

**State of Texas
County of Bexar
City of San Antonio**



DRAFT

Meeting Minutes

City Council B Session

City Hall Complex
114 W. Commerce
San Antonio, Texas 78205

Wednesday, May 6, 2015

2:00 PM

Municipal Plaza Building

The City Council of San Antonio convened in the “B” Room of the Municipal Plaza Building with the following Councilmembers present:

PRESENT: 11 - Mayor Taylor, Trevino, Warrick, Viagran, Saldaña, Gonzales, Lopez, Medina, Nirenberg, Krier, and Gallagher

1. A Briefing on the Downtown Public Private Partnership (P3) that will result in a consolidated administrative office tower for the City of San Antonio, 265 housing units in the central business district, and the construction of the first new class A office tower in downtown since 1989. [Carlos Contreras, Assistant City Manager; Lori Houston, Director, Center City Development & Operations]

Lori Houston presented the Downtown Public Private Partnership (P3) noting that they had received the proposal in August 2014. She stated that the transaction would include the sale of three properties: 1) Municipal Plaza Building, 2) San Fernando Gym, and 3) Surface Parking Lot at 403 N. Flores Street. She noted that the City would purchase the Frost Bank Tower which would allow for the consolidation of City Operations. She reported that Weston Urban would build a new tower to serve as the Frost Bank Headquarters located at the current Frost Motor Bank Site. She indicated that this would be the first Office Tower in the Downtown Area in 26 years and that 265 Downtown Housing Units would be built.

She stated that the City of San Antonio would sell the Municipal Plaza Building but retain the City Council Chambers including Mezzanine Levels M and 1, as well as the B Room. She noted that Weston Urban would purchase Floors 2 through 11, Plaza Room C, and the remaining Plaza Rooms. She indicated that they would redevelop the property into 65 housing units and 3,500 square feet of retail on the Commerce Street Frontage. She mentioned that the operations at San Fernando Gym would be relocated to another facility and Weston Urban would redevelop the property for housing. She added that they would develop the surface lot at 403 N. Flores along with property they own nearby into 130 housing units.

Mrs. Houston stated that the City of San Antonio would acquire the Frost Bank Tower which includes 445,617 square feet and a 732-space parking garage. She noted that the building was connected to the Municipal Plaza Building via a tunnel. She reported that on October 17, 2014, a competing proposal was received from Primera Partners proposing a direct sale of the Riverview Towers located at 111 Soledad Street. However, the City of San Antonio did not pursue the competing proposal as it did not have parking or other economic benefits that would be realized by the Weston Urban Proposal. She stated that they hired the Glen Company to complete a Fair Market Appraisal of the Frost Bank Tower which came in at \$47.5 Million. She mentioned that a Space Needs Analysis was completed to determine how much of the Frost Bank Tower that the City would occupy utilizing an open space floor plan. It was determined that the City would utilize 12 floors, the Basement Level, and some of the Street Level. She noted that the City could lease out six floors to third party office users and the remaining Street Level Space to retail users. She reported that a Building Assessment was conducted for the Frost Bank Tower which identified \$6.7 Million in improvements. She indicated that a 30-Year Cash Flow Analysis showed a net savings of \$1.2 Million to the City Budget over 30 years. She added that staff was exploring other opportunities to increase the net savings to include the disposition and sale of the Continental Hotel Building and property at 506 Dolorosa. She mentioned that they were also exploring the opportunity to relocate ITSD from their office on Frio Street to the Frost Bank Tower.

Mrs. Houston reported that the transaction would be memorialized in a Comprehensive Development Agreement (CDA) between the City of San Antonio, Weston Urban, and Frost Bank. She stated that the CDA would include several other agreements and contracts as exhibits to include the following: 1) Real Estate Contract for the purchase of the Frost Bank Tower; 2) Real Estate Contracts for the purchase of the three City Properties; 3) Master Lease Agreement for Frost Tower to be occupied by Frost Bank during the construction of the new tower; 4) Development and Incentive Agreement for the construction of the new tower and housing projects; 5) Pre Paid Purchase Price Deposit; 6) Parking Lease Agreement for 85 spaces in the Frost Bank Garage; and 7) Lease/License

Agreement for shared use of the tunnel that connects Frost Bank to the Municipal Plaza Building.

