



City of San Antonio

Agenda Memorandum

File Number:14-3050

Agenda Item Number: 26.

Agenda Date: 2/12/2015

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: Lori Houston

COUNCIL DISTRICTS IMPACTED: District 2

SUBJECT:

An ordinance authorizing the execution of a revised Economic Development Agreement with Herman & Kittle Properties, Inc. (H&K) in the amount of \$950,000.00 from the Inner City TIRZ fund to undertake and complete the Merchant's Ice House Lofts Project consisting of 262 housing units in District 2.

SUMMARY:

This ordinance authorizes the revision of an existing Economic Development Agreement with Herman & Kittle Properties, Inc. (H&K) in the amount of \$950,000.00 among the City of San Antonio, Inner City TIRZ Board No. 11, and Herman & Kittle, Inc. for the proposed Merchant's Ice House Lofts project, a 262 unit multi-family housing complex to be located at 1305 E. Houston in Council District 2. The loan will be funded from the Inner City TIRZ in the amount of \$950,000.00 and will be disbursed to Herman & Kittle, Properties, Inc.

BACKGROUND INFORMATION:

Indiana based Herman & Kittle Properties, Inc. is proposing a \$39.4 million multi-family housing development located at the vacant and underutilized Merchant's Ice House building. The project consists of 262 housing units of which 50% will be affordable and 50% will be market rate. In addition, the project entails a 262 space structured parking garage.

The San Antonio Housing Trust's Public Facility Corporation (PFC) will serve as co-developer of the project providing the project with a 20-year tax exemption from ad valorem taxes as long as 50% of the housing units are priced at 80% of the area median income or less (120 units will be priced at 80% of the area median income (AMI), 9 HOME units at 60% AMI, 2 HOME units at 50% AMI). The remaining 131 units will be market rate.

Due to the project's scope and its location within the Inner City Reinvestment Infill Policy and Center City Housing Incentive Policy boundaries, the project qualifies for incentives in the amount of \$1,759,580.00 under the Center City Housing Incentive Policy (CCHIP). The project has also been awarded \$1,200,000.00 in HOME Funds.

In 2013, the Inner City TIRZ Board No. 11 and City Council approved an Economic Development Program Loan Agreement in the amount of \$700,000.00 and on November 14, 2014 the Inner City TIRZ Board approved an additional amount of \$250,000.00 with the same terms. The revised Economic Development Program Loan Agreement will be for a total of \$950,000.00. The additional loan amount is necessary due to the environmental and historic design challenges as well as the inability to forecast market rental rates for a product of this type.

ISSUE:

The proposed revised Economic Development Program Loan Agreement among the City of San Antonio, Inner City TIRZ No. 11, and Herman & Kittle Properties, Inc. requires City Council approval. The Agreement will provide for an additional \$250,000.00 to be added to the \$700,000.00 loan for a total revised loan amount of \$950,000.00, which will come from the Inner City TIRZ Tax Increment Fund that will be repaid by Herman & Kittle, Inc. The City will act as administrator of the Economic Development Program Loan Agreement.

ALTERNATIVES:

City Council can choose not to approve the revised Economic Development Loan Program Agreement. Without the financial incentives, the Merchant's Ice House Lofts Project will not be financially feasible.

FISCAL IMPACT:

This ordinance will authorize a revised Economic Development Program Loan Agreement to provide a loan in the amount of \$950,000.00 to Herman & Kittle Properties, Inc. Funding for this loan is available from the Inner City TIRZ Tax Increment Fund.

Herman & Kittle Properties, Inc. will repay the loan to the Inner City TIRZ over a three year period beginning two years after construction commencement. Construction is anticipated to commence in Summer of 2015.

RECOMMENDATION:

Staff recommends authorization to execute an Economic Development Program Loan Agreement among the City of San Antonio, Inner City TIRZ Board of Directors, and Hermann & Kittle Properties, Inc. in the amount of \$950,000.00 from the Inner City TIRZ Tax Increment Fund for the development of the Merchant's Ice House Lofts project.