

**CITY OF LAREDO
BRIDGE OF THE AMERICAS BUILDING E
RETAIL LEASE AGREEMENT WORKSHOP
M2005-W-005
CITY COUNCIL CHAMBERS
1110 HOUSTON STREET
LAREDO, TEXAS 78040
October 10, 2005**

I. CALL TO ORDER

With a quorum present Mayor Elizabeth G. Flores called the meeting to order.

II. ROLL CALL

In attendance:

	Elizabeth G. Flores, Alfredo Agredano,	Mayor Council Member,
District I	Hector Garcia,	Council Member,
District II	John C. Galo,	Council Member,
District III	Johnny Rendon	Council Member,
District V	Gene Belmares,	Council Member,
District VI	Jose A. Valdez, Jr.,	Mayor Pro Tem, District
VII	Juan Ramirez,	Council Member,
District VIII	Gustavo Guevara, Jr., Larry Dovalina, Cynthia Collazo, Rafael Garcia, Anthony McGettrick,	City Secretary City Manager Deputy City Manager Assistant City Manager Assistant City Attorney

Motion to excuse Cm. Amaya.

Moved: Cm. Agredano

Second: Cm. Garcia

For: 7

Against: 0

Abstain:

0

III. PLEDGE OF ALLEGIANCE

Mayor Flores led in the Pledge of Allegiance.

IV. Discussion with possible action regarding a multi year lease with the sole bidder

EI

Portal Bridge Retail, L.P., a joint venture between El Portal Center, LLC owned by Horizon Group Properties, Inc., and Morgan Stern Realty Holdings and Laredo Duty Free Partners, LLC, an affiliate of Duty Free Americas that operates UETA Duty Free Stores. The leased property, Bridge of the Americas Project, Building E, consists of approximately 32,542 square feet of unfinished retail space located at the corner of Convent and Water Street.

Rafael Garcia, Assistant City Manager, reported that staff has been working over the past two years on the El Portal project and the one message that has come across to all the individuals is that this project is an enormous catalyst for the downtown area. He added that this is meant to spur activity in the downtown area in order to make the City a better place to live. He added that staff never had a pure profit-making enterprise in mind with Building E but rather looked for the best deal possible for Laredo.

Cm. Garcia stated that when they met, the committee instructed staff to open up the bid process in order to have several options presented to City Council.

Cm. Belmares stated that their concern when looking at these types of leases, not knowing what the economy will do, was to identify the types of sales that are being generated through those facilities. The committee instructed staff to come back with several proposals based on square footage with lesser amount for sales per square foot.

Cm. Ramirez stated that he has a concern over the action taken last week. He inquired whether the City already had those 32,000 square feet when it asked for the Request for Proposals or was that added at last week's committee meeting. He also mentioned that he believes the proposal received for \$1.25 per square foot is too low and, therefore, the City should go out for a new Request for Proposals on that property.

Mr. Robert Barnstone, attorney from Austin, Texas, representing the City, reported that this is the third opportunity that the City is getting on these negotiations. He pointed out that the 3% of retail sales percentage rent was added by Mr. Garcia from the original base negotiations made with these tenants. Under the direction of the committee, they were asked whether it was better to do a master lease versus end user lease. He explained that staff could expect to see higher

revenues under an end user lease. He stated that another item discussed is the finish out costs which are estimated to be \$50.00 per square foot which means \$1.5 million to \$2 million with total costs to the building of \$6 million. He added that Council should be mindful that, if it elects not to have a master lease, the financing plan would have to be amended to include the \$1.5 million.

Cm. Belmares inquired whether the City could get the lessees to finish out some of those stalls should the City decide to do an end user lease.

Mr. Robert Barnstone said it is possible, in theory, to negotiate capital contributions from the sublessees. He added that new plans and specifications would have to be drawn, but the detail program of those plans would not be known until they have negotiated the leases with the individual tenants.

Cm. Galo stated that the lessor could provide the stall and can negotiate a fixed amount of free rent and the tenants could be the ones to do the finish out. There is nothing in the contract that states that the master lessor would be the one paying the finish out.

Rafael Garcia stated that the contract clearly states what the City is obliged to do and the other items within the common area are the master lessor's responsibility. One of the things that the City is providing are the air conditioning units and they are in agreement to take that out and are now asking for the master lessor to pay.

Mr. Robert Barnstone explained that with a master lessor, it is much easier to establish liability. The City's liability could include negligence, fire, etc. and all of these risks are passed on to the master lessor. By subdividing individual tenant spaces, it is harder to make those subtenants liable for common area mishaps. There are also maintenance costs that would need to be factored in. He concluded by stating that they have been through several stages of negotiations with these particular tenants and he has heard some comments about coming up with new terms and going back to the table with these tenants.

Mayor Flores stated that City Council has not decided whether to approve this lease agreement before them or to explore other possibilities. The Council Members have stated that there are certain issues that they would like to have included in the lease. She mentioned that should they start fresh, staff is already providing four options that would expose the City completely. She would prefer not to have the options revealed publicly and provide this information to the other potential lessors who are waiting to make a decision.

Cm. Galo stated that he does not believe that the City should have a low base and a high percentage, rather the base rent should be locked in and include a percentage.

Cm. Belmares stated that he would have liked to have seen in the presentation are the issues addressing the percentage and auditability in hopes of locking in a higher base on the square footage rather than on the break points.

Larry Dovalina, City Manager, stated that if the City Council would describe, in general terms, what they are not comfortable with then staff would be better able to address it individually without exposing the options. He added that it would be beneficial for staff if the City Council could point out those provisions of the contract that need to be revisited.

Mayor Flores inquired whether part of the motion could mention that staff be instructed not to accept anything other than the \$2.00 as a baseline. However, that instruction would not prevent staff from coming back to City Council and report on a different negotiated deal that the City would be willing to accept.

Cm. Belmares mentioned that in reference to the percentage rent, he would like to include a provision that explains that non-retail space would not be considered in the calculations for percentage rent.

Motion to instruct staff not to accept anything below \$2.00 per square foot plus a percentage of 1 % as a starting point in negotiations.

Moved: Cm. Garcia

Second: Cm. Galo

For: 7
0

Against: 0

Abstain:

V. EXECUTIVE SESSION

The City Council hereby reserves the right to go into executive session at any time during this public meeting, if such is requested by the City Attorney or other legal counsel for the City, pursuant to his or her duty under Section 551.071(2) of the Government Code, to consult privately with his or her client on an item on the agenda, or on a matter arising out of such item.

VI. ADJOURNMENT

Motion to adjourn.

Time: 7:02 p.m.

Moved: Cm. Garcia

Second: Cm. Agredano

For: 7
0

Against: 0

Abstain:

I, Gustavo Guevara, Jr., City Secretary, do hereby certify that that the above and foregoing is a true and correct copy of the minutes contained in pages 01 to 04 and they are true, complete, and correct proceedings of the City Council meeting held on October 11, 2005.

Gustavo Guevara, Jr.
City Secretary

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