

In March 2015, City Council approved SUP #2014-0128 which permitted the expansion of the restaurant from a 3,950 square foot restaurant and market to an approximately 4,530 square foot full service establishment. An additional 222 total seats (135 indoor seats and 67 outdoor seats at the City Marina) were also approved. The additional outdoor seating did not require an expansion of the lease area so the lease was not amended. The Waterfront Market operated until the winter of 2015 when it briefly closed for the introduction of its current restaurant concept, which was renamed as Vola's Dockside Grill and Hi-Tide Lounge.

DISCUSSION: On March 7, 2017, the Planning Commission recommended approval of Special Use Permit #2017-0002 to add 47 additional outdoor seats and expand its existing City Marina outdoor dining area for Vola's Dockside Grill. The Special Use Permit is on City Council's docket for its consideration. In addition to the approval of the Special Use Permit by City Council, this proposed expanded outdoor dining area requires a lease to use the City's property.

The expanded area for outdoor dining would utilize a portion of the right of way known as Torpedo Plaza and City Marina (Plaza) that was used by the previous lease and expands the area from 883 square feet to 1,225 square feet with added area to the west (see "Expanded Outdoor Seating Area" in Attachment 1).

Under the terms of the lease agreement, the City retains ownership of the land but the applicant has permission to use it consistent with the SUP approval for three years. After the three years, the applicant would need to request a renewal of the lease at which time the City may reconsider the terms of the lease. Two main concerns that staff took into consideration when reviewing this lease are the pedestrian circulation and the annual fee.

In regard to the pedestrian circulation, Staff recognizes that the marina can be congested during high traffic times. As the City Council is aware, other portions of the marina area are encumbered by a long-term lease held by the Alexandria Waterfront Associates Limited Partnership (AWA). The AWA lease area includes a parcel known as parcel 4A that is directly adjacent to this Expanded Outdoor Seating Area and the Torpedo Factory Building. See Exhibit 1 to the Lease. In order to ensure at least a 21-foot pedestrian circulation area, the Lease Agreement requires Vola's Dockside Grill to obtain control of parcel 4A and to ensure that the pedestrian pathway remains open at all times. Staff believes this proposal appropriately maintains the balance of space for circulation with expanded outdoor dining activity.

In regard to the annual fee, Staff took into consideration the market value of the use of this area by using the market value of the lease for the indoor space for this restaurant as a basis for the annual fee. The fee is then discounted to take into consideration that this is outdoor space and cannot be used year round. Staff believes this is a more accurate calculation of the value of this property and appropriately compensates the city for the use of this property.

Staff believes that the use of this marina area for outdoor dining benefits the City both through monetary compensation and through increased activity on the City's Waterfront. The conditions included in both the SUP and the Lease Agreement adequately safeguard against the impacts of this use. The Lease Agreement and Exhibit showing the lease area is attached for City Council's consideration.

FISCAL IMPACT: An annual fee calculated with reference to the market value of the restaurant's commercial floor space adjusted for nonuse because the space is outdoors. The annual fee shall be based on the lease rate per square foot of the indoor restaurant space at 101 North Union Street (\$44.29 per sf), discounted by 29% (\$31.45). This amount will increase by 3% annually.

The Annual Lease Fee is therefore as follows: \$38,526.25 (year 1); \$39,682.04 (year 2); and \$40,872.50 (year 3) to be paid in quarterly installments.

ATTACHMENT: ARP Waterfront, LLC Lease Agreement

STAFF:

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