

**Lease Authorization Request
WSU Coney Island, Inc.**

Recommendation

Pursuant to University Policy 04-6 Contract Signatories section 4.1.A.2 regarding the lease of real property, where the lease is for a period longer than 120 months including an unconditional right of renewal, it is recommended that the Board of Governors authorize the President, or his designee, to enter into a ten-year lease agreement with additional five-year option with WSU Coney Island, Inc., a Michigan Corporation.

Background and Description

The Anthony Wayne Drive Apartment complex is currently under construction on the west side of Anthony Wayne Drive between Kirby Street and Warren Avenue in the residential precinct of campus. In addition to 841 beds of new campus housing with residential program and support spaces, the complex will also provide approximately 26,500 square feet of ground-floor retail space to serve the campus and surrounding communities.

The first floor of the six-story south tower of the complex will contain four retail spaces. WSU Coney Island, Inc. seeks to lease 3,775 square feet in the courtyard formed by the south and center towers with frontage on Anthony Wayne Drive, see the illustration below..

WSU Coney Island, Inc. is a diner-style restaurant which will operate under the name Leo's Coney Island. Leo's sells diner-style food as well as non-alcoholic beverages that are typically found in diner restaurants. Hussein "Sam" Jouni is the principal owner of WSU Coney Island, Inc with a business address of 22228 Lawrence Ave, Dearborn, MI 48128 Mr. Jouni currently owns six of the 60+ Leo's Coney Island restaurants open in the greater Detroit area.

The initial term of the lease is 10 years, and the new base lease triple-net rental rate is \$22.00 per square foot (\$83,050 annually) for the first 2 years, \$24 per square foot (\$90,600 annually) for years 3 through 5 and then \$26.00 per square foot (\$98,150 annually) for years 6-10. There is one five-year option for the tenant to extend the lease with a \$2.00 per square foot rent escalation. The initial additional assessment for Common Area Maintenance is \$5 per square foot with 3% annual increases in all lease years. The tenant is being provided an inducement payment (tenant improvements' payment) of up to \$60,400 for build-out work including ceiling, lighting and bathrooms. Given the current apartment complex construction schedule, the Leo's Coney Island location will be available to the tenant in spring 2019 with an anticipated retail opening in Fall 2019.

The Anthony Wayne Drive Apartment complex is part of the WSU-Corvias Housing Partnership. WSU and Corvias share responsibility for the selection of tenants that add value for the campus and Midtown communities. WSU as the building owner is the signatory for this retail lease. Corvias as facility manager has been responsible for tenant recruitment and negotiation and will be responsible for managing tenant build-out according to university standards, lease performance, and tenant relations during the term of the lease.

