



# City of San Antonio

## Agenda Memorandum

**File Number:** 16-3476

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**Agenda Item Number:** 28.

**Agenda Date:** 6/30/2016

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Development and Operations

**DEPARTMENT HEAD:** John Jacks

**COUNCIL DISTRICTS IMPACTED:** Council District 1

### SUBJECT

Economic Development Incentive Agreement with Crockett Urban Ventures LLC for the redevelopment of the Witte and Fish Market Buildings

### SUMMARY

This Ordinance authorizes an Economic Development Incentive Agreement with Crockett Urban Ventures LLC for the redevelopment of the Witte and Fish Market Buildings.

### BACKGROUND INFORMATION

Crockett Urban Ventures LLC has proposed two development projects on the 100 block of East Commerce between the San Antonio River and N. St. Mary's St. Each project includes the restoration and adaptive reuse of a historic building and, combined, will result in a total investment of nearly \$68 million, the addition of 4 housing units, new retail and restaurant space, new River Walk stair and elevator access, the preservation of two historic buildings, and the activation and dramatic improvement of two prominent downtown street corners.

#### **Witte Building**

On the west end of the block is the historic Witte Building built in 1893. This building has largely been neglected and underutilized for decades despite being located at a prominent entrance to the River Walk across from Main Plaza. The developer is proposing to renovate and activate the building at a cost of approximately \$7.5 million. The project will include the following:

- 4 housing units
- 2,500 square feet of river level retail/restaurant space
- 1,900 square feet of street level retail space
- 1,000 square feet of banquet/event space
- A new public/private stairway and elevator providing ADA access to the Riverwalk

The new stairway and elevator access to the River Walk is a particularly valuable and much-needed public improvement to an otherwise confusing but important access area. This area represents a key entry point for locals and visitors to the river off of Main Plaza. Currently it is very easy to miss and not a pleasant experience. Not only will this access point be more functional because of this project, it will also serve as a more inviting gateway to the historic reach of the River Walk. The addition of ADA access with a public/private elevator further accentuates the value of this project since the proposed elevator location will provide a more convenient and obvious ADA access point to the northern stretch of the river than the one that currently exists along Crockett Street.

### **Fish Market Building**

On the east end of the block is the historic Fish Market Building built circa 1860. This building has been vacant for over 30 years and is in severe disrepair, blighting a critical corner at Commerce and N. St. Mary's St. and attracting vagrancy and vandalism. The developer is proposing an 18-story Hilton Canopy Hotel that includes 195 rooms, a restaurant, coffee shop, and rooftop pool bar. Total estimated project cost is \$60 million, of which approximately \$800,000 will be spent on preserving and incorporating the Fish Market Building into the hotel project.

### **ISSUE**

The developer has requested financial assistance from the City to make both projects viable and successful. Given the development challenges at both sites and the potential missed opportunity to see redevelopment of a long-neglected but catalytic area, staff is supportive of the projects and the request for assistance.

Both sites, particularly the Fish Market Building, present numerous development challenges to making any project feasible. This is evidenced by the long history of unsuccessful attempts by past developers to produce viable concepts at these locations.

Site Constraints - The small footprint of each site offers few options to recapture the high cost of the land through leasable square footage or operating space. In order to compensate, the project must scale vertically, which increases construction costs substantially. Of critical benefit to the Fish Market project is that the current developer also owns the adjacent building (Esquire Bar) which allows them to cantilever into its airspace to maximize the project's design and performance. This is a unique advantage that the current developer has over past attempts.

Historic Structures - Historic rehabilitation is significantly more expensive than new construction. For both projects, the added cost of rehabilitating, stabilizing, and re-using the historic buildings, and the preservation of the historic cistern within the Fish Market building has proven cost prohibitive to past projects.

Parking - the lack of parking options severely limits the potential of each site and restricts their use to

concepts which are less parking-intensive.

Market Conditions - the high cost of land along the river plus the relatively low residential and office rents that can be obtained substantially increases the level of risk for developers and provides little incentive to invest in each site.

Whereas these challenges have proven fatal for past projects at these sites, the current developer has managed to overcome these challenges by combining these projects, neither of which would be viable on its own or without financial assistance from the City.

Therefore, staff is recommending two Economic Development Incentive Agreements totaling \$7,440,973 with Crockett Urban Ventures LLC that include the following:

- Witte Building Project
  - City fee waivers of approximately \$21,000
  - SAWS impact fee waiver up to \$137,910
  - Riverwalk Capital Improvements Reimbursement Grant up to \$1,045,186 for the stairway and elevator improvements. The Riverwalk Capital Improvements Board will consider this grant for approval at their next meeting.
  - Forgivable loan of \$112,000 based on the creation of 4 housing units and 4,400 sf of retail/restaurant space
  
- Fish Market Building Project
  - Inner City Incentive Fund Grant up to \$800,000 for costs related to historic rehabilitation and adaptive reuse

Additionally, the Houston Street TIRZ will provide a grant of up to \$5,324,877 to be disbursed over a 15-year period, of which a portion will be used for the historic preservation of the Witte Building and a utility vault for the Fish Market project. The grant will be sourced annually from the City ad valorem tax increment produced by both projects. The Houston Street TIRZ Board approved this grant at their June 23<sup>rd</sup> meeting.

As a condition for all incentives, the developer/hotel operator will provide evidence on an annual basis for 15 years that the hotel has remained in the top quartile for employee compensation for similar hotels in the San Antonio market.

## **ALTERNATIVES**

City Council could elect not to approve the Development Incentive Agreement; however, this would jeopardize the feasibility of both projects, leaving these two prominent downtown corners in their existing conditions without further reinvestment.

## **FISCAL IMPACT**

City and SAWS fee waivers are available through the Inner City Reinvestment and Infill Policy Program

(ICRIP). The Riverwalk Capital Improvements Grant of \$1,045,186 is available through the Riverwalk Capital Improvements Fund. The 15-year grant of \$5,324,877 is available through the City's ad valorem property tax increment produced by both projects in the Houston Street TIRZ Fund. The forgivable loan of \$112,000 and the historic rehabilitation grant of \$800,000 are available through the Inner City Incentive Fund administered through the Center City Development and Operations Department.

## **RECOMMENDATION**

Staff is recommending approval of the Economic Development Incentive Agreement with Crockett Urban Ventures LLC for the redevelopment of the Witte and Fish Market Buildings.