



City of San Antonio

Agenda Memorandum

File Number: 16-5641

Agenda Item Number: 18.

Agenda Date: 12/1/2016

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations Department

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: District 1

SUBJECT: Economic Development Agreement for La Panadería

SUMMARY:

This Ordinance approves a Chapter 380 Economic Development Loan Agreement for up to \$118,000 in Inner City Incentive Funds to GrayStreet Partners for retail tenant finish-out improvements at the Vogue Building located at 600 Navarro Street in Council District 1.

BACKGROUND INFORMATION:

The City is engaged in revitalizing and supporting economic development activities to reactivate the San Antonio Central Business District. Significant challenges to economic revitalization include the lack of adequate housing, transit barriers, lack of parking, and high instances of vacancy. Through the Center City Development and Operations Department (CCDO), the City continues to encourage and incentivize downtown retail opportunities, specifically along Houston Street where the City has made significant investments in public infrastructure improvements. The City is working with various stakeholders including GrayStreet Partners to work towards an economic revitalization of this corridor. GrayStreet Partners recently acquired a number of properties in the Central Business District and is working to fill the longstanding retail vacancies and underutilization.

GrayStreet Partners owns the Vogue Building located at 600 Navarro Street and has engaged La Panadería to lease 5,900 square feet of street-level restaurant space in the building. La Panadería is a locally-owned and operated "Pan American bakery" that sells artisan-quality Latin American breads, coffee, and light fare at affordable prices.

La Panadería is seeking to expand from its first location in the Alamo Heights area to a second location, possibly in the Central Business District. If located in the Vogue Building, the restaurant is projecting to open for business by the end of the year and to hire 40 to 50 employees once fully operational.

ISSUE:

GrayStreet Partners is requesting City assistance to complete tenant finish-out improvements to attract the neighborhood-serving restaurant. GrayStreet is also offering a very competitive lease rate to La Panaderia to encourage them to occupy the space.

While La Panaderia has had great success in their Alamo Heights location, a downtown location would present unfamiliar circumstances. In Alamo Heights, demand is driven largely by housing that is already in place. In contrast, demand in downtown will largely be driven by office workers until the housing density downtown matures. Additionally, the restaurant would face higher costs of doing business downtown and other unique downtown challenges including frequent street closures, lack of dedicated parking, and dense competition. Opening a downtown location presents an unfamiliar risk, but would offer another great restaurant option for downtown patrons and residents as downtown seeks to provide more neighborhood-serving retail and restaurant options.

The total estimated finish-out cost is \$1.6 million. Staff is recommending a 5-year forgivable retail finish-out loan in the amount \$20 per square foot of retail/restaurant space up to \$118,000, funded by the Inner City Incentive Fund. The loan will be forgiven at 20% per year provided that the space remains occupied for at least 80% of each year. This incentive is consistent with the retail loan terms of the Center City Housing Incentive Policy (CCHIP) which similarly strives to encourage neighborhood-serving retail.

Providing this incentive and securing a notable anchor tenant to occupy available space in a historic downtown building is also consistent with the City's Vacant Buildings Policy. La Panaderia can significantly contribute to the critical mass of other neighborhood-serving retailers and restaurants needed to produce the walkable and vibrant Houston Street experience that has been envisioned for this highly-invested corridor.

ALTERNATIVES:

The City Council may elect to deny the request for retail loan assistance. Doing so may influence La Panaderia's decision to start a second location downtown and the building will remain vacant.

FISCAL IMPACT:

The retail loan amount for GrayStreet Partners will be equal to \$20 per square foot of leased restaurant space up to \$118,000, funded from the Inner City Incentive Fund (ICIF). The loan will be forgivable over 5 years at 20% per year provided that the space remains occupied for at least 80% of each year.

RECOMMENDATION:

Staff recommends approval of the Chapter 380 Economic Development Loan Agreement with GrayStreet Partners for up to \$118,000 for tenant finish-out improvements located at 600 Navarro Street.