



City of San Antonio

Agenda Memorandum

File Number:16-1304

Agenda Item Number: 20.

Agenda Date: 4/7/2016

In Control: City Council A Session

DEPARTMENT: Transportation & Capital Improvements

DEPARTMENT HEAD: Mike Frisbie, P.E.

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

Funding Agreement & Lease Agreement for Lerma Building

SUMMARY:

An ordinance authorizing the execution of a Funding Agreement between the City of San Antonio and the Esperanza Peace and Justice Center for the former Lerma Building in an amount not to exceed \$500,000.00 for stabilization of the building and architectural and engineering design for necessary mechanical, electrical, and plumbing repairs, and authorizing the execution of a 20 year lease for the same building located at 1612 North Zarzamora from the Esperanza Peace and Justice Center for a total of \$10.00 and a 20 year lease-back of the property to the Esperanza Peace and Justice Center for a total of \$10.00, located in Council District 1.

BACKGROUND INFORMATION:

Located at 1612 N. Zarzamora, the former Lerma's Nite Club (Lerma's) was constructed in 1948 and served as one of the oldest live conjunto music venues in central and south Texas. After the Esperanza Peace and Justice Center took ownership of the building, the Esperanza Peace and Justice Center successfully saved the building from demolition. Then, on October 21, 2010, the City Council recognized the building as being culturally significant and approved Landmark Designation for the building. In 2011, Lerma's was listed on the National Register of Historic Places and later it was listed on Preservation Texas 2014 Texas' Most Endangered Places.

The building is currently deemed a dangerous structure despite its landmark status. "The Lerma's Preservation Project" is being led by the Esperanza Peace and Justice Center to ensure the restoration of the building for

public use as primarily a Conjunto Musical Heritage Center. Esperanza Peace and Justice Center plans to convert the five retail bays into multi-use spaces to feature local artists, art photography, community exhibits, recording studio and possibly a lower power radio station accessible to established musicians, emerging artists and the public.

The main service area of Lerma's includes the existing dance floor which will be expanded to accommodate audiences of up to 300 people. On weekends and evenings, the building will serve as a community gathering place available for afternoon dances, social and educational activities, as well as serving as a performance venue and dance hall featuring conjunto musicians and other cultural music genres.

ISSUE:

An ordinance authorizing the execution of a Funding Agreement between the City of San Antonio and the Esperanza Peace and Justice Center for the former Lerma Building in an amount not to exceed \$500,000.00 for stabilization of the building and architectural and engineering design for necessary mechanical, electrical, and plumbing repairs, and authorizing the execution of a 20 year lease for the same building located at 1612 North Zarzamora from the Esperanza Peace and Justice Center for a total of \$10.00 and a 20 year lease-back of the property to the Esperanza Peace and Justice Center for a total of \$10.00, located in Council District 1.

Under the terms of the agreement, Esperanza Peace and Justice Center will repurpose the former Lerma Building into a Conjunto Musical Heritage Center in three phases. The first phase of this Funding Agreement will allow Esperanza Peach and Justice Center to complete infrastructure improvements to stabilize the building, as well as Architectural and Engineering design for necessary mechanical, electrical and plumbing repairs. This project is expected to begin upon execution of the Funding Agreement and completed by January 1, 2018. Total cost of the Phase I project is approximately \$750,000.00. Esperanza Peace and Justice Center will provide all funding necessary for the project beyond the City's contribution.

In order to provide funding needed for non City-owned facilities, the City is required to have a long-term lease interest in the property. Therefore, a lease is being proposed as the means to fulfilling that requirement and at a cost of \$10.00 to the City.

ALTERNATIVES:

City Council could choose not to approve this action; however, doing so would not allow the Esperanza Peace and Justice Center to move forward with preserving the building.

FISCAL IMPACT:

This is a one-time capital improvement expenditure in the amount not to exceed \$500,000.00 authorized payable to the Esperanza Peace and Justice Center on a reimbursement basis. Funds are available from FY 2016 Certificates of Obligation and are included in the 2016-2021 Capital Improvement Budget.

Under the terms of the lease agreement, this lease will be at a \$10.00 cost to the City for the entire 20 year term of the lease and \$10.00 to be paid to the City by the Esperanza Peace and Justice Center for the entire 20 year term of the lease-back.

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of a Funding Agreement between the City of San Antonio and the Esperanza Peace and Justice Center for the former Lerma Building authorizing the execution of a 20 year lease for the same building located at 1612 North Zarzamora from the Esperanza Peace and Justice Center, located in Council District 1.