



City of San Antonio

Agenda Memorandum

File Number: 19-4379

Agenda Item Number: 15.

Agenda Date: 6/20/2019

In Control: City Council A Session

DEPARTMENT: Center City Development and Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Market Square Leases

SUMMARY:

This Ordinance authorizes the extension of Farmers Market and El Mercado lease agreements from July 1, 2019 to June 30, 2023 with 2% lease rate increases in year 3. After the initial term, lessees will have the right of first refusal to enter into a 4-year lease contingent upon City Council approval. This Ordinance also authorizes sales reporting; prohibits future lease assignments; and adjusts current hours of operation. Revenues derived from these leases will be deposited into the Market Square Fund in accordance with the FY 2019 Adopted Budget.

BACKGROUND INFORMATION:

The City of San Antonio owns and manages Market Square, a historic and culturally significant place in San Antonio. Market Square is a unique marketplace full of lively entertainment, food, art and local vendors. There are 56 businesses in the Farmers Market, 33 in El Mercado and 14 in Market Square Plaza, ranging from cafes to shops specializing in local, regional and international products.

On June 23, 2011, City Council passed Ordinance No. 2011-06-23-0571, which authorized extensions to all Farmers Market and El Mercado leases until June 30, 2014. The ordinance also provided the City the option to renew all the Farmers Market and El Mercado leases for an additional three-year period until June 30, 2017 and a subsequent two-year period until June 30, 2019. The City has exercised its options to extend the Farmers Market and El Mercado agreements until June 30, 2019.

Market Square is the crossroads for many recent developments happening within downtown including bond infrastructure projects, San Pedro Creek Culture Park, Alameda Theater restoration, University of Texas at San Antonio expansion and Frost Tower. Market Square has the opportunity to be an incredible hub of cultural activity on the westside of downtown while maintaining a key presence as an authentic marketplace for Mexican, Latin, and international retail. To preserve Market Square's legacy, the City of San Antonio, in partnership with Centro San Antonio, is committed to creating a collaborative vision for Market Square that incorporates the voices of area stakeholders and preserves the rich, cultural heritage and authentic San Antonio experience that makes it a vibrant destination for residents and visitors. The visioning process will create an open dialogue with stakeholders and a set of recommendations for future capital projects, programming and amenities related to Market Square.

To allow for the visioning process and planned developments to come to fruition, the City is seeking to extend the current Farmers Market and El Mercado leases through June 2023. At the end of the lease period, and to ensure small enterprises are preserved, Farmers Market and El Mercado tenants will have the right of first refusal to enter into a 4-year lease within Market Square subject to terms proposed by the City that may be developed as part of the visioning process. This right of first refusal will not guarantee tenants a right to the space they are currently occupying, only the right to enter into a 4-year lease agreement for an available space within the Market Square complex. There is no guarantee as to the allowable uses or the lease rate to be paid.

The City is also seeking amendments to the current lease agreement to include sales reporting requirements, prohibiting future lease assignments, and adjusting hours of operation.

The summer hours of operation for Farmers Market and El Mercado stores will be altered as follows: In June through mid-August, store hours on Monday through Saturday will be 10:00 am to 7:00 pm; store hours on Sundays will be 10:00 am to 6:00 pm. From mid-August through May store hours will be 10:00 am to 6:00 pm. Tenants are allowed to request extended hours of operation for special events.

ISSUE:

Approval of these ordinances is consistent with City of San Antonio policy to lease public property in Market Square for retail purposes under regulations established in Chapter 32, Article II of the City's Municipal Code. Amending the lease agreements require passage by City Council. A copy in substantially final form of the proposed amendment will be attached to the ordinance for execution after city council approval.

ALTERNATIVES:

City Council could choose not to extend leases, which would result in month-to-month status for each lease until new leases could be negotiated.

FISCAL IMPACT:

This Ordinance authorizes the extension of Farmers Market and El Mercado lease agreements from July 1, 2019 to June 30, 2023 with 2% lease rate increases in year 3. Lease rates may be adjusted by Director through an administrative action.

Lease rates will remain the same for El Mercado and Farmers Market renewals, so there will be no fiscal impact to FY 2019. Lease revenue for remaining portion of FY 2019 is \$100,790.82 for El Mercado leases and

\$155,773.44 for Farmers Market leases. Revenue from these lease extensions will be deposited in the Market Square Fund and is included in the FY 2019 Adopted Budget.

RECOMMENDATION:

Staff recommends approving the extension of Farmers Market and El Mercado leases in Market Square to June 30, 2023 with scheduled 2% lease rate increases in Year 3. After the initial term, lessees will have the right of first refusal to enter into a 4-year lease, subject to terms proposed by the City and contingent upon City Council approval. This Ordinance will also authorize collection of lessees' monthly sales report; prohibit lease assignments; and adjust hours of operation.