



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 12

**Agenda Date:** April 4, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Building & Equipment Services

**DEPARTMENT HEAD:** Jorge Perez

**COUNCIL DISTRICTS IMPACTED:** District 1

**SUBJECT:**

240 East Houston Street lease extension for Subway restaurant space.

**SUMMARY:**

This ordinance authorizes the extension of the lease in the City-owned Houston Street Parking Garage located at 240 East Houston Street for a five-year term ending December 31, 2028, with Subway Real Estate, LLC operating under the name Subway with a one time renewal option for a subsequent five-year term until December 31, 2033.

Monthly Rent during the first year of the extension term will be \$4,332.12 increasing 3% annually with the monthly rent charge being \$4,875.84 per month in the final 12 months of the term. Total revenue collected over the five-year term will be \$275,997.76. Broker's fee payment from the City to Providence Real Estate Services for this renewal term will be \$9,659.92. Funding in the amount of \$9,659.92 is available from the Parking Fund FY 2024 Adopted Budget.

**BACKGROUND INFORMATION:**

The Houston Street Garage has several retail storefronts along Houston and Navarro Streets with Subway operating a restaurant in 1,870 square feet of space at 240 East Houston Street. Subway has been a good standing tenant at this Houston Street garage location since 2013.

Terms of the lease amendment provide for an extension through December 31, 2028, at a rental rate of \$27.80 per square foot increasing to \$31.29 per square foot in the final year of the lease which is in line with comparable rates in the downtown area when adjusted for the fact that Subway pays for its own utilities and maintenance costs associated with the occupancy.

Under the original lease agreement, the City utilized Providence Commercial Real Estate Services to market the vacant retail space. Per the lease agreement Providence Commercial Real Estate Services is entitled to a broker's fee for the original lease and each subsequent renewal term.

#### **ISSUE:**

The current lease is expiring and contains a clause allowing Subway to extend the term another five years. This action will accomplish the extension and provide the ability to amend the terms to be favorable to the City.

#### **ALTERNATIVES:**

The City may elect not to lease space to Subway Real Estate LLC and seek an alternate lessee. However, given that Subway has met the obligations of the lease, they are entitled to extend for five years.

Approval of this lease renewal is consistent with City policy to lease City-owned property that is not needed for City's use and support the vibrancy of a variety of options for people in the downtown area.

#### **FISCAL IMPACT:**

This ordinance authorizes the extension of the lease in the City-owned Houston Street Parking Garage located at 240 East Houston Street for a five-year term ending December 31, 2028, with Subway Real Estate, LLC operating under the name Subway with a one time renewal option for a subsequent five-year term until December 31, 2033.

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**RECOMMENDATION:**

Staff recommends the approval of authorizing the execution of a lease renewal amendment with Subway Real Estate, LLC to extend the lease term through December 31, 2028.