



MEMORANDUM

TO: Mayor and Council

FROM: Joseph A. Melder

RE: City Market Second Amendment to Lease

DATE: October 7, 2024

The purpose of this memorandum is to provide information pertaining to the Second Amendment of the City Market property lease.

The original City Market was reportedly built in downtown Savannah during the mid-to-late 1700s. It was a central hub for shoppers and vendors to engage in local commerce for produce, groceries, and other goods and services. The original market was a wooden structure. It burned in the early 1800's and was subsequently replaced by a larger structure. The second market was later demolished in the 1950's by the City of Savannah for redevelopment of the area with an above-ground parking garage. That parking garage was later demolished in the early 2000s, and the site was redeveloped with a subterranean parking garage (the Whitaker Street Garage) and a surficial public square and park (Ellis Square).

The current City Market is a collection of historic buildings and two sections of City right-of-way (the 200 and 300 blocks of W. St. Julian Street currently leased from the City of Savannah through 2035) that have been assembled just east of Ellis Square and the original City Markets. This New City Market is a festival retail, arts, and entertainment/recreational district developed to carry on the legacy of Old City Market.

The owners of City Market (Grp City Market, LLC) are seeking to update and upgrade this festival retail, arts, and entertainment/recreation district. City Market is changing the retail sub-tenant profile to make the area more family friendly. They are also seeking to invest capital to update the hardscape in the right-of-way and improve safety and security in the district. They have engaged landscape architects at Thomas and Hutton and Kimley Horn in different phases to spearhead a transformative project. With a minimum budget of \$300,000, the improvements outlined for Phase 1 will include the following:

- i. Free-standing access control structures: these will help enclose the courtyard spaces in the evenings, enhancing safety for visitors and businesses alike.
- ii. Seating improvements: seat walls and additional seating capacity will be integrated to enhance the existing infrastructure.

- iii. Gateway elements: the design will incorporate vertical and horizontal elements and paving enhancements to better define City Market's presence and boundaries. A significant feature of the plan includes an archway or monument at the Ellis Square end, paying homage to the area's rich history.
- iv. Tree preservation and site beautification: the City is working closely with an arborist to ensure the longevity of existing trees, alongside plans to install elevated benches and stain or pattern the existing hardscape throughout the courtyard.
- v. Safety Enhancements and Ongoing Contributions: City Market has taken substantial steps to enhance security, investing over \$225,000 annually for off-duty police officers, security measures, and general maintenance of the area. This private investment has significantly reduced crime rates on the property through the installation of a temporary gating system and numerous surveillance cameras connected to the Savannah Police Department's Fusus system.
- vi. Improved lighting: lighting is being designed to make City Market a safer space for both locals and tourists.

The Tenant has requested a lease extension to amortize and recapture this investment of capital and operating funds. A second amendment has been negotiated among the parties that will extend the lease for 20-years and increase the rental rate to \$75,000 per year (beginning in 2025). This rental rate will escalate at the rate of 2.5% per subsequent year during the term of the lease. In real (non-inflated and non-escalated) dollars, the lease amendment will generate more than \$1.6 million of additional rental income to the City's general fund over the amended term, if approved.