



City of San Antonio

Agenda Memorandum

File Number: 17-4793

Agenda Item Number: 3.

Agenda Date: 9/5/2017

In Control: Economic and Workforce Development Committee

DEPARTMENT: Center City Development and Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 2

SUBJECT:

Briefing and possible action on the Red Berry Redevelopment

SUMMARY:

Briefing and possible action on moving forward the Red Berry Redevelopment conveyance and negotiation of the various development agreements for City Council consideration.

BACKGROUND INFORMATION:

The Red Berry Estate is an 84.59 acre property developed in 1951 located at 856 Gembler Rd, 827 Richland, and 4007 East IH 10 in Council District 2. The property consists of the Red Berry Mansion and a man-made lake. The Red Berry Estate was identified as a catalytic project at the 2010 Eastside Summit. Upon acquisition of the property, the City initiated a community planning process to identify the types of development and uses the community would like to see on the site. Results included the following: restoration of the mansion, preservation of the grounds and pond, trail connectivity, housing, and commercial development.

In June 2012, the City of San Antonio acquired the property and completed a Public Private Partnership (P3) process which identified the NRP Group as the lead developer in partnership with the San Antonio Housing Trust Public Facility Corporation (SAHT PFC) for the proposed mixed-use development on the site. The NRP Group has partnered with Casey Development for the commercial component on the site. The site requires approximately \$3.8 million in public improvements in order to meet the goals of the community plan and to facilitate the site development.

Salado Creek Hike and Bike Trail Extension:

Salado Creek Hike and Bike Trail System Extension and Lake Improvements.

FY 2017 CDBG: \$1,460,931

Other Public Infrastructure

Funding will provide public improvements necessary for drainage improvements, roads, utilities, entry ways, and public parking.

Inner City TIRZ Funds: \$2,356,869

The public infrastructure will support three distinct development projects that represent a total investment of \$57.5 Million. These projects include the restoration of the mansion, the development of a 330 unit mixed income housing project, and a 150,000 square foot office building. The project qualifies for City and SAWS Fee Waivers through the Inner City Reinvestment Infill Policy. The fee waivers total \$1,374,389. In addition to the fee waivers, staff is recommending \$3,851,514 in incentives to facilitate the project.

Phase II - Mansion Renovation - \$2.5 Million

Renovation of the 10,300 SF Mansion providing for an open to the public catering and event venue.

Inner City TIRZ \$700,000

Phase III - Multi-Family Housing - \$35 Million

A new 330 unit residential multi-family mixed-income housing development will provide 50% of the units for households less than 80% AML.

Inner City TIRZ \$1,534,470

ICIF 540,579

Total: \$2,075,049

Phase IV - Commercial Tract - \$20 Million

A new 150,000 SF Office property is to be constructed with an estimate of between 200-225 jobs. Incentive is conditioned on attracting a corporate headquarters to the site.

10 YR Tax Rebate \$1,076,865

The City of San Antonio proposes to convey 84.59 acre Red Berry Estate including the 10,300 sq. ft. mansion and existing water rights to the San Antonio Housing Trust Public Facility Corporation (PFC) along with the 0.057 acre parcel located at 827 Richland Dr. for the purpose of expediting and facilitating the redevelopment of the Red Berry Mansion and Estate grounds. Upon completion of development, the SAHT PFC shall convey the lake improvements, public roads, and Salado Creek Trail connection areas back to the City.

Staff will also require the SAHT PFC to create a property owners association to assist in the maintenance of the common grounds to include the maintenance of the lake. The City will contribute to the maintenance of the estate and provide \$59,864 annually for a period of no more than seven (7) years for the maintenance of the Salado Creek Hike and Bike Trail System Extension and Lake Improvements.

Upon City Council approval, the development team will initiate the design phase of the project. The design phase will be complete by September 2018. Construction of the multi-family housing project will begin in October 2018 and completion is anticipated by December 2019. The restoration of the Red Berry Mansion will begin immediately and is anticipated to be complete by December 2018. The commercial tract will commence construction in fall 2018 and will be complete in summer 2020.

ALTERNATIVES:

If City Council does not authorize the conveyance and incentive package for the Red Berry Estate Redevelopment, the City will need to identify another method for redevelopment of the site which may include the release of another solicitation or sealed bid for sale of the property.

FISCAL IMPACT:

The City is recommending \$3.8 million for public improvements that are necessary to meet the goals of the community plan and to facilitate the sites development. Funding for the public improvements is included in the Fiscal Year 2017 CDBG allocation that was approved by City Council on August 4, 2016 and the remaining funding is available in the Inner City Tax Increment Reinvestment Zone (TIRZ). The Inner City TIRZ Board will consider the funding request in late September.

The project qualifies for City and SAWS Fee Waivers through the Inner City Reinvestment Infill Policy. The fee waivers total \$1,374,389. Funding for the fee waivers are available in the FY2017 city fee waiver allocation and the FY2018 and 2019 SAWS fee waiver allocation.

In addition to the fee waivers, staff is recommending \$3,851,514 in incentives to facilitate the \$57.5 million project. Staff will request an additional \$2,234,470 from the Inner City TIRZ to support the mansion and housing development. Additionally, staff is recommending a \$540,579 grant from the FY 2017 Inner City Incentive Fund. The remaining \$1,076,865 will be in the form of a tax rebate that will be provided to the developer for 10 years for the commercial office building provided that funding supports the recruitment and retention of a headquarters on the site.

Additionally, the City's General Fund shall continue to annually contribute \$59,864 for the maintenance of the Salado Creek Hike and Bike Trail System Extension and Lake Improvements for a period of up to seven (7) years. The City has allocated funding in the City's budget for the maintenance of the Red Berry Estate for the past five years.

The economic impact of the project outweighs the fiscal impact to the City. Over the next 20 years, the estimated property tax revenue and sales tax revenue generated onsite at the Red Berry Estate is \$3.2 million. This amount exceeds the \$2.8 million the project will receive in the grants from the Inner City TIRZ and Inner City Incentive Fund that for the private development (mansion, multi-family housing, and commercial office).

The tax rebate will only be provided to support a corporate headquarters retention project that will retain 200-225 jobs on the east side. The addition of jobs in the area will translate to secondary economic impacts for surrounding nearby businesses in this eastside community.

While the final terms of the SAHT PFC agreement has not been negotiated, the public facility corporation will receive a return on the project to include a percentage of the projected cash flow. Staff anticipates that the PFC could receive up to \$25 million over the term of the project. This funding would be used to support other affordable housing projects.

RECOMMENDATION:

The Red Berry Project will provide much needed work force housing in the area and generate up to \$25 million in funding to assist with more work force housing for the City, retain a corporate headquarters on the east side along with 200-225 jobs, restore the Red Berry Mansion so it can be used once again as a community gathering space, and provide recreation amenities to promote connectivity in the area. Staff recommends moving forward with the conveyance and negotiation of the various development agreements for City Council consideration.