



City of San Antonio

Agenda Memorandum

File Number: 17-1763

Agenda Item Number: 1.

Agenda Date: 3/29/2017

In Control: Tax Increment Reinvestment Zone 30 -- Westside

DEPARTMENT: Center City Development and Operations Department

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

A Resolution approving the Third Amendment to the Economic Development Grant Agreement with Iron and Steel Lofts, LLC.

SUMMARY:

This item approves an amendment to the Economic Development Grant Agreement with Iron and Steel Lofts, LLC for the Steel House Lofts project at 1401 South Flores St, located within the boundary of the Westside TIRZ.

BACKGROUND INFORMATION:

In April of 2010, the City of San Antonio entered into an Economic Development Grant Agreement with Iron and Steel Lofts, LLC for the development of the Steel House Lofts project at 1401 South Flores St. in Council District 1. Incentives for the project included a funding grant of \$109,000 and a Property Tax Increment Reimbursement of \$719,962 over 20 years. The project also received a Historic Tax Exemption. In exchange, the developer would build rehabilitate the historic Penden Iron and Steel Company building, create 67 new rental housing units, 2,500 square feet of commercial space, and make approximately \$720,000 in public improvements at the project site by December 31, 2012.

The project opened and began leasing in December of 2012. It included the requisite housing units, public improvements, and retail space which are now home to the popular restaurant, Fruteria. Upon the grand opening of the project, all obligations of the agreement were satisfied.

ISSUE:

After three years of successful operation as an apartment complex, the developer now desires to convert the project into condominiums. Currently, the agreement specifies the required housing units as "rental units". In order to facilitate the conversion to condominiums for sale to individual owners and to remain in compliance order to facilitate the conversion to condominiums for sale to individual owners and to remain in compliance with the incentive agreement, City staff is recommending an amendment to change the language from "rental units" to "residential units".

Although the original language of the agreement stated the units were to be “rental”, the project was initially contemplated as a condominium regime. Due to the ongoing recession in 2010, however, the developer instead elected to offer the units as rentals until the market for homeownership in the downtown area strengthened. As such, the agreement described the housing units as rentals - not as a condition for incentives, but as an accurate description of the project due to what the market could support at the time.

As part of the goal for additional housing in the Center City, staff feels that owner-occupied units are equal to if not better than rentals for the purposes of achieving a vibrant Center City neighborhood. Additionally, the conversion to condominium units represents a positive trend for the downtown housing market and for advancing the goals of the Downtown Strategic Framework Plan and the Center City Housing Incentive Program.

This will be the third amendment to the agreement. Previous amendments extended the commencement and completion deadlines and added the Property Tax Increment Reimbursement (tax rebate) incentive for the public improvements.

ALTERNATIVES:

Alternatively, the City could renegotiate or discontinue the tax rebate incentive altogether. Doing so would have no impact to the project but could arguably subject the City to legal action since the performance obligations of the incentive agreement (housing units, historic rehab, and public improvements) have been satisfied by the developer.

FISCAL IMPACT:

This amendment has no additional fiscal impact to the General Fund. The funding grant of \$109,000 was disbursed in 2011. The only remaining incentive to be disbursed is the tax rebate for the public improvements. This funding is sourced from the incremental City tax generated by the project which is reimbursed back to the developer. With this amendment under the new condominium regime, the tax rebate will continue as per the agreement for 20 years or until the developer has been reimbursed \$719,962 - the cost of the public improvements, whichever comes first. This is consistent with the current Center City Housing Incentive Policy which also provides long-term tax rebates for housing projects, including condominiums, in the downtown area.

RECOMMENDATION:

Staff recommends approval of this Resolution amending the Economic Development Grant Agreement with Iron and Steel Lofts, LLC for the Steel House Lofts project at 1401 South Flores St. in Council District 1.