



## Recommendation for Action

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**File #: 22-1919, Agenda Item #: 14.**

**6/9/2022**

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### **Posting Language**

Authorize negotiation and execution of an amended and restated lease agreement for an initial term of three years with two five-year renewal options with East Holly, LLC, for approximately 3,580 square feet of retail space located at 417 Red River St., on the ground floor of the Austin Convention Center parking garage.

### **Lead Department**

Financial Services Department.

### **Fiscal Note**

This item has no fiscal impact.

### **Prior Council Action:**

August 3, 2017, Council approved a 60-month lease.

August 27, 2020, Council adopted Resolution 20210610-095, which approved the reduction or abatement of rent for market-rate lessees in city-owned buildings based on market data related to comparable or nearby buildings due to COVID-19 conditions or other factors.

### **For More Information:**

Diana Justice, Financial Services Department, (512) 974-7170; Michael Gates, Financial Services Department, (512) 974-5639.

### **Additional Backup Information:**

East Holly, LLC has operated Central Brewing at 417 Red River St. since 4/1/2019. Their current term expires on 3/30/2024, and the current base rent is \$22 per square foot. Like many other businesses, including other City tenants, the COVID pandemic forced them to temporarily close in March 2020. East Holly, LLC accepted deferment of base rent and utilities from 5/1/2020 - 3/31/2021 and will pay these deferred costs in quarterly payments over the new 3-year term beginning in September 2022. The base rent will be \$22 per square foot with a 2.5% annual escalation. Base rent for any renewal periods will be determined by the market rate per a rent study conducted by a third-party appraiser.

Council Resolution 20210610-095 instructed staff to research if the current real estate market supports rent abatement. The market rent study conducted for this location supports rent abatement for two months based on a lease a term of 3 years. Additionally, the tenant pays for utility charges as sub-metered and invoiced separately by the City.

East Holly, LLC is current on its non-deferred rent and utility payments.

Term	Base Rent per Square Foot (\$/SF)	Annual Base Rent	Monthly Base Rent	Total Base Rent
Months 1-2	\$0	\$0	\$0	\$0
Months 3-12	\$22.00	\$59,067	\$6,563	\$59,067
Months 13-24	\$22.55	\$80,729	\$6,727	\$80,729
Months 25-36	\$23.11	\$82,734	\$6,895	\$82,734
			<b>Total:</b>	<b>\$225,530</b>

The cost per square foot is within the market rate per a rent study conducted by a third-party appraiser.

**Strategic Outcome(s):**

Government That Works for All.