

Informational Item
Wayne State University Lease Amendment with DT Tubby's, LLC

At its June 22, 2018 meeting, the Board of Governors authorized the President or his designee to enter into a ten-year lease agreement with additional options with DT Tubby's LLC, a Michigan Corporation. The location of the lease for 1,745 square feet is in the south building of the Anthony Wayne Drive Apartments complex, see Illustration 1 below.

Background and Description of Amendment Terms

DT Tubby's, LLC is a quick service restaurant franchise which will operate under the name Tubby's and will sell primarily grilled subs and Just Baked cupcakes as well as non-alcoholic beverages that are typically found in quick service restaurants. Nathan Hindo and Seba Hindo are the principal owners of DT Tubby's, LLC with a business address of 27819 Westcott Crescent Circle, Farmington Hills, MI 48334. The Hindos will own this new restaurant and three other Tubby's locations in southeast Michigan.

The first floor of the six-story south tower of the complex will contain four or five retail spaces. **DT Tubby's, LLC seeks through an amendment to their existing lease to increase their current 1,735 square foot footprint to a new footprint of 2,207 square feet and move their location two storefronts to the south in the same courtyard formed by the south and center towers of the Anthony Wayne Drive Apartments with frontage on Anthony Wayne Drive, see Illustration 2 below.**

Existing Rent and Inducement based on 1,735 square feet:

Lease Year	Annual Minimum Rent	\$ per square foot
1-5	\$49,447.50	\$28.50
6-10	\$52,050.00	\$30.00
First Option years 11-15	\$55,520.00	\$32.00
Second Option years 16-20	\$58,990.00	\$34.00
Inducement Payment	\$44,700	\$25.76

New Proposed Rent and Inducement based on 2,207 square feet:

Lease Year	Annual Minimum Rent	\$ per square foot
1-2	\$57,382.00	\$26.00
3	\$60,692.50	\$27.50
4-5	\$62,899.50	\$28.50
6-10	\$66,210.00	\$30.00
First Option years 11-15	\$70,624.00	\$32.00
Second Option years 16-20	\$75,038.00	\$34.00
Inducement Payment	\$53,960	\$24.50

Submitted by: William Decatur, Vice President, Finance and Business Operations

In the initial lease at the smaller footprint, rent for the first five years was \$28.50 SF. In the lease amendment with the larger footprint, the first three years are at \$26.00 SF, \$26.00 SF and \$27.50 SF respectively. In years four through ten and the two optional extensions, the per square foot rent charge matches the original lease.

DT Tubby's, LLC was being provided an inducement payment (tenant improvements payment) of up to \$44,700 for build-out work including ceiling, lighting and bathrooms. With the new larger footprint, the inducement payment was increased up to \$53,960, which actually reduced the per square foot inducement payment from \$25.76 to \$24.50 per square foot for this tenant.

All other terms of the initial lease remain unchanged by the amendment.

By enlarging and relocating the Tubby's tenant, the WSU-Corvias Partnership benefits by:

- Committed total value of the ten-year base term increases from \$507,488 to \$632,306. The remaining two adjacent retail spaces are likely to be non-food tenants at a lower square foot rent, so enlarging the Tubby's tenant generates more revenue per square foot.
- By moving the enlarged Tubby's footprint to the south, the demising walls of the retail units align better with the structural supports of the building which creates 399 additional leasable square feet of space for the project. (Overall gross leased area of the AWD complex will increase from 26,471 SF to 26,770 SF.)

Given the current apartment complex construction schedule, the Tubby's and Just Baked location will still be available to the tenant in late spring 2019 with an anticipated retail opening in Fall 2019.

Illustration 1 – Tubby's initial 1735 SF initial location



Illustration 2 – Tubby's new 2207 SF location

