

A G E N D A



Recommendation for Council Action (Real Estate)

Austin City Council

Item ID:

65662

Agenda Number

39.

Meeting Date:

December 15, 2016

Department:

Office of Real Estate Services

Subject

Authorize negotiation and execution of a 120-month lease agreement for approximately 3,786 square feet of interior restaurant space, 2,065 square feet of covered patio space, and an approximately 789 square foot commercial catering kitchen, within the New Central Library, located at 710 West Cesar Chavez with ELM RESTAURANT GROUP, LLC, with a minimum rental income of \$2,320,174.38 less a tenant improvement allowance not to exceed \$450,000 and brokerage commission payable to CBRE, Inc. in an amount not to exceed \$65,000. (District 9).

Amount and Source of Funding

Funding in the amount of \$450,000.00 is available in the FY 2016-2107 Capital Budget of the Austin Public Library Department.

Fiscal Note

A fiscal note is attached.

Purchasing
Language:

Prior Council
Action:

For More
Information:

John Gillum, Austin Public Library, (512) 974-7495; Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Mashell Smith, Office of Real Estate Services, (512) 974-70179; Megan Herron, Office of Real Estate Services, (512) 974-5649.

Boards and
Commission
Action:

MBE / WBE:

Related Items:

Additional Backup Information

The Austin Public Library desires to lease approximately 3,786 square feet of interior restaurant space, approximately 2,065 square feet of exterior patio space, and an approximately 789 square foot catering kitchen to ELM Restaurant Group, LLC ("Tenant"). The initial lease term is 120 months, and the name of the restaurant is anticipated to be Cookbook Café. In addition to the restaurant concept, Cookbook Café will be the exclusive caterer for all events scheduled at the library that desire food and beverages. The restaurant will be an enhancement to the downtown Austin library experience.

The ELM Restaurant Group shall design, construct, and pay for all tenant improvements. All tenant improvements, including but not limited to, design of restaurant space, design of signage, and construction of restaurant space, shall be approved by the City.

The City shall pay an amount not to exceed \$450,000 toward tenant improvement costs. The Tenant shall reimburse the City, over the duration of the lease, the amount of actual City expenditure. The tenant improvement allowance amount is captured in the rental amount shown in the chart below. Rent shall be the greater of \$57.27 per square foot, per year, with annual increases of two percent (2%) throughout the initial term of the lease, or six percent (6%) of annual food and beverage sales for the restaurant space. The Tenant shall pay the tenant's prorated share of assessed ad valorem taxes on 3,786 square feet. Additionally, the tenant shall pay six percent (6%) rent on all food and beverage catering sales with no minimum breakeven threshold.

The City will abate fifty percent (50%) of tenant base rent for the first six (6) months of rental payments. The Tenant shall have an option to renew for two (2) additional five (5) year periods and shall pay the prevailing fair market rent at the time of renewal. The Strategic Facilities Governance Team has reviewed and approved this request.

The base rent amount is within the current market per a rent study conducted by an independent third-party appraiser. Rent shall begin the earlier of the following to occur: 1) Tenant opens for business to the public, or 2) one hundred and twenty (120) days after the space is delivered to the Tenant to begin tenant improvements. Opening of the Cookbook Café shall be contingent upon the opening of the New Central Library to the public. The proposed rent schedule is approximately as follows:

Lease Period	Base Rent per Rentable Square Feet (RSF) per year	Monthly rental	Annual Collection
First (six (6) months)	\$28.63 (50% rent abatement)	\$9,032.77	\$54,196.59
Second (six (6) months)	\$57.27	\$18,068.69	\$108,412.11
Year 2	\$58.42	\$18,431.51	\$221,178.12
Year 3	\$59.59	\$18,800.65	\$225,607.74
Year 4	\$60.78	\$19,176.09	\$230,113.08
Year 5	\$62.00	\$19,561.00	\$234,732.00

Year 6	\$63.24	\$19,952.22	\$239,426.64
Year 7	\$64.50	\$20,349.75	\$244,197.00
Year 8	\$65.79	\$20,756.75	\$249,080.94
Year 9	\$67.11	\$21,173.21	\$254,078.46
Year 10	\$68.45	\$21,595.98	\$259,151.70

For this transaction, CBRE served as Broker representing the City of Austin as approved by Council on June 18, 2015 as item 20150618-063.