



City of San Antonio

Agenda Memorandum

File Number: 16-6109

Agenda Item Number: 14.

Agenda Date: 12/15/2016

In Control: City Council A Session

DEPARTMENT: Parks and Recreation

DEPARTMENT HEAD: Xavier D. Urrutia

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Amendment No. 6 to the Lease Agreement with the Witte Museum

SUMMARY:

This ordinance authorizes the execution of Amendment No. 6 to the lease with the San Antonio Museum Association d/b/a/ The Witte Museum (Witte) transferring ownership interest of specific building improvements fully funded by the Witte and exercising two current 25-year lease extension options extending the term to September 7, 2072; there is no General Fund impact associated with this action.

BACKGROUND INFORMATION:

The San Antonio Museum Association d/b/a The Witte Museum (Witte) is a non-profit organization whose mission is to promote lifelong learning through innovative exhibitions, programs and collections in natural history, science and South Texas heritage. The museum, which first opened in 1923, has an average of 600,000 visitors annually including approximately 250,000 school aged children.

The Witte master plan is identified in three main phases: 1) South Texas Heritage Center and the Witte Research Center; 2) the New Witte; and 3) World of Water. Phase I is complete and Phase II, the New Witte is currently under construction and includes renovations and additions to the existing (original) Main Building with additional new gallery space. Through previous Council action the City has contributed \$16 million toward the \$23 million original construction costs of the Main Building.

Phase II the New Witte Museum's transformation, which include the Main Building, total current costs are \$72

million with \$57 million raised to date and an additional \$5 million in pledges committed. Unforeseen structural conditions in the Main Building have resulted in \$6 million in additional construction costs. The Witte has committed to continue fundraising efforts for the remaining costs. However their need of temporary financing exists while they continue their capital campaign efforts. Transferring the City's ownership interest in the Mays Family Center, Feik Family Pavilion and adjoining admissions building to the Witte and their potential use of those assets as collateral will assist the Witte in solidifying a financial position that allows them to secure financing or a line of credit if necessary. The new improvements proposed to be transferred to the Witte were fully funded by the Witte with no City funding, and the City will maintain its ownership of the underlying park land. Ownership of the other improvements on City park land within the lease premises, as well all other terms of the current lease, will not change and all other lease provisions will remain in effect.

In order to secure the City's interest in the transferred improvements three requirements are included in the lease amendment: 1) ownership of the transferred improvements will revert to the City at the termination of the lease in 2072; 2) continued use of the buildings and improvements as a public museum or other appropriate City Council approved use; 3) default notice and option to remedy by the City included in any financial instrument associated with the improvements. Additionally, the current lease extension options would be exercised and extend the lease fifty (50) years to 2072.

ISSUE:

The Witte approached the City to facilitate the vision and completion of its master plan. Transferring ownership interests of the new improvements self-funded by the Witte through its capital campaign will allow them to secure financing if needed to complete construction improvements of the Main Building of which the City retains ownership under the terms of the lease. Existing lease extension options would be exercised while all other lease provisions remain in effect; there is no General Fund impact associated with this action.

ALTERNATIVES:

In lieu of transferring ownership interests of building improvements completely funded by the Witte, the City could elect to retain ownership and the Witte could possibly halt construction and renovations to the Main Building until completion of the capital campaign.

FISCAL IMPACT:

There is no General Fund impact associated with this action. The terms of the lease allow the Witte to retain all revenue to offset operations and transferring ownership interests of improvements fully funded by the Witte is cost neutral to the City.

RECOMMENDATION:

Staff recommends approval of the proposed Amendment No. 6 which transfers ownership interest of specific building improvements fully funded by the Witte and extends the term of the lease fifty (50) years to 2072.