

## Legislation Text

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**CC MEETING:** April 5, 2016

**DATE:** March 29, 2016

**TO:** Leonard Martin, City Manager

**FROM:** Krystle Nelinson, Development Program Manager

Consider A **Resolution Authorizing The City Manager To Amend The Lease Agreement With MKNC III, LLC For City-Owned Property At 1309 South Broadway And Providing A Tenant Allowance In An Amount Not To Exceed \$310,000.00.**

**BACKGROUND:**

On January 6, 2015, the City Council authorized the purchase of 1309 South Broadway. Located at the northeast corner of Broadway and Vandergriff, the parcel was used as an automobile repair facility and was considerably blighted. After receiving ownership in March 2015, the City undertook selective demolition and environmental remediation of the property. In June 2015, the City placed the property up for sale. The terms of the sale included a letter of intent to lease the site to Monkey King Noodle Company (MKNC III, LLC) - a highly regarded Deep Ellum-based Chinese food restaurant (D Magazine Best and Observer's best Chinese and Most Interesting 2015).

After two unsuccessful attempts to sell the property, the City completed the lease agreement with MKNC for the property on October 13, 2015. The City intended to work with MKNC to construct and open the restaurant and, shortly thereafter, place the property with its fully operational restaurant on the market for sale.

The very preliminary construction estimates indicated that the restoration of the building structure would cost approximately \$193,000. As such, the original lease agreement between the City and MKNC included \$150,000 in tenant improvement funds to help cover these basic construction costs. Additionally, \$15,000 was provided for the pavement of a shared access easement between Cane Rosso and MKNC.

MKNC solicited three construction bids for the project. Due to the rising costs of construction in the Metroplex and the extent of the work required to restore the existing structure, the actual construction cost is \$377,000. Staff met with the owners of MKNC, as well as their project architect and contractor, to brainstorm ways to reduce the cost. After value engineering the plans, which brought the cost down to \$359,000, both parties agreed to modify the lease terms to enable the project to move forward.

The attached resolution makes the following changes to the original lease:

- Raises the rent structure for MKNC to an annual lease rate of \$12.00 per square foot for the first five years and \$14.00 per square foot for the second five years (originally \$11.00 and \$13.00, respectively); and
- Provides an additional \$145,000 for tenant improvements (for a total tenant improvement amount of

\$310,000).

The \$310,000 tenant allowance provided by the City will be applied solely to restore the existing structure. This expenditure would be necessary for any tenant to occupy the building. Additionally, the owners of MKNC will also be applying \$50,000 of additional capital towards the fixed costs, which is over and above the funds they will invest to finish out the interior.

At their meeting on March 14, 2016, the TOD Sub-Committee unanimously recommended approval of the lease amendments.

**FINANCIAL IMPLICATIONS:**

The original lease agreement included \$165,000 in tenant improvement funds that have not been expended to date. The additional funding of \$145,000 is available in the Transit-Oriented Capital Account.

**IMPACT ON COMMUNITY SUSTAINABILITY:**

The lease of this property meets the City's economic development program goals of providing for enhancing the tax base, redevelopment of aging/ blighted structures, and business attraction.

**STAFF RECOMMENDATION/ACTION DESIRED:**

Staff recommends that City Council approve a resolution authorizing the City Manager to amend the lease agreement with MKNC III, LLC for City-owned property at 1309 South Broadway and providing a tenant allowance in an amount not to exceed \$310,000.