Mrs. Houston stated that the City of San Antonio would purchase the Frost Bank Tower for \$51 Million. She noted that Frost would provide the City with at least \$1.9 Million toward the \$2.9 Million of improvements needed for the building through a lease arrangement during the 36-month Master Lease Period. She indicated that the City would deposit \$5.5 Million representing the Pre Paid Purchase Price for the Frost Bank Tower which would be applied to the Purchase Price at closing. She stated that Weston Urban would construct a 400,000 square foot tower at the Frost Motor Bank Location to include a parking garage. She noted that Frost Bank would occupy 250,000 square feet of the tower. She outlined the incentives to include a SAWS Impact Fee Waiver and other City Fee Waivers as prescribed in the Inner City Reinvestment Infill Policy (ICRIP). She added that Weston Urban would purchase three properties from the City which when combined with the properties that Frost will sell to Weston Urban, will facilitate the construction of at least 265 Housing Units.

Ben Gorzell presented information on the 30-Year Cash flow Analysis comparing revenues and expenses. He outlined the Finance Schedule for the New Tower Design, Construction, Renovation of Frost Bank Tower, and Weston Housing Development.

Mrs. Houston explained that the design effort for the new tower would take 12 months and would be completed in the Summer of 2016. He indicated that construction on the new tower was scheduled for completion in Spring of 2016. He stated that the new City Administrative Office Tower would be ready for move-in by Spring of 2020. He added that Weston Urban would renovate the Municipal Plaza for housing and anticipated completion in the Spring of 2023. She highlighted the consolidation and economic development benefits and outlined next steps. These include a Public Hearing on the proposal and agreement on May 28, 2015 and City Council Action on June 4, 2015.

Mayor Taylor thanked everyone for their partnership and stated that this was an incredible project for the City of San Antonio. She stated that she was pleased with the additional housing units and asked if they would be for sale or for rent. Mrs. Houston stated that it was too early to tell at this time and that they would look at the market over the next three to four years. Mayor Taylor spoke of the need for Affordable Housing and requested a financial summary.

Councilmember Warrick asked if there was potential for more than 265 Housing Units. Mrs. Houston replied that it was the minimum number of units that they committed to and called upon Mr. Randy Smith of Weston Urban. Mr. Smith stated that it was a conservative number since there were many unknowns at this time. Councilmember Warrick asked why

more City Employees would not be consolidated at the Frost Bank Tower. Mrs. Houston stated that they were looking at the possibility to include ITSD Employees and that there would be opportunities for expansion. Councilmember Warrick asked of the design process for the new tower. Mrs. Houston replied that it would subject to Historic and Design Review Commission (HDRC) Review and must follow the Downtown Design Guidelines approved by the City Council. Councilmember Warrick asked of the \$5.5 Million deposited by the City. Mr. Gorzell replied that it would be placed in escrow and invested but would yield minimal income.

Councilmember Saldaña spoke of the Decade of Downtown and asked of the development of the City's Annex Building. Mrs. Houston stated that when they advertised the Request for Proposals, they could include that they were looking for Affordable Units in the Scope of Work. Councilmember Saldaña stated that he had seen some good examples of Mixed Income Developments throughout the city and thanked everyone involved in this project.

Councilmember Gallagher asked of the consequence to Weston Urban if they did not go through with the agreement. Mrs. Houston replied that Weston Urban was placing \$1 Million into an account and the City of San Antonio would have access to that if Weston Urban did not follow through. Councilmember Gallagher confirmed that the City would retain the Council Chambers and asked why the Office of the City Clerk would be housed at two different locations. Mrs. Houston replied that the Office of the City Clerk was currently housed at two locations with some staff at City Hall and the other staff at the Municipal Archives and Records Facility located at 719 S. Santa Rosa. She indicated that the staff at the Records Facility would be relocated to the Frost Bank Tower and that the records would remain stored at the Records Facility.

Councilmember Viagran asked of the funding for the \$5.5 Million Deposit. Mr. Gorzell replied that it would be funded through a Short Term Note. Councilmember Viagran asked of the 732 parking spaces in the Frost Bank Tower. Mrs. Houston replied that there were parking spaces that could be leased in the evenings. Councilmember Viagran mentioned the continued use of the Council Chambers and requested that security be taken into consideration throughout all levels of the building.

Councilmember Nirenberg stated that this was a great project and asked of the International Design Competition. Mr. Smith stated that they would meet with the Best in Class Design Firms that perform this type of work throughout the country. He noted that they would visit their recent projects and ensure that there was a thoughtful selection process. Councilmember Nirenberg asked if the entire Frost Bank Tower would be renovated. Mrs. Houston replied that they would only renovate the space that City Staff would occupy. Councilmember Nirenberg stated that he hoped something could be developed at 506

Dolorosa and asked if Bexar County had been engaged. Mrs. Houston replied that they had discussions with Bexar County and would continue to do so in the future.

Councilmember Krier stated that this was a very complex deal and he was pleased that it was negotiated in such a short period of time. He commended all of the partners involved and noted that San Antonio was unique.

