City of San Antonio

Agenda Memorandum

File Number: 18-6934

Agenda Item Number: 50A.

Agenda Date: 12/13/2018

In Control: City Council A Session

DEPARTMENT: Center City Development and Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Approval of three items relating to the Burns Building Redevelopment project located at 401 East Houston Street in Council District 1.

SUMMARY:

Consideration of the following items related to the Burns Building Redevelopment project located at 401 E. Houston Street in Council District 1:

A. Authorize the execution of a Development Agreement between the City of San Antonio, Houston Street TIRZ Board of Directors, and 401 East Houston Street, LLC in an amount not to exceed $255,880 for eligible building and Parklet improvements. Funding in the amount of $255,880 is available within the Houston Street TIRZ.

B. Authorize the execution of a Chapter 380 Economic Development Loan Agreement for up to $446,895 to 401 East Houston Street, LLC for the building and Parklet improvements. The loan will be forgivable over 5 years at 20% per year provided that the space remains occupied for at least 80% of each year. Funding in the amount of $446,895 is available in the Inner City Incentive Fund FY 2019 Adopted Budget.

C. Authorize the extension of the sidewalk on approximately 1,100 square feet of on-street right of way along the east side of Jefferson Street between Houston Street and Peacock Alley and the execution of a Parklet Agreement between the City of San Antonio and 401 East Houston Street, LLC. The City will require 401 East Houston Street, LLC to submit an annual nonrefundable license fee of $800 for a total of $8,000 over the ten year contract term. In addition, the City will forego approximately $3,700 in revenue for the 4 parking meters and designated commercial loading zone currently in place.

BACKGROUND INFORMATION:

Through the Center City Development and Operations Department (CCDO), the City continues to encourage and incentivize retail development along the Houston Street corridor, where both the City and partner organizations have provided significant public infrastructure investment. While progress continues, challenges to economic revitalization still remain including a lack of private investment, transportation barriers, and high instances of commercial vacancy.

The Burns Building Redevelopment is the renovation of a five-story historic building constructed in 1918 located at 401 East Houston Street. The building had been vacant since 2015 when the former ad agency Bromley Communications relocated to the IBC Center. The structure showcases Chicago-style windows and minimalist storefront with a glazed terra cotta fifth floor cap that provides iconic detail throughout the façade. The project has an estimated development cost of $11.3 million for 39,413 square feet of office space, as well as, 14,449 square feet of retail space along Houston and Jefferson streets. Project construction is anticipated to commence January 2019 with a tentative completion date of June 2021. Once completed, the building will house up to 250 professional employees with first floor retail space that will include restaurant retail and other retail for public use.

The developer also approached the City about implementing a concept unique to San Antonio on the existing street right of way along the east side of Jefferson Street between Houston Street and Peacock Alley called a "Parklet". A Parklet is the repurposing of a portion of an existing street right of way into a public space intended to enhance the streetscape and create increased public open spaces. Parklets provide amenities like seating, planting, bike parking, and art. Parklets are funded and maintained by the adjacent property owner; however they are accessible and available to the public. Parklets can increase street vibrancy and improve quality of life in San Antonio's neighborhoods and commercial corridors.

ISSUE:

The total project cost is $11.3 million and the City has identified $702,695 in funds to assist with the historic preservation, the construction of the Parklet that will further activate Houston Street, and the finish out for the first floor retail. When complete, the Burns Building will office approximately 250 employees, provide additional restaurant retail on a primary downtown retail corridor, contribute to the activation of Houston Street, and enhance the pedestrian experience through the street scape improvements.

A. On June 25, 2018, the Houston Street TIRZ Board approved Resolution T09 2018-06-25-01R for staff to fund and negotiate an agreement to assist with public improvements related to the project. TIRZ Staff and the Developer agreed to fund $255,880 in Houston Street TIRZ funds for the proposed Parklet and other eligible building related improvements.

