



City of San Antonio

Agenda Memorandum

File Number: 18-1675

Agenda Item Number: 19B.

Agenda Date: 2/8/2018

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services Department

DEPARTMENT HEAD: Verónica R. Soto

COUNCIL DISTRICTS IMPACTED: Council District 2

SUBJECT:

George Gervin Youth Center, Inc.: Disposition and Sale of Surplus City-Owned Property and Chapter 380 Economic Development Grant Agreement, both regarding the property located at 301 Spriggdale.

SUMMARY:

Consideration of the following items related to the property located at 301 Spriggdale, located within Council District 2:

- A. An Ordinance authorizing the declaration as surplus and sale of approximately 10 acres of unimproved property located at 301 Spriggdale in City Council District 2 to the George Gervin Youth Center, Inc., in accordance with the terms of a Chapter 380 Economic Development Agreement, for a sale price of \$430,000.00, as approved by the Inner City Tax Increment Reinvestment Zone (TIRZ) Board and the City's Planning Commission.
- B. An Ordinance authorizing the execution of a Chapter 380 Economic Development Grant Agreement in an amount not to exceed \$450,000.00, between the City of San Antonio, the Inner City Tax Increment Reinvestment Zone, and the George Gervin Youth Center, Inc., for acquisition and related closing and escrow costs for property located at 301 Spriggdale in Council District 2.

BACKGROUND INFORMATION:

On March 22, 2013, the City of San Antonio acquired 301 Spriggdale on behalf of the Inner City TIRZ Board through a deed in lieu of foreclosure related to a Chapter 380 Economic Development Program Grant and Loan Agreement with MAUC Point East Housing, L.P.

On May 1, 2015 the George Gervin Youth Center (GGYC) requested funding from the Inner City TIRZ Board to utilize 301 Spriggdale in conjunction with property owned by GGYC for a future 20 acre mixed-use development to be called Echo East. The Inner City TIRZ Board directed staff to negotiate the terms of a Pre-

Development Agreement with GGYC in an amount of up to \$150,000.00 for due diligence for the Echo East Project and to draft a “Right of Entry Agreement” allowing GGYC access to the property to conduct necessary tests to complete their due diligence. The Board mandated the City would maintain ownership of the site during the due diligence period.

On August 14, 2015 the Inner City TIRZ Board awarded up to \$150,000.00 to GGYC for pre-development activities related to a proposed mixed use development on approximately 10 acre tract located at 301 Spriggdale. The property is currently owned by the City on behalf of the Inner City TIRZ Board. The Pre-Development Agreement and associated Right of Entry Agreement between the City, GGYC and the Inner City TIRZ Board were approved by City Council on October 22, 2015 through Ordinance 2015-10-22-0907.

In October, 2016, the GGYC completed all pre-development activities and notified staff of their intent to move forward with the project as their research determined that the project was economically feasible. GGYC submitted and received reimbursement in the amount of \$150,000.00 for all pre-development activities and provided the City with copies of all deliverables associated with the re-development plan.

ISSUE:

On August 31, 2017, Staff conducted an analysis of a Development Feasibility Analysis for the Echo East project prepared by Meyer’s Research, a 20-year-old consulting firm, as submitted by GGYC. The Staff review determined that a number of assumptions made by Meyer’s Research regarding the project location may not be reliable, either because the comparable properties considered are not actually comparable or because significant time had elapsed since the study was completed, rendering the assumptions outdated. Concerns were also raised regarding overestimation of comparable residential market rents, utilization of retail leasing rates from areas not comparable to the project site, and underestimation of actual construction costs. GGYC reviewed the concerns noted in the Staff analysis and stated that the report was an initial analysis of the overall market to determine feasibility for the project and that they will perform several in-depth market studies as a condition for financing.

Consideration of the following items related to the property located at 301 Spriggdale, located within Council District 2:

- A. On November 18, 2016, the GGYC submitted a TIRZ funding application requesting the land located at 301 Spriggdale be sold for a nominal fee. Upon review by the City Attorney’s Office, it was determined that the parcel must be sold for fair market value. The GGYC was notified of this requirement and agreed to request reimbursement for the land acquisition purchase price, to include closing costs, to be reimbursed by the Inner City TIRZ fund.

Under Municipal Code, all city property must be declared as surplus prior to the disposition of the property. Since the property is located in a Reinvestment Zone, the property may be sold through a Direct Sale, but at fair market value. The GGYC owns an adjacent 10 acre parcel. The Echo East project requires the 20 acres of contiguous land for completion.

