



City of San Antonio

Agenda Memorandum

File Number: 17-6286

Agenda Item Number: 6.

Agenda Date: 12/8/2017

In Control: Tax Increment Reinvestment Zone 11 -- Inner City

SUMMARY:

Discussion and possible action to approve the following items acknowledging the Inner City TIRZ Fund as a source of funding for the La Villita Culinary Concept Project located within Maverick Plaza and within the Inner City TIRZ in City Council District 1 and in accordance with the Master Development Agreement to be negotiated between the City of San Antonio and Grupo La Gloria, LLC:

- A. A Resolution approving Inner City TIRZ funds to reimburse the City for the issuance of \$4,400,000.00 in self-supporting 2018 Certificates of Obligation totaling an estimated \$8,000,000.00 in debt service payments from the Inner City TIRZ Fund over a twenty (20) year period in support of public improvements associated with the Project; and
- B. A Resolution authorizing funding in an amount not to exceed \$600,000.00 in Inner City TIRZ funds to be distributed over a seven (7) year period for enhanced programming associated with the Project.

BACKGROUND INFORMATION:

Downtown San Antonio has seen significant public and private investment near Historic La Villita, especially with the addition of new adjacent housing, commercial development, and expanded park amenities. This has created a fresh demand for new retail services within the historic facility. While the surrounding development has been positive for downtown, the total taxable sales in La Villita have declined 19.3% over the past five years. As a comparison, El Mercado's taxable sales have increased 25.6% in the same time period.

In February 2016, the City issued a Request for Information for a Culinary Concept and Operator in La Villita's *Maverick Plaza*. The Plaza serves as La Villita's main entrance from South Alamo and Nueva Streets. Maverick Plaza is currently being used solely for weddings, receptions, private parties, corporate functions and festivals. The City envisions a new culinary business concept or concepts to be located within Maverick Plaza to serve as an anchor that will energize La Villita and draw locals and visitors by creating a consistently vibrant and active plaza for all to enjoy. The City anticipated that the new Culinary Concept and Operator would include changes to Maverick Plaza and surrounding areas that will improve connectivity with an expanded convention center and development in Hemisfair Park.

The City received two proposals and the evaluation committee recommended Grupo La Gloria (Chef Johnny Hernandez). The Neighborhoods and Livability Council Committee was briefed on the proposal at their October 2016 Committee meeting. They endorsed staff's recommendation to proceed with due diligence, site

planning, and a development agreement. Over the past year, the City has worked with Grupo La Gloria to develop a design concept and program plan for Maverick Plaza. Grupo La Gloria's vision for Maverick Plaza includes food and beverage concepts that tell the story of San Antonio's food history and daily programming with the best mix of culinarians, retailers, artisans, and musicians to provide an authentic San Antonio food and cultural experience.

In December 2016, the City and Grupo La Gloria entered into a Memorandum of Agreement to share costs associated with development of a conceptual plan for the Project. Fisher Heck Architects were hired to study the feasibility of building three distinct restaurants in Maverick Plaza and develop a plan for the culinary concept. The report was complete in July 2017, and determined that it is feasible to develop three adequately sized restaurants in the plaza that will serve to activate the space and draw locals and visitors. Three new successful restaurants in Maverick Plaza should reverse the trend of declining sales in La Villita.

Agreements:

A Master Development Agreement is being negotiated between the City and Grupo La Gloria for the redevelopment of Maverick Plaza. The Master Development Agreement shall:

- Provide a Ground Lease(s) for three sites within Maverick Plaza to Grupo La Gloria for a \$100,000 annual contribution to the programming and maintenance of Maverick Plaza.
- Commit approximately \$600,000 in Inner City TIRZ funding to be disbursed over 7 years to support programming improvements in Maverick Plaza.
- Commit Grupo La Gloria to invest a minimum of \$7.6 million for the construction and equipping of 3 restaurants within Maverick Plaza.
- Commit the City to provide \$4.4 million in self-supporting 2018 Certificates of Obligation to be paid with Inner City TIRZ funds to support public infrastructure improvements, constructed by the City.
- Facilitate a partnership between the City and Grupo La Gloria for enhanced programming and maintenance in Maverick Plaza.

