



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 21.

Agenda Date: 12/14/2017

In Control: City Council A Session

DEPARTMENT: City Manager's Office

DEPARTMENT HEAD: Lori Houston, Assistant City Manager

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

A lease agreement with Grupo La Gloria authorizing the construction and renovation of three restaurants in and adjacent to Maverick Plaza in La Villita.

SUMMARY:

This ordinance authorizes a Lease Agreement for a lease agreement with Grupo La Gloria for the construction of three restaurant concepts in Maverick Plaza.

BACKGROUND INFORMATION:

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 anticipates that a 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.

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. 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.

The three restaurants will be constructed by Grupo La Gloria. Total private investment for these restaurants is \$7.6 million.

- 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 \$600,000 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.

ISSUE:

Staff has negotiated a Lease Agreement between the City and Grupo La Gloria in connection with the redevelopment of Maverick Plaza. The Lease Agreement shall:

- Provide a Lease Agreement(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 and financed with Inner City TIRZ funds to support public infrastructure improvements, constructed by the City; and
- Facilitate a partnership between the City and Grupo La Gloria for enhanced programming and maintenance in Maverick Plaza.

This item has been coordinated with the current tenants and the major stakeholders to include Visit San Antonio and the San Antonio Conservation Society. Public engagement for the project will continue throughout the design phase and development of a programming plan. Additionally the construction schedule will also be coordinated with the tenants and major stakeholders to minimize inconvenience. The City will work closely with the San Antonio Conservation Society and NIOSA organization as well as the tenants and other major stakeholders to minimize disruption to current programming and operations.

ALTERNATIVES:

If the Lease Agreement is not approved the project will not be able to move forward.

FISCAL IMPACT:

The City will use 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 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:

\$50,000 for FY2019 - FY2020

\$100,000 for FY2021 - FY2024

\$100,000 for FY2025

The Inner City TIRZ Board will consider this item at the December 8, 2017 Board Meeting. Additionally, over the next 20 years the restaurants will generate approximately \$1.2M in Sales and Mixed Beverage Taxes. Additionally, the properties will contribute to the Public Improvement District. The enhanced programming will also generate additional sales tax revenue throughout La Villita and additional lease revenue from tenants.

RECOMMENDATION:

Staff recommends approval of the Lease Agreement that authorizes a ground lease with Grupo La Gloria for the construction of three restaurant concepts in Maverick Plaza, \$600,000 from the Inner City TIRZ for enhanced programming to be disbursed over seven years, and \$4.4 million in public improvements to be constructed by the City and funded by the Inner City TIRZ. This item also amends the Project and Finance Plan for the Inner City TIRZ to reflect the project.