



# City of San Antonio

## Agenda Memorandum

**File Number:**13-749

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**Agenda Item Number:** 33.

**Agenda Date:** 12/5/2013

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Development Office

**DEPARTMENT HEAD:** Lori Houston

**COUNCIL DISTRICTS IMPACTED:** 2

### **SUBJECT:**

An ordinance approving an Economic Development Loan Agreement between the City of San Antonio, Inner City TIRZ #11, and Merchants Ice Lofts LP in the amount of \$700,000.00 over three years and amending the Inner City TIRZ Project and Finance Plans.

### **SUMMARY:**

This is an ordinance approving an Economic Development Loan Agreement in the amount of \$700,000.00 to support the proposed Merchant's Ice House Lofts project, a 262 unit multi-family housing complex located at 1305 E. Houston in Council District 2. Staff is requesting authorization to execute and negotiate a \$700,000.00 Economic Development Loan Agreement between the City of San Antonio, Inner City TIRZ#11, and Merchants Ice Lofts LP, which is a partnership between Herman & Kittle Properties (H&K) and the San Antonio Housing Trust's Public Facility Corporation.

### **BACKGROUND INFORMATION:**

Indiana based Herman & Kittle, Inc (H&K). is proposing a \$33 million multi-family housing development located at the vacant and underutilized Merchant's Ice House buildings located at 1305 East Houston Street. The former Merchant's Ice and Cold Storage Company facility is comprised of six buildings built between 1909 and 1957. The project consists of 262 housing units of which 50% will be affordable and 50% will be market rate. In addition, the project will include a 262 space structured parking garage.

The San Antonio Housing Trust's Public Facility Corporation (PFC) will serve as co-developer of the project, and 50% of the housing units will be priced at 80% of the area median income, while 50% will be market rate. Partnering with the PFC will also provide the project an exemption from ad valorem taxes to include the City,

Bexar County, University Health System, San Antonio Independent School District, San Antonio River Authority, and Alamo Community Colleges.

The project qualifies for incentives under the Center City Housing Incentive Policy to include City and SAWS fee waivers and an Inner City Incentive Fund Loan. However, even with the as-of-right incentives and the PFC partnership, a \$1.3 million shortfall still exists in the project due to extensive environmental issues and the affordability component of the project.

City staff is recommending that one of the sources of funding for the shortfall be in the form of a loan in the amount of \$700,000.00 from the Inner City TIRZ tax increment fund. The loan will be repaid to the Inner City TIRZ in three years starting two years after construction commencement. The loan is for expenses associated with environmental abatement.

The Inner City TIRZ #11 Board unanimously voted to approve this item on October 25, 2013. In accordance with the TIF Act, this project will need to be added to the Project Plan and Finance Plan for the Inner City TIRZ with notice published seven days before the public hearing to approve this item.

The remaining \$600,000.00 is recommended to come in the form of a loan from reprogrammed HOME funds, and is part of the overall reprogramming of HOME funds in a separate council item. These funds will assist with the overall affordability of the project.

#### **ISSUE:**

Staff is seeking City Council approval to execute an Economic Development Loan Agreement with the City of San Antonio, Inner City TIRZ Board of Directors, and Merchants Ice Lofts LP. Staff is also seeking City Council approval to add this project into the Inner City TIRZ Project and Finance Plans.

#### **ALTERNATIVES:**

If City Council does not approve the Economic Development Loan Agreement in the amount of \$700,000.00 from the Inner City TIRZ #11 Fund Balance, the Merchants Ice House Project is not financially feasible and will not be constructed.

#### **FISCAL IMPACT:**

Funding for the \$700,000 will come from the Inner City TIRZ Fund Balance for expenses associated with environmental abatement. Merchants Ice Lofts LP (a partnership between H&K and PFC) will repay the \$700,000.00 loan with interest to the Inner City TIRZ over a 3-year period starting two years after construction commencement. Construction on the project is expected to commence in fall 2014.

#### **RECOMMENDATION:**

Staff recommends that City Council approve and execute an Economic Development Loan Agreement with the City of San Antonio, Inner City TIRZ Board, and Merchants Ice Lofts LP for the development of the 262 housing unit Merchant's Ice House Project located at 1305 E Houston Street in District 2 and include this project in the Inner City TIRZ Project and Finance Plans. The Agreement will provide for a \$700,000.00 loan from the Inner City TIRZ Fund Balance for expenses associated with environmental abatement.