Maverick Plaza Restaurants and Programming:

Grupo La Gloria shall construct a building in the southeast corner of Maverick Plaza for use as a Mexican restaurant to be operated by Chef Johnny Hernandez to seat approximately 150 indoors and 56 outdoors.

Grupo La Gloria shall partner with Chef Steve McHugh on the rehabilitation of the Gissi House at 250 King Philip and an addition for use as a German Brewery and Beer Garden restaurant to seat approximately 132 indoors and 94 outdoors; and

Grupo La Gloria shall partner with Chef Elizabeth Johnson, rehabilitation of the Faville House at 150 Villita Street and an addition for use as a Native Texas/Spanish Heritage restaurant to seat approximately 74 indoors and 202 outdoors; and

Grupo La Gloria and the City of San Antonio will partner on the programming of Maverick Plaza. The City will maintain and program events with local community engagement while working with Chef Johnny Hernandez to develop a programming plan that delivers an authentic San Antonio experience. The Inner City TIRZ will contribute up to \$600k over a 7 year period for enhanced programming in Maverick Plaza. Enhanced activation and programming of Maverick Plaza will begin when restaurants open in 2021. New programming may include:

- Weekly demonstrations with rotating chefs and culinary students;
- Mobile vendors;
- Monthly harvest markets and cultural events; and
- Six to eight annual signature events that celebrate local culture, artisans, food, brewers, vintners, and distillers.

The City's Transportation and Capital Improvements Department will complete public improvements in and around Maverick Plaza, in coordination with the South Alamo Complete Streets Project, to facilitate construction of three new restaurants and support the necessary activation for the Plaza. The total cost for the public improvements is approximately \$4.4 million and include but are not limited to:

- Demolition of non-historic restroom and concession facilities;
- Construction of outdoor demonstration kitchen and kiosks;
- Repaving of King Philip, Villita, Old Alamo Streets, and Maverick Plaza;
- Nueva Street improvements and addition of metered parking; and
- New utilities in Maverick Plaza.

ALTERNATIVES:

If the Inner City TIRZ does not agree to reimburse the City for the semi-annual debt service on the proposed self-supporting 2018 Certificates of Obligation for the La Villita Maverick Park Improvements, and/or City Council does not authorize the use of TIRZ Funds, the project will not be able to move forward.

FISCAL IMPACT:

The City is recommending utilizing Inner City TIRZ Funds to reimburse the City over the next 20 years for the semi-annual debt service on approximately \$4,400,000 in self-supporting 2018 Certificates of Obligation issued for construction of public improvements. The estimated total amount of the repayment of principal and interest from the TIRZ over 20 years is \$8,000,000 with an annual repayment obligation of approximately \$400,000. The aforementioned public improvements are subject to change based on review by the City's Bond Counsel prior to the issuance of the debt and alternate improvements may be required to be substituted or cash may be utilized for a portion of the improvements. Since the debt service extends beyond the term of the Inner City TIRZ, in the event the Inner City TIRZ is not renewed, the City will be required to pay the debt service from another funding source.

The Inner City TIRZ will also provide funding support for enhanced programming in Maverick Plaza. The total funding is not to exceed \$600,000 and will be disbursed as follows:

- \$50k for FY2019 - FY2020
- \$100k for FY2021 - FY2024
- \$100k for FY2025

ECONOMIC IMPACT:

The 3 restaurants will create 210 jobs. Additionally, over the next 20 years the restaurants will generate approximately \$1.2M in Sales and Mixed Beverage Taxes, \$850k in City Property Tax, \$2.3M in SAISD Property Tax, and \$1.1M in property taxes for the remaining taxing authorities. Additionally, the properties will contribute to the Public improvement District. The enhanced programming will also generate additional sales

tax revenue throughout La Villita.

RECOMMENDATION:

Staff recommends authorizing a Resolution to approve Inner City TIRZ Funds to reimburse the City for the issuance of \$4,400,000 in Certificates of Obligation totaling an estimated \$8,000,000 in debt service payments from the Inner City TIRZ over twenty years in support of public improvements at La Villita. Staff also recommends a Resolution to approve \$600,000 in Inner City TIRZ Funds to be disbursed over a 7 year period for enhanced programming in Maverick Plaza.