



# City of San Antonio

## Agenda Memorandum

**File Number:** 15-5763

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**Agenda Item Number:** 31.

**Agenda Date:** 1/28/2016

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Development & Operations

**DEPARTMENT HEAD:** John Jacks

**COUNCIL DISTRICTS IMPACTED:** Council District 1

### **SUBJECT:**

Hemisfair P3 at Southwest Quadrant

### **SUMMARY:**

An ordinance of the Hemisfair Park Public Facilities Corporation approving a Development Sublease Agreement with local real estate developer AREA Real Estate, LLC for Hemisfair's Public-Private Partnership (P3) on approximately 1.1 acres of land in the southwest quadrant of land owned by the Corporation.

### **BACKGROUND INFORMATION:**

Hemisfair Park Area Redevelopment Corporation (HPARC) was established in 2009 to manage and oversee the redevelopment and management of Hemisfair. The Hemisfair Master Plan, approved by City Council in February 2012, identifies P3 mixed-use vertical structures at various sites within Hemisfair. To accomplish this goal, the City Council identified areas of land within Hemisfair that may be developed, and conveyed those properties to the Hemisfair Park Public Facilities Corporation (HP PFC), a corporation governed by City Council. On December 11, 2014, the HP PFC authorized a Master Lease Agreement with HPARC to allow for long-term ground leases of the HP PFC properties. Consistent with Council's prior action and the adopted Master Plan, the City Council granted HPARC the authority to solicit P3 proposals on this HP PFC land on June 26, 2014. The Master Lease requires the HP PFC to approve development agreements involving its property.

HPARC received five responses to a RFQ for development at the southwest quadrant site, located at Hemisfair Boulevard and E. Nueva Streets (Exhibit A). The Selection Committee consisted of two voting members from HPARC and three voting members from City staff, including City Manager's Office, City Architect's Office, and City Finance Department.

AREA Real Estate, LLC was selected based on their conceptual drawings, financial proforma, overall deal structure and ability to deliver a complex urban product. The Development Sublease Agreement includes the following highlights:

- 45 year lease with options between HPARC and Area Real Estate, LLC
- 163 mixed-income residential units
- 418 space structured parking garage, including 238 public spaces
- 3,200 square feet of retail/restaurant at ground floor
- 50% of units limited to 80% of Bexar County Area Median Income (AMI)
- Annual stabilized returns (2018-19) to Hemisfair of approximately \$155,000

This agreement follows the P3 Guidelines adopted by the Hemisfair Board and subsequently shared with the City Council.

#### **ISSUE:**

HPARC was created to oversee the redevelopment of Hemisfair, to fundraise for the construction of new park assets, and to activate and maintain the parks. P3 projects will generate revenue to fund operations, maintenance, development, administration and activation of the park, including the recently completed Yanaguana Garden, consistent with the approved Master Plan.

#### **ALTERNATIVES:**

In the event that City Council, in its role as the Board of the HP PFC, does not approve the Development Sublease Agreement with AREA Real Estate, LLC, HPARC will have to re-issue the RFQ/RFP to select another developer, thus delaying development at the site.

#### **FISCAL IMPACT:**

There is no fiscal impact to the City associated with this item. All revenues from the agreement will go to HPARC. HPARC is a non-profit organization and all revenues are reinvested into Hemisfair to create a financially sustainable organization over time.

#### **RECOMMENDATION:**

Staff recommends the Hemisfair Park Public Facilities Corporation's approval of the Development Sublease Agreement between AREA Real Estate, LLC and HPARC.