



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 8

Agenda Date: January 12, 2023

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: District 1

SUBJECT:

250 East Houston Street lease extension for the Gallery Vetro retail space

SUMMARY:

This ordinance authorizes the extension of a lease in the City-owned Houston Street Parking Garage located at 250 East Houston Street for a five-year term ending October 31, 2027 with Gallery Ventures Limited L.L.C operating under the name of Galley Vetro.

BACKGROUND INFORMATION:

The Houston Street Garage has several retail storefronts along Houston and Navarro Streets with Gallery Vetro operating an art glass sales business in 2,187 square feet of space at 250 East Houston Street. Gallery Vetro has been a longtime contributor to the vibrancy of the downtown retail sector having expanded and relocated their business to the Houston Street garage location in 2014.

Terms of the lease amendment provide for an extension through October 31, 2027 at a rental rate of \$22.79 annually per square foot increasing to \$27.24 per square foot during the final year of the lease which is in line with comparable rates in the downtown area when adjusted for the fact that Gallery Vetro pays for its own utilities and maintenance costs associated with the occupancy.

ISSUE:

The lease contains a provision that automatically increased the monthly rent 10% if the lease ends and was not timely renewed, given the pandemic related uncertainty and the resulting drop in tourism, when the lease term ended forcing a retail tenant already in a precarious financial position due to circumstances beyond its control to pay a rental penalty was not prudent and could have resulted in contributing to an empty storefront along the City's main business corridor. As a result, the lease extension contains terms waiving the accruing holdover penalty and abating prior accruing rent for five months in the amount of \$21,414.80. These actions should preserve this business and allow it to continue selling unique glass and ceramic objects of art that contributes to the eclectic business' visitors to downtown San Antonio expect making the Houston Street shopping area unique and enjoyable for tourists and residents alike.

ALTERNATIVES:

The alternative to extending this lease is to pursue collection of past due penalty rent and not consider any concessions for future rent, which could result in the shuttering of this business leaving the space empty and in search of another entity which may not be as unique as Gallery Vetro. Given that the Gallery has agreed to rent increases over the lease term along with assumption of some maintenance tasks that had been the City's responsibility, this seems a reasonable approach to preserving this business.

FISCAL IMPACT:

Gallery Vetro will pay an initial annual lease rate of \$22.79 per square foot which will increase in the final year of the lease term to \$27.24 per square foot. Rent totals for the initial term of the agreement are as follows:

Term	Lease Rate PSF	Monthly Rent	Annual Rent
11/1/2022 – 10/31/2023	\$22.79 annually	\$4,153.21	\$49,838.52
11/1/2023 -10/31/2024	\$23.51	\$4,285.55	\$51,426.60
11/1/2024 – 10/31/2025	\$24.26	\$4,422.26	\$53,067.12
11/1/2025 – 10/31/2026	\$26.45	\$4,820.42	\$57,845.04
11/1/2026 – 10/31/2027	\$27.24	\$4,965.03	\$59,580.36
		Total	\$271,757.64

As a concession to the City, in addition to rent increases throughout the term, Gallery Vetro has agreed to assume responsibility for the air condition and heating systems thereby relieving the City of future expenses related to the repair and possible replacement of this equipment.

Furthermore, any holdover rent and late fees accruing up until October 31, 2022 will be waived and the rent for a 5 month period during the prior lease term will be waived. The total amount to be waived is \$21,414.80.

All funds received will be deposited into the Parking Fund.

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of a lease amendment with Gallery Ventures Limited, L.L.C to extend the lease term through October 31, 2027.