



City of San Antonio

Agenda Memorandum

File Number:20-2603

Agenda Item Number: 13.

Agenda Date: 5/21/2020

In Control: City Council A Session

DEPARTMENT: Center City Development and Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Lease Renewal with Subway Real Estate, LLC at the Houston St. Parking Garage

SUMMARY:

An ordinance authorizing the 1st Renewal and Amendment of Lease Agreement with Subway Real Estate, LLC (Subway) for the continued operation of a Subway restaurant at 240 E. Houston, located at street level within the Houston Street Parking Garage. Per terms of the agreement, Subway will pay the City \$238,069.66 in rent over the five-year renewal term. This item also provides renewal rights allowing Subway to extend the lease for an additional five-year term. The City will pay a broker's fee of \$8,332.44 to Providence Commercial Real Estate Services.

BACKGROUND INFORMATION:

The City of San Antonio owns and operates the Houston Street Parking Garage, located at the southwest corner of Houston and Navarro Streets, which includes retail and restaurant space at street level. In 2013 the City entered into a lease agreement with Subway for approximately 1,870 Square feet of restaurant space on the ground floor of the parking garage. The lease agreement provided two renewal options of five years each, potentially through December 2028. The City exercised the first renewal effective January 1, 2019. This item will make adjustments to the lease providing an increased rental rate in exchange for an additional five-year renewal option. If approved, the rental rate will increase from \$23.26 to \$23.98 per square foot annually. The lease also includes a 3% annual rent increase. Subsequent renewals will require City Council approval.

The City utilized Providence Commercial Real Estate Services to assist with the negotiation of the terms and

facilitation of the renewal process. Per the City's contract with Providence Commercial Real Estate Services, the City will pay a broker's fee of \$8,332.44.

ISSUE:

Approval of this ordinance is consistent with City policy to lease City-owned property and support economic development in the downtown area.

ALTERNATIVES:

The City may elect not to amend the lease terms, and Subway would retain the original lease rate and renewal options in the lease.

FISCAL IMPACT:

Subway shall pay monthly rent in accordance with the terms of the 1st Renewal and Amendment of Lease Agreement as follows:

Lease Period	Monthly Rent	Annual Rent
Jan 1, 2019 - Dec 31, 2019	\$3,736.88	\$44,842.60
Jan 1, 2020 - Dec 31, 2020	\$3,849.08	\$46,189.00
Jan 1, 2021 - Dec 31, 2021	\$3,964.40	\$47,572.80
Jan 1, 2022 - Dec 31, 2022	\$4,082.83	\$48,993.96
Jan 1, 2023 - Dec 31, 2023	\$4,205.94	\$50,471.30
Total Rent During the Five-Year Renewal Term:		\$238,069.66

This item will approve the adjusted rental rate retroactive to January 1, 2019. A broker's fee of \$8,332.44 will be paid from the Parking Fund to Providence Commercial Real Estate Services. All funds collected in association with this lease will be deposited into the Parking Fund.

RECOMMENDATION:

Staff recommends approval of this 1st Renewal and Amendment of Lease Agreement with Subway Real Estate, LLC for the continued operation of a restaurant at 240 E. Houston, located at street level within the Houston Street Parking Garage, for an additional five-year term and the payment of a broker's fee to Providence Commercial Real Estate Services in the amount of \$8,332.44.