

## **Bethel Station Tenant Selection and Lease Negotiation Process**

The CRA was asked to act as agent on behalf of the City to lease the City-owned Bethel Station property. As such, the property was subject to City of Gainesville disposition policies, which require that the property be advertised, but do not require an RFP process or a communications blackout period.

The CRA endeavored to make sure the Bethel Station opportunity was widely advertised to potentially interested parties and notified the public of the rental opportunity via the Gainesville Sun, Facebook, "For Lease" signs on the building itself, and through lists of CRA contacts in the restaurant realm. Anecdotally, it appears that the opportunity was also transmitted by word of mouth amongst the local restaurant community. Interested parties were directed to an online system called Screendoor which was used to collect the responses and to disseminate the responses to the evaluation committee members. Eleven responses were received by the December 8, 2014 deadline.

The evaluation committee was comprised of seven CRA project managers with diverse experience and varied professional backgrounds. Each committee member read the responses before the committee met to discuss them and select the top candidates for interviews. The committee's evaluation involved assessing the respondent's strength in the following nine areas:

- 1) Proposed concept
- 2) Right fit for the Downtown Plaza
- 3) Interaction with Downtown Plaza activities and events
- 4) Hours of operation
- 5) Past experience running a restaurant
- 6) Plans for promotion/advertising/attracting patrons
- 7) Demonstrate financial capacity to carry this out and be successful
- 8) Lease rates
- 9) Time to ramp up to open

There was consensus among the group on the top candidates from the pool and five people were invited in for in-person interviews for further discussion of their submissions. The respondents were each asked to bring in \$10 worth of food samples to specifically demonstrate what could be purchased for \$10 at their proposed establishment. The CRA compensated the respondents for these samples.

The following five people were invited in for interviews: Amanda Myers, Art Guy, Diego Ibanez, Ed Gagarin, and Ed Lyons. Four of the five responded and came in for interviews. Ed Lyons was sent two email messages and a phone message was left for him but we did not hear back from him during the interview or negotiations period. (Recently, we were able to get in touch with Mr. Lyons and provide advice on other locations in which he may want to open a sit-down restaurant.)

During the interviews, the candidates were asked to elaborate on the answers that were provided in the initial set of nine questions, as well as answering additional questions pertaining to their proposed plans for the Bethel Station site, and their ability to operate in this location, should they be selected.

Following the interviews, the evaluation committee met again to discuss the results and provide a final numerical ranking of the respondents.

The final ranking results/total points were as follows:

1) Art Guy	64
2) Diego Ibanez	57
3) Amanda Myers	49
4) Ed Gagarin	47

Details of the ranking/point totals are as follows:

	Art Guy	Diego Ibanez	Amanda Myers	Ed Gargarin
1) Proposed concept	4	4	4	3
2) Right fit for the Downtown Plaza	5	5	5	4
3) Interaction with Downtown Plaza activities and events	4	4	5	4
4) Hours of operation	5	3	5	3
5) Past experience running a restaurant	5	5	1	2
6) Plans for promotion/advertising/attracting patrons	4	4	5	4
7) Demonstrate financial capacity to carry this out and be successful	5	4	3	3
8) Lease rates	5	5	1	3
9) Time to ramp up to open	4	5	2	4
10) Ability to bring new energy and excitement into the Downtown Plaza	5	4	3	3
11) Ability to draw a new clientele to the Downtown area	4	3	3	2
12) Quality/appeal of the food samples	4	3	5	2
13) Ability to operate in a small space	5	3	5	5
14) Willing to accept space "as is"	5	5	2	5
<b>Total</b>	<b>64</b>	<b>57</b>	<b>49</b>	<b>47</b>
<b>Original Criteria</b>	<b>41</b>	<b>39</b>	<b>31</b>	<b>30</b>
<b>Additional Criteria</b>	<b>23</b>	<b>18</b>	<b>18</b>	<b>17</b>

After the committee confirmed the ranking results, the top-ranked candidate, Art Guy, was invited in to be lease negotiations began with the top ranked respondent, Art Guy.

The initial term of the rent involves two concessions, the first two months free rent (tenant will pay property taxes) to allow the tenant to install equipment and set up operations. The second concession is a reduced rental rate due to the construction activities and the unknown impacts of construction on business activities for a period of approximately one year. During the construction phase the tenant would pay a base rent of \$850 per month plus property taxes \$165.67 and sales taxes \$51.00 for a total of \$1,066.67. The tenant would also have a license agreement during the construction period allowing them access to the Right of Way and parking immediately adjacent to the property. Since the remainder of the Plaza will be closed to the public during the construction, the Bethel Station would effectively operate as a private location of business during the construction period and this agreement would give the tenant the ability to ask any loiterers to leave the premises. Immediately following the Plaza's reopening the full market lease rate would go into effect and

Aside from the construction period, the negotiated lease rate is higher what the previous tenant was paying. The previous tenant paid a total of \$1,200 per month inclusive of property and sales taxes. The new lease rate has a base rate of \$1,200 per month plus property taxes \$165.76 + sales taxes \$51.00 for a total of \$1416.46 per month, effectively an increase of 15.28% over what the last tenant was paying. The lease includes a 3% annual escalation in rent which is typical for City of Gainesville leases. The escalation goes into effect after the first full year of paying the base rate of \$1,200 per month. The property has approximately 404 sq ft of interior space + approximately 464 sq ft of exterior patio for a total of 868 sq ft under lease, which translates into an annual rental rate of \$19.58 sq ft up from \$16.59 sq ft that the previous tenant was paying.

Mr. Guy has demonstrated financial ability to take on this venture. He has been self-employed for 16 years and successfully managed the original Steamers business for five years before selling the business in 2005. He then went on to found a successful business called Arto Moro Tempeh Company which supplies numerous local and regional restaurants and grocery stores with tempeh products. Mr. Guy has shared cash account information demonstrating sufficient cash on hand to cover the first year's rent and the costs associated with purchasing equipment and inventory needed to begin operations. Additionally, he has demonstrated steady operating income from his tempeh business which could be relied upon should the new Steamers business suffer any unanticipated financial difficulties. Mr. Guy has, agreed to provide a personal guarantee in the proposed lease.

All those that submitted responses but were not selected have been added to the notification list for the new café space that will be built as part of the Downtown Plaza renovations.