



SECOND AMENDMENT TO LEASE AGREEMENT – THE IG GROUP, LLC OPERATING AS SLATER'S 50/50

Public Utilities Department

City Council
January 10, 2023

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SITE MAP



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BACKGROUND

1. On July 2, 2018, the City entered into a 10-year Lease Agreement with The IG Group, LLC operating as Slater's 50/50.
2. On July 7, 2020, the City entered into a 1st Amendment which:
 - a) Amended the total square footage of the suite from 5,700 to 5,982;
 - b) Amended the Tenant Improvement (TI) allowance from \$108.95 to \$156.27 per square foot, for a total of \$934,807;
 - c) Adjusted the Rent Commencement date from May 22, 2019 to August 22, 2019;
 - d) Memorialized the Landlord's Delivery of Possession on August 22, 2018; and
 - e) Amended the Tenant's Due Diligence period from 270 days to 365 days from the date of Landlord's Delivery.



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BACKGROUND

3. Slater's opened their doors later than expected:
 - a) Anticipated opening date of Summer/Fall 2020.
 - b) Actual opening date of May 18, 2021.
4. The delay of the opening was due to:
 - a) Major construction delays associated with the Tenant's contractor;
 - b) COVID-19 mandatory restrictions; and
 - c) Difficulty hiring staff due to labor shortage.



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BACKGROUND

5. On Tuesday, May 10, 2022, Ivan Garcia of The IG Group submitted a written proposal to the City for consideration on how to better align the rent commencement start date with date they opened.
6. Because Slater's 50/50 did not open its doors prior to COVID-19, they were not eligible for State PPP funding, which other restaurants received to help survive.



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PROPOSED 15-YEAR LEASE TERMS

Staff has reviewed the proposed Second Amendment to the Lease Agreement and recommends the terms summarized below:

1. Basic Lease Information:
 - a) Section 11. Tenant's Proportionate Share of Building: 4.78%
 - b) Section 11: Tenant's Proportionate Share of Retail Area Common Area: 28.78%
2. Term: January 1, 2021 through December 31, 2036.
3. Rent Commencement Date: Section 2.1.1., amended from August 22, 2019 to January 1, 2021.
4. Amortization of Past Due Rent: Section 3.8 is added, with both parties agreeing to amortize unpaid rent from January 1, 2021 – May 31, 2021 into a new 15-year term $(\$14,955.00 \text{ Rent} + \$2,392.80 \text{ CAM}) = \$17,347.80 \times 5 \text{ Months} = \$86,739.00$.



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PROPOSED 15-YEAR LEASE TERMS CONT.

5. Amortization of Tenant Improvement: Section 3.7.1 is added with both parties agreeing to amortize the entire balance of the \$250,000.00 in additional Tenant Improvements provided by the Landlord to Tenant under Section 3.7 into the new 15-year term of the lease with a four percent interest rate added to the Base Rent.
6. Tenant's Share of Common Area Maintenance Costs: Tenant agrees to pay the Landlord its proportionate share of all Building Area and Retain Area Common Area Maintenance Costs ("CAM" or "CAM Charges"). CAM Charges are currently estimated at Forty Cents (\$0.40) per square foot.
7. Rules and Regulations (Exhibit "B"): is amended and replaced in its entirety and replaced with the attached Exhibit "B."



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PROPOSED 15-YEAR LEASE TERMS CONT.

8. Base Rent Schedule (Triple Net Lease):

Base Rent Schedule: Months	Regular Monthly Base Rent	Deferred Rent Amortization	Total Regular and Deferred Rent	Tenant Improvement Amortization	Monthly Total Rents and All Amortization
1-12	\$14,955.00	\$641.60	\$15,596.60	\$1,849.22	\$17,445.82
12-24	\$15,254.10	\$641.60	\$15,895.70	\$1,849.22	\$17,744.92
25-36	\$15,559.18	\$641.60	\$16,200.78	\$1,849.22	\$18,050.00
37-48	\$15,870.36	\$641.60	\$16,511.96	\$1,849.22	\$18,361.18
49-60	\$16,187.77	\$641.60	\$16,829.37	\$1,849.22	\$18,678.59
61-72	\$16,511.53	\$641.60	\$17,153.13	\$1,849.22	\$19,002.35
73-84	\$16,841.76	\$641.60	\$17,483.36	\$1,849.22	\$19,332.58
85-96	\$17,178.60	\$641.60	\$17,820.20	\$1,849.22	\$19,669.42
97-108	\$17,522.17	\$641.60	\$18,163.77	\$1,849.22	\$20,012.99
109-120	\$17,872.61	\$641.60	\$18,514.21	\$1,849.22	\$20,363.43
121-132	\$18,230.06	\$641.60	\$18,871.66	\$1,849.22	\$20,720.88
133-144	\$18,594.66	\$641.60	\$19,236.26	\$1,849.22	\$21,085.48
145-156	\$18,966.55	\$641.60	\$19,608.15	\$1,849.22	\$21,457.37
157-168	\$19,345.88	\$641.60	\$19,987.48	\$1,849.22	\$21,836.70
169-180	\$19,732.80	\$641.60	\$20,374.40	\$1,849.22	\$22,223.62



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PROPOSED 15-YEAR LEASE TERMS CONT.

9. Options to Extend: The monthly base rent for the Tenant's two (2) 5-year options to extend will be 105% of the previous years' rent. Each subsequent year will be increased by 2% on each yearly anniversary of the Rent Commencement Date.
10. Broker: Pursuant to the existing Exclusive Authorization to Lease Agreement with NKF, City to pay NKF a leasing commission equal to 2.5% of the lease consideration in the amount of \$28,460.99 .
11. Other: All other terms of the original lease shall remain unmodified and in full force.



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STRATEGIC PLAN ALIGNMENT

Strategic Priority 3 – Economic Opportunity

Goal 3.3 – Cultivate a business climate that welcomes innovation, entrepreneurship, and investment

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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RECOMMENDATIONS

That the City Council:

1. Approve the Second Amendment to the Lease Agreement with The IG Group, LLC operating as Slater's 50/50 to extend the Lease Agreement to a 15-year term from January 1, 2021, through December 31, 2036, and adjust the Rent Commencement date from August 22, 2019, to January 1, 2021; and
2. Authorize the City Manager, or designee, to execute the Second Amendment, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.



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