



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 39.

Agenda Date: 6/30/2016

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT: Funding agreement with Hemisfair Park Area Redevelopment Corporation (HPARC) and authorizing amendments to the HPARC Articles of Incorporation.

SUMMARY:

The following ordinances approve actions and appropriate funds in connection with the redevelopment of Hemisfair Park:

A) An ordinance authorizing an Agreement to Use Funds with HPARC to provide for an annual disbursement of \$1,687,000.00 for operating expenses subject to annual appropriation, \$3 million for the conceptual design of Civic Park; \$18.1 million in the issuance of public debt for utility infrastructure; and \$2.4 million for housing incentives in the NW Quadrant P3 Development.

B) Amendments to the Articles of Incorporation of HPARC to add an additional Ex-Officio Board Member, provide voting rights to Ex-Officio Board Members, and allow non-board members to serve on HPARC Committees.

BACKGROUND INFORMATION:

In 2009, the City Council established the Hemisfair Park Area Redevelopment Corporation (HPARC), a local government corporation appointed to manage and revitalize the Hemisfair area. HPARC is governed by an 11-member board of directors appointed by City Council. In addition to the 11-member board, the City of San Antonio has one ex-officio, non-voting member consisting of the City Manager or her designee. Since 2009, the City of San Antonio has funded the staff and operations of HPARC through various agreements. In Fiscal Year 2016, City Council allocated \$1,687,694 to HPARC for operational support in its FY 2016 annual budget.

The Hemisfair Master Plan, approved by City Council in February 2012, conceptualized the creation of a series of urban parks surrounded by a vibrant and pedestrian-oriented neighborhood. The Master Plan identified three distinctive parks to include Yanaguana Garden, Civic Park located southeast of the corner of Market and Alamo

Street, and Tower Park in the vicinity of the Tower of Americas for a total of 18.47 acres of activated park space in Hemisfair.

Yanaguana Garden opened in October 2015 and since its opening has welcomed over 320,000 visitors. The park is programmed seven days a week and includes climbing structures, sand dig area, swings, games, green space, and a splash pad. The City of San Antonio Parks and Recreation Department maintains the park space and HPARC is responsible for its programming and activation.

On March 20, 2014, City Council authorized a professional services agreement with Gustafson Guthrie and Nichol for design services for the proposed Civic Park which is in the location of the convention center that is currently being demolished. Design features included a great lawn area, hardscaped plazas, promenades, water features, various courtyards and other park amenities. The conceptual planning process for the Civic Park and the adjacent private development for its edges was an inclusive process that included an online survey, stakeholder interviews, and two public meetings. The total project cost is estimated at \$54 million. Phase 1, estimated at \$18.1 million, includes utility and underground work necessary for the Park's development and operations.

In addition to park programming, HPARC is responsible for the activation of the historic buildings as well as administering Public Private Partnerships (P3) within Hemisfair. This authority was granted to HPARC by City Council on December 11, 2014, through a master lease agreement that identified three parcels available for P3 developments. The first P3 was for a housing development east of Yanaguana Garden. On January 28, 2016, City Council authorized a development agreement between AREA Real Estate and HPARC for the development of approximately 160 unit mixed income project, 418 space parking garage with 238 public parking spaces, and 3,200 square feet of ground floor retail. The project will commence construction in early 2017 and will be complete in early 2019.

The second P3 initiated by HPARC was for the redevelopment of parcels along Market and South Alamo Street, adjacent to the Civic Park referred to as the Northwest Quadrant P3. In March 2016, HPARC announced that they entered into negotiations with Zachry/NRP Group for the Northwest Quadrant P3. Uses proposed by Zachry/NRP Group include new shops, restaurants and 338 residences adjacent to eight acres of parkland. The plan also adds additional public parking and a 200 room boutique hotel which is the maximum room count allowed within Hemisfair under current restrictive covenants. The proposed development is valued at approximately \$165 million and scheduled for completion by 2021. City Council will consider the development agreement for the Northwest Quadrant P3 in fall 2016.

ISSUE:

This item authorizes an Agreement to Use Funds (the "Agreement") between the City and HPARC. The Agreement provides HPARC with funds in the amount of \$1,687,694 for a period of 4 years and authorizes the issuance of \$18.1 million in 2016 taxable certificates of obligation as previously approved by City Council. This debt will be serviced by HPARC through the city's general fund contribution (\$1,687,694.00) and ground lease payments resulting from the Northwest Quadrant P3. Once the debt service is paid the excess funds will be paid to HPARC directly for their operations. The Agreement also provides \$2.4 million to HPARC to support the incentives that are necessary for the housing project identified in the Northwest Quadrant P3. The housing project would qualify for a waiver of City and SAWS fees, a 15 year tax rebate, and loan funds in

accordance with the City's Center City Housing Incentive Policy ("CCHIP").

Additionally, the Agreement allocates \$3 million to complete the design of the Civic Park. On March 20, 2014, City Council authorized a professional services agreement with Gustafson Guthrie Nichol for design services for the proposed Civic Park which is in the location of the convention center that was recently demolished. The \$3 million will complete the design and produce construction documents in preparation to advertise Phase 1 of the project.

If approved, the design services will commence immediately and the utility and underground work will begin in Early 2017 and be complete in February 2018. This timeline will allow the City to prepare the site for the Final Four in March 2018 and the Tricentennial Celebration in May 2018. The site will be sodded and will be able to accommodate at least 10,000 people which was a requirement for the Final Four. In the event additional funding for the Civic Park has been identified, construction of Phase 2 of the Civic Park will begin in June 2018 along with the mixed use development. The Civic Park will be complete in 2020 and the mixed use development will be complete in 2021.

The redevelopment of Hemisfair will yield revenues through several sources to include ground leases, rent from tenants in the historic homes, parking, and tax increment financing. HPARC shall be self-supporting by fiscal year 2021 and will cease to receive a general fund contribution from the City for its operations.

Finally, staff is requesting that City Council amend the Articles of Incorporation to include an additional Ex-Officio position consisting of the City of San Antonio's Chief Financial Officer or his designee. This is in addition to the Ex-Officio position for the City Manager or her designee. The amendment also provides for voting rights for both Ex-Officio positions and allows for non-Board Members to serve on HPARC Committees. Currently, only HPARC Board Members can serve on Committees.

ALTERNATIVES:

If the City does not authorize the agreement, the development of the Civic Park and the northwest quadrant will be delayed and the HPARC will not be self-supporting by Fiscal Year 2021.

FISCAL IMPACT:

Funding for HPARC operations will be appropriated annually through the City of San Antonio Budget Process for Fiscal Years 2017-2020. The City will continue to fund the maintenance of the public parks as they come online.

Additional one-time funding of \$3,000,000 for design services related to Civic Park and \$2,400,000 for housing incentives related to development of the Northwest Quadrant will be available from proceeds of the Marriott Riverwalk Hotel land disposition which is estimated at \$6 million.

The City will also issue public debt in the amount of \$18,100,000 to fund the utility infrastructure for Civic Park. The City's general fund contribution and the ground lease for the NW Quadrant P3 will service the debt. Potential sources of funding for future phases of the Civic Park include the 2017 Bond Program and private fundraising efforts.

RECOMMENDATION:

Staff recommends approval of the Funding Agreement, the allocation of \$3 million for the design of the Civic Park, and the amendment of the Articles of Incorporation.