Councilmember Gonzales asked of the SAWS Impact Fees. Mrs. Houston stated that SAWS had provided up to \$4 Million in Impact Fee Waivers and this project would only utilize \$1.2 Million of that amount. Councilmember Gonzales asked of the additional opportunities for the Continental Hotel Building and 506 Dolorosa. Mrs. Houston replied that there was potential for a partnership with Bexar County to develop the entire block of Dolorosa into a Mixed Income Development.

Councilmember Treviño stated that this would be a transformative project and that it had a nice linear path and would be a prominent vertical architectural piece. He noted that he was excited about the International Design Competition and looked forward to participating in the process. He asked of the parking for the housing located in the Municipal Plaza Building. Mrs. Houston replied that it would be provided at the Frost Bank Tower and accessible through the tunnel connecting the two facilities. She noted that it would be included in the lease agreement with Weston Urban. Councilmember Treviño asked of the life span of the Frost Bank Tower. Mrs. Houston replied that she did not have that information. Councilmember Treviño stated that it was important information to better understand the investment.

Councilmember Warrick asked of Historic Preservation efforts for the new transactions. Mrs. Houston replied that the Municipal Plaza Building was designated Historic and would go through the HDRC if necessary but there were no plans to improve the exterior of the building. She added that the San Fernando Gym was not designated as Historic but was eligible for same and would work with the Office of the Historic Preservation to ensure that they were meeting expectations. Mayor Taylor thanked staff for the presentation and stated that she looked forward to continuing the process on this very important project for the City.

2. A Briefing on the process and recommendation for the selection of a contractor to provide exclusive catering and concession services for the Henry B. Gonzalez Convention Center. [Ed Belmares, Assistant City Manager; Michael J. Sawaya, Director, Convention & Sports Facilities]

Mike Sawaya presented an overview of the Solicitation Process for the Henry B. Gonzalez Convention Center Catering and Concession Services Contract. He stated that they issued a Request for Qualifications (RFQ) and that the estimated valued of the contact was \$17 Million annually. He noted that the current contract expires December 31, 2015 and that the proposed new term was for a 10-year term with one 5-year renewal. He outlined the Project Timeline noting that the process began a year ago with the release of the RFQ on May 19, 2014. He reported that the contract was being negotiated and that it would be presented to the City Council for approval on May 21, 2015.

Mr. Sawaya highlighted the Project Scope noting that the contract would provide for all food and beverage service on an exclusive basis for events held in the Convention Center. He stated that it would also include a provision for event-related non-edible merchandise services such as novelties, souvenirs, and programs for commercial events. He noted that they would book catering business for the Convention Center and be an integral member of the Convention Center's Customer Outreach. He spoke of the Solicitation Requirements and noted the Evaluation Criteria and Small Business Economic Development Advocacy (SBEDA) Subcontracting Requirements. He reported that 303 vendors were notified of the RFQ and 18 vendors attended the pre-submittal conference. He mentioned that three responses were received and that one firm was deemed non-responsive for failure to meet the SBEDA Subcontracting Goal.

Mr. Sawaya stated that they hired Chris Bigelow of the Bigelow Companies to serve as a Consultant and assist in evaluation of the Concession Proposals. He noted that the two groups that submitted qualified proposals consisted of the RK Culinary Group, LLC and Centro Hospitality Venture. He spoke of the recommendation rationale for each group within Presence, Staffing, Investment, and Commission. He outlined the Project Evaluation Committee Member and Scoring Matrix noting that the RK Culinary Group, LLC received a total score of 81.17 and the Centro Hospitality Venture received a total score of 69.32. He stated that the next steps were to negotiate the contract with the RK Culinary Group, LLC and bring the contract forward for City Council Consideration on May 21, 2015.

Mayor Taylor thanked staff for the presentation and asked of the points awarded within the Experience and Proposed Plan Categories. Mr. Sawaya replied that they looked at the experience and location where each entity has operated, how they work together, and the types of things they have done as a group. He stated that they had also looked at their experience in operating in a Convention Center or Public Assembly Buildings. He noted that they had interviewed the groups and that the groups had presented their ideas and concepts and answered detailed questions. He mentioned that with regard to their Proposed Plan, they discussed how they would operate in the building and how they would deliver services to Convention Center customers.

Councilmember Warrick asked of the points awarded for SBEDA. Alex Lopez of the Economic Development Department stated that the SBEDA Ordinance requires them to look at the Scope of Work, identify who will be performing the work within the Joint Venture, review the Ownership and the Profit Sharing, and that the distributions were noted within the Ordinance. She noted that for Centro, they showed that Minority and Women-Owned Businesses owned half of the Joint Venture and received the full 20 points. She added that the Minority and Women-Owned Businesses for the RK Culinary Group, LLC was in the 30% range and therefore; only received 10 points. Councilmember Warrick thanked staff and congratulated the RK Group who was located in District 2.

