

**THIS IS A DRAFT AND WILL BE REPLACED BY THE FINAL, SIGNED
ORDINANCE OR RESOLUTION ADOPTED BY CITY COUNCIL.**

AN ORDINANCE

APPROVING: 1) A DEVELOPMENT SUBLEASE AGREEMENT BETWEEN HEMISFAIR PARK AREA REDEVELOPMENT CORPORATION (HPARC) AND ZH DOWNTOWN DEVELOPMENT COMPANY, LLC, AN AFFILIATE OF ZACHARY HOSPITALITY, FOR IMPROVEMENTS ON APPROXIMATELY 5 ACRES OF LAND IN THE NORTHWEST QUADRANT OF HEMISFAIR OWNED BY THE HEMISFAIR PUBLIC FACILITIES CORPORATION (PFC); 2) A PARKING GARAGE DEVELOPMENT AGREEMENT AND LICENSE BETWEEN THE CITY, HPARC, AND ZH DOWNTOWN DEVELOPMENT COMPANY, LLC, TO SUPPORT CURRENT AND FUTURE DEVELOPMENT OF HEMISFAIR; AND 3) A PROCESS FOR CITY CERTIFICATION THAT A PROPOSED HOTEL COMPLIES WITH THE HEMISFAIR HOTEL RESTRICTIONS ADOPTED BY CITY COUNCIL PURSUANT TO ORDINANCE 2013-10-17-0711.

* * * * *

WHEREAS, Hemisfair Park Area Redevelopment Corporation (HPARC) was established in August 2009 to manage and oversee the planning, development, and construction of projects within Hemisfair consistent with the Hemisfair Master Plan approved by City Council in February 2012; and

WHEREAS, in December 2013, 18.47 acres of parkland throughout Hemisfair were designated and dedicated as parkland, doubling the size of the previous unencumbered parkland, and in December 2014, the Hemisfair Park Public Facilities Corporation (PFC) previously created by City Council, authorized a Master Lease Agreement with HPARC to allow for long-term ground leases of properties owned by the PFC, granting HPARC the authority to solicit Public Private Partnerships (P3) proposals, and requiring the PFC to approve development leases involving its property; and

WHEREAS, in March 2015, HPARC began the solicitation of two parcels of land in the northeast zone of Hemisfair through an extensive P3 process, with 11 firms responding, and in January 2016, after a review by and recommendation of a Blue Ribbon Panel, staff entered into exclusive negotiations with Zachry Hospitality; and

WHEREAS, Zachry Hospitality has proposed \$200 a million development that will include 385 housing units, 50,000 – 70,000 square feet of retail, 60,000 – 120,000 square feet of office space, a 200 room hotel, and up to 800 public parking spaces, with 600 parking spaces to be operated by the City for public parking serving the Alamo, Riverwalk, La Villita, the Henry B. Gonzalez Convention Center, and Hemisfair, and the balance of 200 spaces to be licensed to and operated

by ZH Downtown Development Company, LLC (the “Developer”) an affiliate of local real estate developer Zachry Hospitality, LLC, and available to the public; and

WHEREAS, the proposed Development Sublease Agreement between HPARC and the Developer has a primary term of 50 years, with four 10-year renewal options and one 7-year renewal option and provides for the payment of market rent by the Developer or an affiliate; and

WHEREAS, certain changes to the boundaries of the development parcels on which this Project will be built, also necessitates the approval by the PFC of Second Amendments to the Master Lease and Master Agreement with HPARC; and

WHEREAS, an approximate 800 space below grade parking garage underlying this development will be built by ZH Downtown Development Company, LLC pursuant to a Parking Garage Development Agreement and License between City, HPARC and ZH Downtown Development Company, LLC; and

WHEREAS, the costs of construction will be paid pro rata by Developer and the City but the City’s share will not exceed \$18,000,000; and

WHEREAS, the City will operate the parking facility, with operating expenses paid pro rata by Developer and the City pursuant to a Parking Garage Operating Agreement between City and the Developer; and

WHEREAS, the City will finance its pro rata portion of the parking garage through the parking enterprise fund and once the parking garage is designed and a project budget is developed, staff will return to City Council requesting authorization for the projects funding; and

WHEREAS, to accommodate the construction of an underground parking garage, HPARC will sublease to City the subsurface area underlying the land being subleased to the Developer, requiring the approval of City Council; and

WHEREAS, pursuant to Ordinance 2013-10-17-0711, City Council adopted the Declaration of Restrictive Covenants which established specific deed restrictions on the size, number and other features applicable to hotels to be constructed in Hemisfair Park; and

WHEREAS, the Declaration of Restrictive Covenants authorizes the City and the San Antonio Conservation Society, a Texas nonprofit corporation, each to independently enforce a hotel project’s compliance with the Declaration of Restrictive Covenants; and

WHEREAS, the exercise of the authority of the City and the San Antonio Conservation Society under the Declaration requires the adoption of a process for their mutual determination during project development that a proposed hotel project complies or fails to comply with the Declaration of Restrictive Covenants; **NOW THEREFORE BE IT ORDAINED THAT:**

SECTION 1. The Hemisfair Park Public Facilities Corporation (“PFC”), approves the terms and conditions of: (a) a Development Sublease with ZH Downtown Development Company, LLC for construction of the Project; and (b) Second Amendment to the Master Lease Agreement with HPARC and (c) Second Amendment to the Master Agreement with HPARC and City. The City Manager, in her capacity as the Executive Director of the PFC, or her designee, is authorized to sign the Development Sublease, Second Amendment to the Master Lease Agreement and Second Amendment to the Master Agreement, on behalf of the City of San Antonio as well as in her role as the Executive Director of the PFC, along with any other ancillary documents found by the City Attorney to be necessary to carry out the intent of this Ordinance. Copies of the documents, in substantially final form, are set out in **Attachments I, II and III.**

SECTION 2. The City Council approves the terms and conditions of: (a) a Parking Garage Development Agreement and License between the City, HPARC, and ZH Downtown Development Company, LLC, (b) a Parking Garage Sublease between the City and HPARC and (c) a Parking Garage Operating Agreement between the City and ZH Downtown Development Company, LLC. The City Manager or her designee is authorized to sign the Parking Garage Development Agreement and License, a copy of which, in substantially final form is set out in **Attachment IV**, the Parking Garage Agreement, a copy of which is attached to the Parking Garage Development Agreement and License, and the Parking Garage Operating Agreement, a copy of which is attached to the Parking Garage Development Agreement and License, as well as related licenses and any other documents determined by the City Attorney to be necessary to carry out the intent of this Ordinance.

SECTION 3. The City Council adopts a Process for Certification of Compliance to determine if a proposed hotel project in Hemisfair Park complies with the Declaration of Restrictive Covenants, set out in **Attachment V.**

SECTION 4. The City Council authorizes the Director of the Department of Transportation and Capital Improvements, or its successor, in consultation with the San Antonio Conservation Society, to review the documentation required by the Process for Certification of Compliance.

SECTION 5. The City Manager or her designee is authorized to issue on behalf of the City of San Antonio the Certifications attached to the Process for Certification of Compliance, as required.

SECTION 6. This Ordinance is effective immediately upon the receipt of eight affirmative votes; otherwise, it is effective ten days after passage.

PASSED AND APPROVED this 2nd day of February, 2017.

VZ
02/02/17
Item No. _____

M A Y O R
Ivy R. Taylor

ATTEST:

APPROVED AS TO FORM:

Leticia M. Vacek
City Clerk

City Attorney

DRAFT