

DEPARTMENT: Center City Development and Operations Department

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

River Walk Lease Agreement with Spirits of San Antonio (formerly MeGusta Fine Cigar Co., d/b/a Spirit of San Antonio).

POSTING LANGUAGE:

This Ordinance Authorizes a River Walk Lease Agreement between the City of San Antonio and Spirits of San Antonio (formerly MeGusta Fine Cigar Co., d/b/a Spirit of San Antonio). Terms the lease include a five (5) year base term, commencing on the approval date of this ordinance. [Lori Houston, Assistant City Manager; John Jacks, Director, Center City Development and Operations Department]

SUMMARY:

This ordinance authorizes a River Walk Lease Agreement between the City of San Antonio and Spirits of San Antonio (formerly MeGusta Fine Cigar Co., d/b/a Spirit of San Antonio) for retail space 801 along the River Walk located at northeast corner under the East Commerce Street Bridge, Lot 1, NCB 13812. Terms of the agreement include a five (5) year base term commencing on City Council's execution of this Lease through ordinance. Additionally, tenant is required to cease distribution, display, and sale of tobacco products within 24 months.

BACKGROUND INFORMATION:

Ordinance 2006-12-14-1435 authorized a five (5) year Agreement with MeGusta Fine Cigar Co d/b/a Spirit of San Antonio for leased area consisting of 607 square feet of River Walk retail space under the East Commerce Street Bridge. The term of the agreement began on January 1, 2007 and expired on December 31, 2011.

On August 19, 2011, through written correspondence with the tenant, the City approved to renew the lease term with MeGusta Fine Cigar Co d/b/a Spirit of San Antonio from January 1, 2012 through December 31, 2016.

On December 15, 2016, through Ordinance 2016-12-15-0991, the City approved Amendment #1 to the Lease Agreement with MeGusta Fine Cigar Co d/b/a Spirit of San Antonio to extend the Agreement's term from January 1, 2017, through December 31, 2021.

Tenant has operated in holdover status since expiration of Amendment #1. Through negotiations tenant has agreed to change the legal name from "MeGusta Fine Cigar Co d/b/a Spirit of San Antonio" to "Sprints of San Antonio". Tenant has also agreed to cease distribution, display, and sale of tobacco products within 24 months of City Council's execution of this Lease through ordinance.

This ordinance authorizes a Lease Agreement with Spirits of San Antonio (formerly MeGusta Fine Cigar Co., d/b/a Spirit of San Antonio) for a five (5) year period, commencing on City Council's execution of this Lease through ordinance.

ISSUE:

This Lease Agreement between the City of San Antonio and Spirits of San Antonio (formerly MeGusta Fine Cigar Co., d/b/a Spirit of San Antonio) is being submitted to Council for approval. Approval of this ordinance is consistent with the City’s policy of leasing retail space alongside the San Antonio River.

ALTERNATIVES:

The City may elect not to agree to terms of this Agreement, which would result in the Spirits of San Antonio (formerly MeGusta Fine Cigar Co., d/b/a Spirit of San Antonio) occupancy becoming at will or terminating.

FISCAL IMPACT:

With this Lease Agreement, Spirits of San Antonio will pay a rate of \$8.38 per square foot per month commencing on the approval date of this ordinance. Rent will increase 2.5% annually. The total amount to be received by the City of San Antonio for the entire 5-year period is \$321,104.50 as summarized below:

Term	Rate	Monthly	Annual
1st 12 months	\$8.38	\$5,091.69	\$61,100.26
2nd 12 months	\$8.59	\$5,219.28	\$62,631.41
3rd 12 months	\$8.80	\$5,346.88	\$64,162.56
4th 12 months	\$9.02	\$5,480.55	\$65,766.62
5th 12 months	\$9.25	\$5,620.30	\$67,443.60

*commencement date to be identified through separate instrument after approval from City is received

All funds received are currently assigned to Neighborhood Housing (NHSD) and deposited into the Community Development Block Grant (CDBG).

RECOMMENDATION:

Staff recommends approval of the River Walk Lease Agreement between the City of San Antonio and Spirits of San Antonio (formerly MeGusta Fine Cigar Co., d/b/a Spirit of San Antonio) for a five (5) year period, beginning upon approval of this ordinance.