B. Staff is recommending a 5-year forgivable development loan in the amount of $446,895, funded by the Inner City Incentive Fund. The loan will be forgiven at 20% per year provided that the space remains occupied for at least 80% of each year. This incentive is based on a gap analysis of the project and is calculated at $25 per eligible square foot of retail space in addition to a $79,120 in improvements not covered by TIRZ funding.

C. Currently, the City of San Antonio does not have a specific code that provides a framework for this enhanced pedestrian type of permit. However, Center City Development and Operations staff in coordination with TCI commenced a review of best practices of Parklet programs around the country including Philadelphia,

San Francisco, and Los Angeles to review appropriate locations, designs, and maintenance. Staff have developed and negotiated a Parklet Agreement based on best practices with 401 East Houston Street, LLC that sets forth specific conditions regarding a flexible and safe design, amenable functionally, and specific maintenance requirements of the public space to provide the public with a positive pedestrian experience for up to a ten year permitted period with a City option to revert back to street parking at any time.

ALTERNATIVES:

City Council could choose not to approve one or more of these requests:

A. If the $255,880 in TIRZ funding agreement is not approved, this could delay the redevelopment project moving forward for lack of financing since a portion of the awarded funds will pay for exterior improvements to the Burns Building.

B. If the 5-year forgivable development loan in the amount of $446,895 is not approved, this will inhibit the developer's ability to activate the retail space and the ground level will likely remain vacant.

C. If the Parklet Agreement is not approved, the City would continue to utilize the on street right of way for parking meters and a commercial loading zone.

FISCAL IMPACT:

A. If approved, this action will authorize a Development Agreement between the Houston Street TIRZ Board of Directors, the City of San Antonio, and 401 East Houston Street, LLC in an amount not to exceed $255,880. Projects funded through the Houston Street TIRZ are paid solely from the tax increment generated. Funding in the amount of $255,880 is available within the Houston Street TIRZ.

B. The development loan amount for 401 East Houston Street, LLC will be equal to $446,895, funded from the Inner City Incentive Fund (ICIF). The loan will be forgivable over 5 years at 20% per year provided that the space remains occupied for at least 80% of each year. Funding in the amount of $446,895 is available in the Inner City Incentive Fund FY 2019 Adopted Budget.

C. Authorize the extension of the sidewalk on approximately 1,100 square feet of on-street right of way along the east side of Jefferson Street between Houston Street and Peacock Alley and the execution of a Parklet Agreement between the City of San Antonio and 401 East Houston Street, LLC. The City will require 401 East Houston Street, LLC to submit an annual nonrefundable license fee of $800 for a total of $8,000 over the ten year contract term. Revenue generated by this agreement will be deposited into the General Fund. In addition, the City will forego approximately $3,700 in revenue for the 4 parking meters and designated commercial loading zone currently in place.

RECOMMENDATION:

Staff recommends authorizing the following items related to the Burns Building Redevelopment project:

A. Authorize a Development Agreement between the Houston Street TIRZ Board of Directors, the City of San Antonio, and 401 East Houston Street, LLC in an amount not to exceed $255,880. Projects funded through

the Houston Street TIRZ are paid solely from the tax increment generated. Funding in the amount of $255,880 is available within the Houston Street TIRZ.

B. Authorize the execution of a Chapter 380 Economic Development Loan Agreement for up to $446,895 to 401 East Houston Street, LLC for the building and Parklet improvements. The loan will be forgivable over 5 years at 20% per year provided that the space remains occupied for at least 80% of each year. Funding in the amount of $446,895 is available in the Inner City Incentive Fund FY 2019 Adopted Budget.

C. Authorize the extension of the sidewalk on approximately 1,100 square feet of on-street right of way along the east side of Jefferson Street between Houston Street and Peacock Alley and the execution of a Parklet Agreement between the City of San Antonio and 401 East Houston Street, LLC. The City will require 401 East Houston Street, LLC to submit an annual nonrefundable license fee of $800 for a total of $8,000 over the ten year contract term. In addition, the City will forego approximately $3,700 in revenue for the 4 parking meters and designated commercial loading zone currently in place.