

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	January 3, 2023
Action Required:	Approve the Resolution following Public Hearing
Presenter:	Brenda Kelley, Redevelopment Manager
Staff Contacts:	Samuel Sanders, Jr., Deputy City Manager Allyson Davies, Senior Deputy City Attorney
Title:	Approving a Lease Agreement with McGuffey Arts Associates, Inc. for the lease of 201 2nd Street NW (1 reading)

Background

The City of Charlottesville and McGuffey Arts Associates, Inc. formed a dynamic relationship in 1975, whereby this co-operative arts organization leases the former McGuffey Elementary School from the City. McGuffey Art Center, one of the oldest artist-run cooperative art centers in the country, rents more than 45 studio spaces to artists, has more than 100 artists within the art center's association, and has 4 incubator residency members. The artists within the community participate in varying ways to support McGuffey Art Center's growth through teaching classes and workshops, showcasing works in exhibitions, participating and holding events and doing community outreach. This organization and the services it provides have proven to be of great benefit to the Downtown business corridor and local art scene.

The most recent Lease Agreement with McGuffey ("Tenant") was effective for five (5) years from November 3, 2015 through October 31, 2020. Because this lease expired on October 31, 2020 and was not extended through a new lease agreement and the Tenant remained in the property, the lease effectively became a holdover, month-to-month lease. A Lease Extension was recently entered into and expires December 31, 2022. Currently, McGuffey leases the building and property from the City for \$2047.00 per month.

Discussion

According to a summary of the Arts & Economic Prosperity IV for the Greater Charlottesville Area, VA report Copyright 2012 Americans for the Arts:

Arts & Economic Prosperity IV provides compelling new evidence that the nonprofit arts and culture are a significant industry in the Greater Charlottesville Area—one that generates \$114.4 million in total economic activity. This spending—\$49.5 million by nonprofit arts and culture organizations and an additional \$64.9 million in event-related spending by their audiences—supports 1,921 full-time equivalent jobs, generates \$48.9 million in household income to local residents, and delivers \$9.2 million in local and state government revenue. This economic impact study sends a strong signal that when we support the arts, we not only enhance our quality of life, but we also invest in the Greater

Charlottesville Area's economic well-being.

McGuffey's Annual Report 2020-2021 highlights their efforts to realize their arts vision. This Annual Report also shows Net Income of approximately \$26,400. The proposed lease is consistent with the spirit of past agreements in terms of the fiscal and legal relationship between our organizations, over a five-year lease period. McGuffey's Annual Report 2020-2021 can be found:

https://static1.squarespace.com/static/5ff7aec66a12bf007985d03a/t/6215232e49f18e77c81c1e0d/1645552436108/MAC_AR2021.pdf

City staff provides the following information relative to this lease approval request:

McGuffey building space (square footage):	34,217
Assessed Value (includes McGuffey Park site):	\$8,374,200
Current Lease Rate:	\$2,047/month*
*would be \$2,517.55/month if City had exercised its right to 3% annual rent increase	
Current Lease Rate per square foot:	\$0.72 +/-
Potential Annual Lease Value:	\$15-20 / SF \$42,771 - \$57,028 / month

Comparable Market Rent (per square foot):

(NAR Commercial Real Estate Metro Market Report, Q1/2022 for Charlottesville, VA)

Office:	\$24.7
Retail:	\$20.6

The general terms of the Lease Agreement are:

Lease period:	5 years (expires December 31, 2027)
Lease rate:	\$2,593.00/month, with no more than 3% annual increase
Security Deposit:	\$5,186.00
Tenant Responsibilities:	grass mowing, maintenance of exterior light fixtures; janitorial services; cost of utilities, insurance; Tenant accepts Premises "as-is"
City Responsibilities:	maintenance of structural elements; some landscape services

Alignment with City Council's Vision and Strategic Plan

The provision supports City Council's visions of Economic Sustainability; and C'ville Arts & Culture. This program aligns directly with Strategic Plan Goal 3.5: Protect historic and cultural resources; Goal 4.2 Attract and cultivate a variety of businesses; and Goal 4.4 Promote tourism through effective marketing.

This program also supports the 2021 Comprehensive Plan's:

Guiding Principle: Community Culture & Unity: Charlottesville's rich and diverse culture and form will be celebrated, and the entire community will feel welcomed, valued, and respected. The City will protect, celebrate, and enhance the people and places that have added to the uniqueness and cultural diversity of the community.

Land Use, Urban Form, and Historic & Cultural Preservation; Goal 11. Historic Resource Protection: Provide effective protection of Charlottesville's historic resources, including through recognition and incentives.

Economic Prosperity & Opportunity; Goal 3. Innovation and Growth: Create an entrepreneurial environment that fosters the creation and success of businesses.

Community Engagement

This Lease Agreement has been reviewed by McGuffey Arts Associates, Inc. representative(s).

Budgetary Impact

This request does not require any funding from the City budget. It is assumed that maintenance costs may be offset by rent payments.

Recommendation

Staff recommends that City Council approve the attached Resolution following Public Hearing.

Suggested Motion: "I move the RESOLUTION approving a 5-year lease of City property to McGuffey Arts Associates, Inc."

Alternatives

City Council could choose to not approve this Resolution which will result in the current lease extension to expire. The terms of the lease extension specifically states that the terms may not be renewed through additional addendum after this current extension period expires.

Attachments

1. Resolution McGuffey Lease Agreement 010323
2. McGuffey Lease finalJan2023vrs3