



City of San Antonio

Agenda Memorandum

File Number: 14-1727

Agenda Item Number: 12.

Agenda Date: 9/18/2014

In Control: City Council A Session

DEPARTMENT: EastPoint & Real Estate

DEPARTMENT HEAD: Mike Etienne

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Lease Agreement: Free Trade Alliance Lease at the International Center Building, located at 203 South Saint Mary's Street.

SUMMARY:

An ordinance authorizing the execution of an amendment to an existing lease with the Free Trade Alliance of San Antonio (Free Trade Alliance) for 6,100 square feet of office space at the International Center Building, located at 203 South Saint Mary's Street, in Council District 1 as the City's tenant extending the term for an additional five-year period commencing October 1, 2014.

BACKGROUND INFORMATION:

The City-owned International Center Building serves as an operational hub for government sponsored activities aimed at promoting and fostering international trade between San Antonio and other countries, most particularly Mexico. Envisioned as a means to capitalize on San Antonio's long standing support of international trade which culminated with President Bush's 1992 participation in the ceremonial signing of the North American Free Trade Agreement in San Antonio, this former library building was renovated in 1997 and since re-opening has housed government organizations and non-profit entities that focus on the exchange of cultural programs and encourage trade related investment to the benefit of San Antonio and the South Texas region.

Under Ordinance Number 87410 dated February 26, 1998, Council first approved a lease with the Free Trade Alliance for office space in the building. The Free Trade Alliance is a non-profit organization partnered with

the City, the San Antonio Chamber and Hispanic Chamber of Commerce and a multitude of other private businesses dedicated to making San Antonio a center for international trade throughout the Americas and enhancing trade opportunities for San Antonio based business throughout the world. During its existence, the Free Trade Alliance has proven to be valuable partner in a concerted effort led by the City of San Antonio to elevate San Antonio's standing in the international community.

ISSUE:

An ordinance authorizing the execution of an amendment to an existing lease with the Free Trade Alliance of San Antonio (Free Trade Alliance) for 6,100 square feet of office space at the International Center Building, located at 203 South Saint Mary's Street, in Council District 1 as the City's tenant extending the term for an additional five-year period commencing October 1, 2014.

Consideration of an ordinance authorizing the execution of an amendment to an existing lease with the Free Trade Alliance at the International Center Building, located at 203 South Saint Mary's Street, in Council District 1 as the City's tenant extending the term for an additional five-year period commencing October 1, 2014.

The revenue proposed to be collected for Fiscal Year 2015 is the same as will be collected in Fiscal Year 2014. However, at \$12.30 per square foot, this rate represents a value below the market price which staff estimates is \$20.00 per rentable square foot, amounting to a \$235,000.00 subsidy to Free Trade Alliance over the course of the five-year term. In exchange for this subsidy the Free Trade Alliance has agreed to the following: 1) They will reconfigure their space to include square footage that is not presently rentable and finance the required renovations to the entire space, saving the City the \$180,000.00 which would commonly be funded by the Landlord in order to achieve a market rate rent; 2) They will provide staff and programmatic support to the City of San Antonio for in-bound delegations from targeted trade and investment countries in order to promote export and foreign direct investment opportunities to strengthen and diversify San Antonio's economy. On an annual basis, these efforts are expected to result in 10 new companies expanding into San Antonio creating 50 new jobs with an economic impact of \$20 million per year.

As the Free Trade Alliance's programs and staff have grown to support its mission, to enhance trade opportunities for San Antonio based business throughout the world, the City of San Antonio has been able to accommodate that growth by offering additional space in the building. The present lease has expired and is on a month-to-month holdover term and Free Trade Alliance has requested the City consider extending the existing lease and allowing them to expand.

ALTERNATIVES:

The City could decide not to renew the Free Trade Alliance lease and market the space to government organizations pursuant to the mission originally envisioned for the International Center, but given the current economic climate it is unlikely that appropriate tenants that can pay rent at a rate that at least compensates the City for its cost of operation will be identified in the near future.

FISCAL IMPACT:

The chart below identifies what Free Trade Alliance will pay in rent during the term:

Rental Period	Monthly Rate
October 1, 2014 - September 30, 2015	\$6,251.24
October 1, 2015 - September 30, 2016	\$6,376.26
October 1, 2016 - September 30, 2017	\$6,503.79
October 1, 2017 - September 30, 2018	\$6,633.87
October 1, 2018 - September 30, 2019	\$6,766.54

The revenue proposed to be collected for Fiscal Year 2015 is the same as will be collected in Fiscal Year 2014. However, at \$12.30 per square foot, this rate represents a value below the market price which staff estimates is \$20.00 per rentable square foot, amounting to a \$235,000.00 subsidy to Free Trade Alliance over the course of the five-year term. In exchange for this subsidy the Free Trade Alliance has agreed to the following: 1) They will reconfigure their space to include square footage that is not presently rentable and finance the required renovations to the entire space, saving the City the \$180,000.00 which would commonly be funded by the Landlord in order to achieve a market rate rent; 2) They will provide staff and programmatic support to the City of San Antonio for in-bound delegations from targeted trade and investment countries in order to promote export and foreign direct investment opportunities to strengthen and diversify San Antonio's economy. On an annual basis, these efforts are expected to result in 10 new companies expanding into San Antonio creating 50 new jobs with an economic impact of \$20 million per year.

Other proposed changes to the lease are outlined as follows:

	Presently	As Amended	Net Change
Term	month to month	Term would end September 30, 2024	10 year extension
Monthly Rent	\$6,251.24	\$6,251.24	None
Square Footage Occupied	5,832 rentable	6,100 rentable	268 sf increase

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of a renewal and amendment of the lease with the Free Trade Alliance of San Antonio for 6,100 rentable square feet of office space at the International Center under a term that will expire September 30, 2019 with an option to renew for an additional five-years.