,000,000.00. The total amount for year one of the lease is approximately \$457,871.00, which includes \$60,000 of base rent for the ballroom plus an additional \$60,000 projected to be earned in ballroom sales. Reflecting the fact that Biga will assume responsibility for managing ballroom uses entered into by the City for bookings that will occur over the next 12 months, base rent for the ballroom will not commence until October 1, 2019 and percentage rent collected will be equal to the contracted rates agreed to by the City. Revenue generated from this lease is deposited in the General Fund.

Recognizing that the ballroom represents a new business line for Biga and to hedge against staff concerns that the ballroom will not be fully utilized, a provision has been incorporated into the lease allowing either party to terminate the 4,400 square feet of space on the 3rd floor after two years. In this event the remainder of the restaurant space would continue to be leased.

The amended terms of the lease are identified in the chart below:

Terms	Present Lease	Amended Lease	Net Change
Square Feet Occupied	11,255 SF	15,830 SF	4,575 SF increase
Term	Ends 3/30/2020	Ends 3/31/2030	10 year extension
Annual Rent	\$303,149.60	\$457,871.00 (1)	\$154,721.40 increase

- (1) This is rent projected for FY 20 and includes base rent for ballroom of \$60,000 plus assumption that an additional \$60,000 will be earned in percentage rent if ballroom sales reach \$300,000 annually.

RECOMMENDATION:

Staff recommends approval of this ten year lease extension through March 31, 2030 for 15,830 square feet of space with Biga International, L.P. for use of a portion of the City-owned building located at 203 South St. Mary's Street for the projected rental amount of \$457,871.00 in the 1st year commencing October 1, 2019 with periodic increases in rent collected over the term.