



City of San Antonio

Agenda Memorandum

File Number:13-824

Agenda Item Number: 11.

Agenda Date: 3/20/2014

In Control: City Council A Session

DEPARTMENT: Center City Development Office

DEPARTMENT HEAD: Lori Houston

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

Retail Lease and Forgivable Loan Agreement for O'liva, LLC located within the Plaza de Armas Space

SUMMARY:

City Council consideration of the following ordinances related to the Plaza de Armas building located at 115 Plaza de Armas in Council District 1:

- A. An ordinance authorizing a retail lease agreement with O'liva, LLC for the city-owned space located within the Plaza de Armas Building to support a healthy retail and café concept.
- B. An ordinance authorizing a forgivable loan agreement with O'liva, LLC for tenant improvements within the Plaza de Armas Building.

BACKGROUND INFORMATION:

Plaza de Armas consists of four buildings, adjacent to Military Plaza and the Spanish Governor's Palace. The City has owned the buildings since the 1980's and has undertaken a \$11.3M renovation of the 58,145 square feet of space for office and retail uses. This multi-use space will be composed of city offices, communication studios, retail and a gallery to promote cultural and creative development. The buildings will house the Office of Cultural Affairs including public gallery space, San Antonio Film Commission, City Communications Office as well as public and government access television studios.

As part of this renovation, approximately 2,509 square feet located at the corner of a historic building is available for lease. The location has excellent visibility with window frontage on Dolorosa Street and has the potential for the placement of exterior patio seating.

A Request for Information was issued for this space in November of 2012. Two responses were received. One of the respondents withdrew their proposal. The City then requested additional information and worked with the sole proposer to refine their concept in an effort to reach terms for a lease and funding agreement.

The O'liva, LLC concept will include healthy dine in and pick up & go meals. They will offer a selection of Texas made olive oils and other local products for sale, wine tastings and cooking demonstrations in the evenings and look for opportunities to activate the space around them with special events focused on improving the health of our community.

A "white box space" will be delivered to O'liva, LLC and will include two unfinished restrooms, a janitor's closet and approximately 296 square feet of storage in the basement of the building. The space's proximity to a large open space also allows O'liva, LLC to provide programming such as outdoor workouts, farmer's markets and other health related gatherings. Additionally, in order to support the retail experience for the customer, the annual fee for the sidewalk café permit of \$250 will be waived by the City as long as the tenant follows all the Policies and Procedures for Sidewalk Cafés in the Downtown Area establish by ordinance 2009-05-07-0354. The newly renovated building is planned to reopen in late summer 2014.

Due to the significant investment that the operator will need to make in the space, the City is recommending a forgivable loan of \$40/SF for tenant improvements. These improvements will remain after the initial three year term and will assist the City in marketing the space should O'liva, LLC choose not to extend for any reason. The loan is estimated at \$100,360 (based upon 2,509 sf) and will be forgiven over 3 years at 33% per year as long as the tenant remains operational in the location. Additionally, in order to allow O'liva, LLC to build clientele, an escalated rent schedule has been developed resulting in an average base rent of \$13.23 per square foot over the two 3 year terms of the lease.

Staff briefed the Economic and Community Development Council Committee on this item at the October 1, 2013 meeting. The Economic and Community Development Council Committee ECDC directed staff to proceed to council.

ISSUE:

Approval of this item is consistent with City policy to lease City-owned property and support economic development in the downtown area and provide healthy dining options to employees, visitors and residents in the area.

ALTERNATIVES:

The City may elect not to provide funding for tenant improvements, waive the sidewalk café permit fee or to lease space to O'liva, LLC and seek an alternate lessee.

FISCAL IMPACT:

A. Lease payments to the City will begin the sixth month after lease commencement and a 120 day build out period. Payments will increase over a 72 month period. The waiver of the annual sidewalk café

permit fee is valued at \$250 per year or \$1,500 over the 72 month period.

- B. A forgivable loan of \$40/SF for tenant improvements, estimated at \$100,360 (based upon 2,509 sf) will be provided through the Inner City Incentive Fund (ICIF). The loan will be forgiven over 3 years at 33% per year as long as the tenant is operational in the location.

RECOMMENDATION:

Staff recommends approval of this three (3) year lease agreement with one three (3) year renewal option with mutual consent with O'liva, LLC to operate a healthy retail/Café concept at 115 Plaza de Armas, located at street level within the city-owned Plaza de Armas Building, with total payment to City of \$199,114.21 and approval of a forgivable loan from the Inner City Incentive Fund estimated at \$100,360, to be forgiven over 3 years at 33% per year as long as the tenant is operational in the location.