



Date: May 6, 2019

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Steven W. Hicks, Director, General Services Department
Subject: Proposed Lease with Kandible, Inc. a North Carolina Corporation at Morgan/Rigsbee Garage

Executive Summary

Kandible, Inc., Srikanth Gaddam, Jasbir Bola, Narinder S. Gill, and Jagdip S. Grewal propose to enter a new ten-year lease with the City of Durham for an upscale Indian restaurant and bar. The proposed leased premises consist of approximately 2,993 square feet of internal space in the commercial retail area of the parking garage at street level and approximately 630 square feet of exclusive outdoor seating.

Under the proposed lease, the initial term will be for ten years commencing on July 1, 2019 and ending on June 30, 2029. The rent for the first year of the term will be \$6,245.83 per month and will escalate by two and a half percent (2.5%) each year during the term. The projected total revenue for the initial ten-year term is \$792,892.32.

The lease also includes two (2) five-year opportunities to extend the lease with annual rental increases of two and a half percent (2.5%) during each year of the term. If the lease is extended for five years, the City will receive revenue totaling \$504,304.44 between July 1, 2029 and June 30, 2034. If the lease is extended for an additional five years, the City will receive revenue totaling \$570,574.18 between July 1, 2034 and June 30, 2039.

Recommendation

The General Services Department recommends that City Council

1. Authorize the City Manager to execute a ten-year lease with opportunity to extend the tenancy with Kandible, Inc., Srikanth Gaddam, Jasbir Bola, Narinder S. Gill, and Jagdip S. Grewal for commercial retail space in the new parking garage at the corner of Morgan and Mangum Streets.

Background

The City of Durham constructed a parking garage at the corner of Morgan and Mangum Streets which provides 667 parking spaces and features approximately 21,264 square feet of commercial retail space. Of that 4,723 is dedicated for the Transportation Office and 15,687 is available for retail leasing.

The Chefs and Co-Owners have significant experience owning and operating restaurants in the triangle region.

Chef Jasbir Singh & Co-Owner - Born and raised in Punjab, Chef Jasbir's expertise in Indian cuisine stems from an uncompromising passion for taste and love of quality ingredients. Chef

Jasbir has extensive work experience in India and US has earned him a reputation for his unparalleled culinary skills and dedication to honest hard work. He has been working in the United States for 30 years, his unique ability to utilize local ingredients and flavors to produce new and sensational dishes, added to the industry reputation for his excellence and creativity. Based in United States since 1980, Chef Jasbir has become one of NC's longest standing restaurateurs. Using his culinary skills, coupled with a unique understanding of the local produce, he is changing the perception of Indian cuisine. Creating healthy food, which improves, sometimes cures, and strengthens the body, relaying on thousands of years of Indian wisdom and over 30 years of experience.

Professional Experience

- **Thali Indian Restaurant – 05/04/2018 – Till Date**
- **Dawat Indian Restaurant, Morrisville – 2012 – 2016**
- **Swad Indian Restaurant, Raleigh – 2015 – 2016**
- **Tamarind Indian Restaurant. Apex – 2007 - 2013**
- **Indian Place 1, Chapel Hill – 2002 – 2010**
- **Indian Palace 2, Morrisville - 1993 -2003**

Chef Srikanth & Co-Owner and a self-taught chef who constantly researches and uses new ingredients and techniques to produce the best food possible. Using this as a foundation, his goal is always to serve food that satisfies and respects the nature of the eye, mind and body. He has developed fine-tuned skills and knowledge in the intricate and complex nature of Indian cuisine, known to only a few. His expertise in modern Indian cuisine and hospitality is recognized locally. His charismatic nature and ability to relate knowledge to his audience on a personal level has also made him popular locally.

Professional Experience

- **Hyderabad House, Morrisville – 2016 – 2018**
- **Thali Indian Restaurant – 05/04/2018 – Till Date**

Issues/Analysis

The City of Durham's Strategic Plan outlines that "continuing to reinforce policy elements that include infrastructure as a business incentive tool" is a goal for the City and supports business development, job creation, retention and recruitment. Construction of convenient and affordable parking contributes to this economic development goal and achieves the recommendation of a downtown garage outlined in the Transportation Department's Parking Study.

Shared economic prosperity is an ongoing municipal goal and the tenant selection takes into consideration furtherance of a diverse economy. Securing the highest rental rate for the commercial lease spaces may not be the absolute highest priority, but potential rental income will be a significant consideration in tenant selection.

The City of Durham desires to increase pedestrian traffic along Morgan and Mangum Street. The addition of this restaurant is anticipated to add to the visitors along this corridor increasing sales opportunities for numerous businesses in this area. Additionally, this tenant is expected to increase paying visitors to the new parking garage providing revenue to the city.

The lease includes both corporate and personal obligations on the parts of Srikanth Gaddam, Jasbir Bola, Narinder S. Gill, and Jagdip S. Grewal, with the personal guarantees to be released after sixty months of the restaurant's operation, if there has been no default of performance in the lease terms. This lease authorizes the City Manager to release the personal guarantees after that period.

Alternatives

The City could choose not to approve the lease with Kandible, Inc. If the lease is not approved the City will need continue to recruit an alternate tenant in order to generate rental revenue for this location. In the short term this will affect the potential revenue the City could generate beginning July 1, 2019.

Financial Impact

The City will receive the following revenue during the ten-year term of the lease. All funds will be deposited into the Parking Fund revenue account for Morgan Rigsbee Tenants Lease (58004208-662120). The rent schedule is as follows:

Year	Year Begins	Year Ends	Monthly Rent	Total Annual Rent
1	7/1/19	12/31/19	Abatement	Abatement
1	01/01/20	12/31/20	\$6,245.83	\$74,950.00
2	01/01/21	12/31/21	\$6,401.98	\$76,823.75
3	01/01/22	12/31/22	\$6,562.03	\$78,744.34
4	01/01/23	12/31/23	\$6,726.08	\$80,712.95
5	01/01/24	12/31/24	\$6,894.23	\$82,730.78
6	01/01/25	12/31/25	\$7,066.59	\$84,799.05
7	01/01/26	12/31/26	\$7,243.25	\$86,919.00
8	01/01/27	12/31/27	\$7,424.33	\$86,919.02
9	01/01/28	12/31/28	\$7,609.94	\$91,319.30
10	01/01/29	06/30/29	\$7,800.19	\$46,801.14

*2.5% assumes increase in rental rates year over year.

The city will deliver to the tenant a cold dark shell (unfinished interior and lacking heating, ventilation, air conditioning (HVAC) and without concrete flooring lighting, ceilings or interior walls). The city will provide a tenant improvement allowance of \$65.00 per square foot as a reimbursement as a part of the tenant improvements for a total expenditure of \$69,420.00. This tenant allowance is typical for the Durham commercial market for first generation leases (second generation leases do not usually demand as much upfit support from the Landlord). Kandible, Inc. will spend approximately \$300,000 of their personal funds in addition to the tenant improvement allocation for a total project cost of approximately \$369,420.00. Funds for this upfit (expenses) are in project code 4800C002-731000-CC402.

SDBE Summary

This item does not require review by the Equal Opportunity/Equity Assurance Department.

Attachments

Lease Agreement