



City of San Antonio

Agenda Memorandum

File Number: 18-4993

Agenda Item Number: 10.

Agenda Date: 9/20/2018

In Control: City Council A Session

DEPARTMENT: Center City Development and Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Third Amendment of Fairmount Hotel Ground Lease Agreement

SUMMARY:

An Ordinance authorizing the Third Amendment of Fairmount Hotel Ground Lease Agreement between the City of San Antonio and Fairmount Investments, LLC (Fairmount), for the continued use of the real property located at 401 South Alamo Street for an additional twenty five year term expiring September 30, 2042 in City Council District 1.

BACKGROUND INFORMATION:

The City owns the 15,120 square foot land area upon which the Fairmont Hotel was developed in accordance with a ground lease originally authorized by Ordinance 60113, dated January 17, 1985 and subsequently amended twice. Per the conditions of the agreement the initial term was for a period of 25 years with the right to renew for an additional 25 years. At this time the Fairmount wishes to exercise their renewal option for the extended term of 25 years ending September 30, 2042.

ISSUE:

The Fairmount Hotel Ground Lease term has expired and per the terms of the amended lease agreement, the Fairmount has the right to extend, and the City is obligated to accept, the Fairmount's request to extend the lease for an additional 25 years.

ALTERNATIVES:

The alternative to entering into this Third Amendment of Fairmount Hotel Ground Lease Agreement would be to choose not to renew the lease, however, this course of action would be in direct conflict of the established terms of the previously approved Second Amendment to Fairmount Hotel Ground Lease Agreement which provides the Fairmount the option to renew for a 25 year term.

FISCAL IMPACT:

Under the terms of the Third Amendment of Fairmount Hotel Ground Lease Agreement, the Fairmount will pay a rent that is a percentage of the hotel sales but not less than the monthly rent set forth in the chart below as follows:

Years	Annual Rent
1 - 5	\$40,000.00
6 - 10	\$45,000.00
11 - 15	\$50,000.00
16 - 20	\$55,000.00
21 - 25	\$60,000.00

These rates are as set forth in Second Amendment document negotiated in 1992. In Fiscal Year 2019 the City will collect at least \$40,000.00 in rent. All revenue collected from this lease will be deposited into the City's General Fund.

RECOMMENDATION:

Staff recommends approval of this ordinance approving the Third Amendment of Fairmount Hotel Ground Lease Agreement between the City of San Antonio and Fairmount Investments, LLC, for the extended lease term that will end September 30, 2042.