Mayor Taylor thanked everyone and recognized the representatives from the RK Group that were present.

EXECUTIVE SESSION

Mayor Taylor announced that the Executive Session would not be held.

- A. Deliberations regarding economic development negotiations and discuss related legal issues pursuant to Texas Government Code Sections 551.087 (economic development) and 551.071 (consultation with attorney).

- B. Deliberate the purchase, exchange, lease or value of real property and discuss related legal issues pursuant to Texas Government Code Sections 551.072 (real property) and 551.071 (consultation with attorney).

- C. Discuss legal issues related to collective bargaining pursuant to Texas Government Code Section 551.071 (consultation with attorney).

RECONVENED

Mayor Taylor reconvened the meeting at 5:15 pm and addressed the Ceremonial Items.

CEREMONIALS

Mayor Taylor presented a Proclamation to the San Antonio Police Department who will hold its Annual San Antonio Police Officers Memorial Day on Friday, May 8, 2015 to honor the 57 members of the SAPD who have lost their lives in the line of duty. It was noted that since 1961, the President of the United States has proclaimed May 15th as Peace

Officer Memorial Day and the week in which it falls as Police Week.

Mayor Taylor presented a Proclamation to the National Association of Letter Carriers Branch 421 in San Antonio who will join the nation-wide food drive “Stamp out Hunger,” on Saturday, May 9, 2015. It was stated that this is the largest one-day drive in San Antonio and the surrounding areas benefitting the San Antonio Food Bank.

Mayor Taylor presented a Proclamation to the Bexar Audubon Society who will celebrate International Migratory Bird Day on May 9, 2015. It was noted that the observance is held to call attention to winged and endangered friends.

Mayor Taylor presented a Proclamation to the San Antonio Convention and Visitors Bureau (CVB) who will join the U.S. Travel Association in celebrating National Travel and Tourism Week May 2-10, 2015. It was stated that the CVB will utilize the week-long observance to share the importance of travel and hospitality with its Industry Partners, Local Business Leaders, Legislature and Media.

Mayor Taylor excused herself from the meeting and Mayor Pro Tem Warrick presided.

CITIZENS TO BE HEARD

Mayor Pro Tem Warrick called upon the citizens registered to speak.

Jesus Vidales commented on the importance of beautification and expanding investment on the West Side of San Antonio.

Liz Davila submitted a statement detailing the importance of family and rehabilitation of old neighborhoods.

Sandra Duarte spoke of the importance of maintenance of neighborhoods on the West Side of San Antonio.

Mu Son Chi commented on the importance of neighborhood and family in San Antonio.

Michael Knuffke expressed his concern for the zoning of the Planned Parenthood Facility located at 2140 Babcock.

Patrick Von Dohlen spoke against the zoning of the Planned Parenthood Facility located at 2140 Babcock.

Ione McGinty spoke against the issue of abortion.

Sylvia Villarreal spoke against abortion facilities operating in San Antonio.

Pancho Valdez spoke against Gentrification and special interest donations to campaign funds.

Amy Kastely spoke to the importance of hearing citizen input.

Rhett Smith spoke to the issue of Gentrification and government transparency.

Araceli Herrera spoke against Gentrification and the importance of respect for the community.

Kellie Gretschel commented on the importance of following zoning codes.

Jerry Gonzales, Richard Solis, Joseph Windham spoke to the issue of Gentrification and challenges that citizens face retaining homeownership.

Jerry Gonzales spoke of the importance of assisting citizens with homeownership.

Alejandra Lopez commented on issues of Gentrification worldwide.

Elizabeth Delgado noted the importance of finding a solution to Gentrification.

Nettie Hinton expressed concerns with the issue of Gentrification.

Maria Berriozabal spoke of the importance of hearing citizen concerns on the issue of Gentrification.

Susana Segura read a letter submitted on behalf of Marianne Kestenbaum regarding concerns with the Mayor's Task Force on Preserving Diverse and Dynamic Neighborhoods.

Faris Hodge, Jr. submitted written testimony highlighting the five women that qualified for Army Ranger School. He wrote that the fatal rate for drivers 85 years and older was nine times higher than the rate for drivers between 25-65 years of age. He wrote of the \$4 Million donated to the Children's Hospital. He noted that the City of San Antonio had spent a great amount of money on the proposed bridge at Hardberger Park. He wrote that new home sales were at a 6-year high.

ADJOURNMENT

There being no further discussion, Mayor Pro Tem Warrick adjourned the meeting at 7:33 pm.

APPROVED

IVY R. TAYLOR
MAYOR

ATTEST:

LETICIA M. VACEK, TRMC/CMC/MMC
CITY CLERK