



City of San Antonio

Agenda Memorandum

File Number:16-1729

Agenda Item Number: 10.

Agenda Date: 4/28/2016

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Lease Agreement with North American Development Bank at the International Center Building

SUMMARY:

An ordinance authorizing the execution of a lease with the North American Development Bank (NAD Bank) for 22,300 square feet of office space at the City-owned International Center Building, located at 203 South Saint Mary's Street, in Council District 1, for a term ending February 28, 2026.

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, 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 benefit San Antonio and the South Texas region.

On September 2, 1999, Council approved a lease with the NAD Bank for 10,462 square feet of office space in the building. Through subsequent amendment, the Bank's occupancy grew to its present footprint of 17,500 square feet and is proposed through this action to expand its occupancy by 4,800 square feet for a total of 22,300 square feet primarily on the third floor of the building.

The NAD Bank is an independent institution created by the governments of the United States and Mexico to

offer direct financing in the form of loans and grants to entities for the implementation of projects that enhance the quality of life of people living along the US and Mexico border. Utilizing an operating capital fund of \$3.0 billion, the NAD Bank invests in environmental infrastructure projects in the border region with a percentage of its investment in support of the purposes of the North American Free Trade Agreement (NAFTA). During its existence, the NAD Bank has proven to be a valuable partner in a concerted effort led by the City of San Antonio to elevate San Antonio's standing in the international community.

ISSUE:

As the NAD Bank's programs and staff have grown to support its mission, the City of San Antonio has been able to accommodate that growth by offering additional space in the building. This action will allow NAD Bank to continue its growth and expand into 4,800 square feet of space surplus to the City's needs in the building.

ALTERNATIVES:

The City could decide not to allow the NAD Bank to expand and seek other City tenants to occupy this space. The NAD Bank has agreed to pay a fair market rate of \$20.00 per square foot, and fostering the Bank's expansion reinforces the City's commitment to this endeavor and allows the City to collect rent that is favorable in the marketplace.

FISCAL IMPACT:

The annual rent will commence at \$202,215.48 in the first year of the term increasing to \$240,731.52 in the final year of the term. The chart below identifies the impact of this lease and any change in terms from the existing contract:

Item	Present Lease	New Lease	Change
Term	Continues as long as NAD Bank operates	Ends February 28, 2026	Set term established
Rent	\$106,215.48 annually	\$202,215.48 annually	\$96,000.00 increase
Size	17,500 SF	22,300 SF	4,800 SF increase

In accordance with the City Council's action in 1994 establishing that NAD Bank will be provided up to 15,000 usable square feet of office space at minimal charge, the Bank has only been paying less than fair market rate rent. The square footage figures for the purpose of this lease have been converted into rentable numbers to reflect what is typically found in the San Antonio marketplace. The new lease will allow the Bank to occupy 15,000 usable (16,800 rentable) square feet of office space paying only for common area maintenance and janitorial charges equal to \$5.51 per square foot annually, 700 rentable square feet at a price of \$ 19.61 per square footage and the additional 4,800 square feet of office space will be charged at a market rate of \$20.00 per square foot. In 2026, the final year of the lease, the rent will increase to \$240, 731.52 annually, of which 16,800 rentable square feet will pay at the discounted rate of \$6.15 annually per square foot, 700 rentable square feet will be charged \$25.96 per square footage and the additional 4,800 square feet of office space will be charged \$24.82 per square foot. Although this lease ends in February 2026, NAD bank will have the option of extending this lease agreement to April, 2033.

All revenue collected from this lease will be deposited into the City's General Fund.

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of a lease with the North American Development Bank for 22,300 rentable square feet of office space at the International Center under a term that will expire February 28, 2026 at the initial annual rate of \$202,215.48 increasing to \$240,731.52 in the final year of the lease.