



# City of San Antonio

## Agenda Memorandum

**File Number:**16-2152

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**Agenda Item Number:** 12.

**Agenda Date:** 3/31/2016

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Development and Operations

**DEPARTMENT HEAD:** John Jacks

**COUNCIL DISTRICTS IMPACTED:** 1

### **SUBJECT:**

Renewal and amendment of existing Lease Agreements for office space at Riverview Tower Building.

### **SUMMARY:**

This ordinance authorizes the renewal and amendment of existing lease agreements between Riverview Tower Partners, Ltd., and the City of San Antonio for the continued use of approximately 53,060 square feet of office space by multiple City departments and the addition of approximately 23,222 square feet along with 20 parking spaces for use by the Metropolitan Health District (Health) at the Riverview Tower Building at 111 Soledad Street, in City Council District 1. This ordinance also amends the Facility Services Fund Budget to account for one-time expenses associated with moving the Health Department to Riverview Tower Building.

### **BACKGROUND INFORMATION:**

The City currently leases multiple suites at Riverview Tower including those located on the 1<sup>st</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 11<sup>th</sup> and 16<sup>th</sup> floors totaling 53,060 square feet of occupancy for use by the Departments of Finance, Building and Equipment Services and Government and Public Affairs. This action will serve to renew these leases through December 31, 2021 as well as lease an additional 23,222 square feet of space for use by Health on the 6<sup>th</sup> and 10<sup>th</sup> floors to support the immunization and administrative staff space needs resulting from the relocation of these functions from Health's current location.

The necessity to relocate Health staff is as a result of the measures required to update the nearly 120 year old structure and eventual consolidation of City offices at the Frost Tower. The approximately 35,000 square foot historic building is known as the former Continental Hotel. Located at 332 West Commerce Street, within the recently designated Zona Cultural, the building fronts West Commerce and the San Pedro Creek redevelopment

project. This building presently serves as Health's administrative headquarters. Any additional investment into the historic building for continued office use by City Staff is not recommended, due to the eventual consolidation of City staff into the Frost Tower and the potential for redevelopment of this property. Additionally, of the 53,060 square feet being renewed at Riverview Tower, 29,848 square feet of space on floors 4 and 5 will expire on May 30, 2016 and 20,852 square feet of space on floors 11 and 16 will expire on September 30, 2016. Negotiating renewal terms in support of the plan approved by Council in June 2015 to eventually consolidate City uses into the Frost Tower will benefit from this action as a result of the establishment of a common lease expiration date and other renewal terms for these leases at Riverview Tower which will enhance the City's future relocation flexibility. The City's has another 37,982 square feet of occupancy on the 1<sup>st</sup>, 2<sup>nd</sup>, 7<sup>th</sup> and 9<sup>th</sup> floors at Riverview Tower used by Human Resources and Information Technology Services Departments. Those occupancies have terms and conditions that are already compatible with the eventual consolidation plan, and though they will be renewed prior to the projected Frost Tower consolidation, it is not necessary to alter any of the terms. Therefore, no action is required.

## ISSUE:

The 35,000 square foot building commonly known as the former Continental Hotel, located at 332 W. Commerce currently serves as Health's administrative headquarters. This building is located within the recently designated Zona Cultural and fronts West Commerce and the San Pedro Creek redevelopment project. Any additional investment into the historic building for continued City office use is not recommended due to the eventual consolidation of City offices into the Frost Tower. The potential mixed use redevelopment of this building fits within the plans for the area. Additionally, the 23,222 square foot area proposed for Health's relocation at Riverview Tower is already outfitted with communication infrastructure suitable for City use resulting in the elimination of the investment generally associated with network systems.

Lastly, the occupancies for 53,060 square feet of space presently occupied by the City at Riverview Tower will expire in the coming months and require renewal.

## ALTERNATIVES:

City Council could choose not to approve this agreement; however, that action would require the City to make a significant investment in the current Health location, which is a temporary location until the consolidation of City offices is completed. This location also has the potential to be redeveloped for retail and housing. The eventual consolidation of City staff into the Frost Tower will not occur before the terms of the leases expire, therefore it is in the City's best interest to either re-negotiate or renew the leases that pertain to the 53,060 square foot portion of its occupancy at Riverview Tower in the coming months to achieve term dates that coincide with the Frost consolidation plan.

## FISCAL IMPACT:

The specific terms of this agreement will amend two existing leases and expand the City's occupancy in the Riverview Tower building, the impact to annual rent payment is outlined in the chart below:

Item	Department/s	Current Lease	Proposed Lease	Net Change
Annual Rent	Finance Floors 4 and 5	\$537,264.00	\$507,416.04	\$29,847.96 decrease
Annual Rent	Finance Suite 150	\$40,119.96	\$40,119.96	No Change
Annual Rent	Finance/BESD/GPA Floors 11 and 16	\$354,483.72	\$354,483.72	No Change

Annual Rent	Health Floors 6 and 10	Not Applicable	\$394,773.96*	\$394,773.96 Increase
*Landlord has agreed to provide 4 months free rent resulting in FY 16 rent for only 1 month of the Suite 600 occupancy or \$11,761.17.				

This ordinance authorizes annual rent expenditures in the amount of \$1,296,793.68 for this lease of which \$233,959.20 will be paid by the Intergovernmental Fund, \$35,448.36 will be paid by the Facility Services Fund and the remaining \$1,027,386.12 will be paid for by the General Fund.

This ordinance authorizes the appropriation of \$137,060.00 from the Facility Services Fund fund balance for one-time moving expenses and IT network installation costs associated with moving Health Department staff from their current location to Riverview Tower.

As proposed, the terms of this agreement will align 76,282 square feet of occupancy in the building to have the same end dates and early termination dates with the flexibility to terminate all or portions of the occupancy anytime after September 30, 2019 which is a date prior to when the expected consolidation of City functions into the Frost Tower Building is expected to occur.

In addition to the payment of the monthly rent, the City will pay Riverview Tower Partners, Ltd. through the lease for 13 parking spaces and Health will contract directly for an additional seven spaces for a total of 20 parking spaces to support the Health occupancy at a projected rate of \$90.00 per month or \$21,600.00 annually. Parking for Finance and the other occupancies that comprise the 53,060 existing square feet totaling 39 spaces will continue to be procured at the rate of \$90.00 per month or \$42,120.00 annually. Also, all of the lease agreements with Riverview Tower Partners, Ltd provide for City paying for any operating expenses in excess of a base year. The base year for the Health space is 2016, as a result charges associated with an increase, if any, in base year expenses will not be incurred by the City until FY 2017 for that lease. The other occupancies have different base years which are estimated to result in charges of about \$0.75 per square foot in FY 2016 or \$39,795.00 in estimated expense for the 53,060 square feet occupied.

## **RECOMMENDATION:**

Staff recommends approval of this agreement with Riverview Tower Partners, Ltd. renewing the occupancy of 53,060 square feet and adding an additional 23,222 square feet for a term ending December 31, 2021.