On March 22, 2017, the City of San Antonio Planning Commission recommended a Resolution declaring as Surplus and Authorizing the Sale of the City Owned property located at 301 Spriggdale.

On April 19, 2017, the GGYC received an appraisal on the property located at 301 Spriggdale from a City Approved Appraiser, Nobel and Associates. The appraisal determined that the fair market value of the land was \$430,000.00.

This Ordinance will authorize the declaration as surplus and sale of approximately 10 acres of unimproved property located at 301 Spriggsdale in City Council District 2 to the George Gervin Youth Center, Inc., in accordance with the terms of a Chapter 380 Economic Development Agreement, for a sale price of \$430,000.00.

B. On May 12, 2017, the Inner City TIRZ Board considered and approved a Resolution authorizing the execution of a Chapter 380 Economic Development Grant Agreement for an amount up to \$450,000.00 in TIRZ funding, based on receipt of the appraisal conducted on the property. The terms of the Chapter 380 agreement requires that Phase I of the development which includes multi-family housing on the City's 10 acre tract be fully financed with approval of the City. Additional conditions placed on the Developer include:

1. The Property will be put into escrow awaiting Developer's finance package to be reviewed and approved by City.
2. The City review and approval will be made in conjunction with the City Manager's Office, the Chief Financial Officer, and the City Attorney's Office.
3. Following the property's release from escrow, Grantee shall have caused commencement of construction. A 3 month extension may be granted by the City provided the Developer is making progress in an acceptable manner as determined by the City
4. Grantee shall provide quarterly status updates after closing on the property and for the duration of the project until construction is complete

This Ordinance authorizes the execution of a Chapter 380 Economic Development Grant Agreement in an amount not to exceed \$450,000.00, between the City of San Antonio, the Inner City Tax Increment Reinvestment Zone, and the George Gervin Youth Center, Inc., for acquisition and related closing and escrow costs for property located at 301 Spriggsdale in Council District 2

ALTERNATIVES:

The City Council could choose not to approve the declaration of surplus and sale of the property and/or the Chapter 380 Economic Development Grant Agreement; however, the Developer will be unable to implement and complete the proposed project, as it will become economically unfeasible. Additionally, the disposal of the City-owned property will alleviate the maintenance costs associated with the upkeep of the parcel and place a blighted property back on the tax rolls.

FISCAL IMPACT:

- A. The sales price was determined by an appraisal conducted by Noble and Associates, Inc., a City authorized and approved appraisal firm. The Fair Market Value was determined to be \$430,000.00. The total sales price of \$430,000.00 will be deposited into the Inner City TIRZ fund. There is no fiscal impact to the City's General Fund.
- B. The total acquisition purchase price, to include appraisal and related closing and escrow costs for the property located at 301 Spriggsdale is estimated to be no more than \$450,000.00. If approved, this action will authorize an Economic Development Program Grant Agreement between the City and George Gervin Youth Center, Inc. The agreement will required the Inner City TIRZ fund to pay George

Gervin Youth Center, Inc. in an amount not to exceed \$450,000.00 for the reimbursement of the land acquisition and associated appraisal, escrow and closing costs related to the GGYC development between the City of San Antonio, George Gervin Youth Center, Inc., and the Inner City TIRZ Board of Directors. There is no fiscal impact to the City's General Fund, as all proceeds received and dispersed with respect to this Agreement will be processed through the Inner City TIRZ fund.

RECOMMENDATION:

City Staff has concerns raised by the analysis of the initial feasibility study. Additionally, City Staff has negotiated a strong Chapter 380 Economic Development Grant Agreement that provides protections for the City should the Developer be unable to produce a viable project. As such, Staff recommends conditional approval of the following items related to the property located at 301 Spriggdale, located within Council District 2:

- A. An Ordinance authorizing the declaration as surplus and sale of approximately 10 acres of unimproved property located in NCB 10147, Block 3, Lot 1 of the Spriggdale Plaza Subdivision, commonly known as 301 Spriggdale, within Council District 2, to the George Gervin Youth Center, Inc., for a sales price of \$430,000.00, as approved by the Inner City TIRZ Board and the Planning Commission.
- B. An Ordinance authorizing the execution of a Chapter 380 Economic Development Grant Agreement in an amount not to exceed \$450,000.00, between the City of San Antonio, the Inner City Tax Increment Reinvestment Zone, and the George Gervin Youth Center, Inc., for the acquisition and closing costs for property at 301 Spriggdale.