



# City of San Antonio

## Agenda Memorandum

**File Number:** 19-8735

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**Agenda Item Number:** 25.

**Agenda Date:** 6/4/2020

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Operations & Development

**DEPARTMENT HEAD:** John Jacks

**COUNCIL DISTRICTS IMPACTED:** 1

### **SUBJECT:**

Market Square Leases

### **SUMMARY:**

This Ordinance authorizes lease agreements with Farmers Market and El Mercado lessees, for a term from June 1, 2020 to May 31, 2025 with 2% lease rate increases in year 3 and 5. After the initial term, lessees may request an additional 5-year lease contingent upon City Council approval. This Ordinance also authorizes sales reporting; adjusts provisions for lease assignments; and changes current summer hours of operation.

### **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 and 33 businesses in El Mercado, ranging from cafes to shops specializing in local, regional and international products. Market Square Plaza also provides additional privately-owned restaurants and retail stores that create an active public space for locals and visitors.

On June 23, 2011, City Council 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. All current leases are operating on a month-to-month basis.

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 west side of downtown while maintaining a key presence as an authentic marketplace for Mexican, Latin, and international retail.

Lease rates will remain the same for the first two years of the agreements and will increase by 2% at the beginning of years 3 and 5. Lease agreements with Farmers Market and El Mercado lessees will include requiring sales reporting, adjusting provisions for future lease assignments, and changing summer hours of operation.

Many businesses at Farmers Market and El Mercado have been in operation for at least 20 years and owned by one or multiple generations of the same family. Under the terms of the lease agreements, these “Legacy Businesses” will be able to assign the lease to a family member under the same terms subject to a \$1,500 assignment fee. All other lease assignments will require an assignment fee of \$3,000 and be subject to an adjusted lease rate based on market conditions.

The summer hours of operation for Farmers Market and El Mercado stores will be altered as follows: In June through 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 September through May store hours will be 10:00 am to 6:00 pm. Tenants are allowed to request revised hours of operation for special events.

#### **ISSUE:**

Approval of this Ordinance 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. The lease agreements require City Council approval, and a list of tenants is attached. Copies of the Farmers Market and El Mercado agreements in substantially final forms are attached.

#### **ALTERNATIVES:**

City Council could choose not to approve lease agreements, which would result in continued month-to-month status for each lease agreement.

#### **FISCAL IMPACT:**

This Ordinance authorizes lease agreements with Farmers Market and El Mercado lessees for a term from June 1, 2020 to May 31, 2025 with 2% lease rate increases in year 3 and 5.

For the first two years of the lease agreements, lease rates will remain the same for El Mercado and Farmers Market lease agreements, so there will be no additional fiscal impact to FY 2020. Lease revenue for remaining portion of FY 2020 is \$67,193.88 for El Mercado leases and \$102,907.32 for Farmers Market leases. Revenue from these lease agreements will be deposited in the Market Square Fund and is included in the FY 2020 Adopted Budget.

This item also includes an adjustment of the lease assignment fee to a maximum of \$3,000.00.

**RECOMMENDATION:**

Staff recommends approving the lease agreements with Farmers Market and El Mercado lessees from June 1, 2020 to May 31, 2025 with scheduled 2% lease rate increases in Years 3 and 5. After the initial term, lessees may request an additional 5-year lease, contingent upon City Council approval. This Ordinance will also authorize collection of lessees' quarterly sales reports; revise provisions for lease assignments; and adjust summer hours of operation.