



City of San Antonio

Agenda Memorandum

File Number:19-3540

Agenda Item Number: 24.

Agenda Date: 6/13/2019

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Amendment of a Ground Lease between the City of San Antonio and Fairmont Investments, LLC

SUMMARY:

An ordinance authorizing the Fourth Amendment of the Fairmont Hotel Ground Lease between the City of San Antonio and Fairmont Investments, LLC (Fairmont) outlining the process pertaining to assignment and sublease of the ground lease for the City owned property located at 401 South Alamo Street in Council District 1. This ordinance will have no fiscal impact.

BACKGROUND INFORMATION:

The City owns the 15,120 square foot land area upon which the Fairmont Hotel is situated which in accordance with a ground lease dated January 17, 1985 Fairmont owns the improvements located thereon. Pursuant to Council approval this ground has a term that will expire on September 30, 2042.

ISSUE:

Among the conditions imposed by the lease is a requirement that any sublease of portions of the Fairmont owned improvements requires Council approval. The proposed amendment would streamline the process for subletting the property by allowing the City to administratively approve the sublease for the proposed use as long as the lease use is compliant with existing zoning and conducive to the City's objective to retain the historic nature of the property. The lease would still require Council approval for any proposed assignment of the lease.

ALTERNATIVES:

The City Council could opt not to approve this lease amendment and the alternative would be that any sublease of portions of the property would require Council approval, but given the requirements imposed by local zoning ordinances and the limitations imposed by the necessity to act in good faith, it is unlikely that relieving Council of the requirement to approve every sublease would diminish the City's ability to promote the Fairmont's efforts to operate the hotel in a manner that reflects its historic nature and unique place among hotels operating in downtown San Antonio. City Council will retain the approval rights any assignment of the ground lease.

FISCAL IMPACT:

An ordinance authorizing the Fourth Amendment of the Fairmont Hotel Ground Lease between the City of San Antonio and Fairmont Investments, LLC (Fairmont) outlining the process pertaining to assignment and sublease of the ground lease for the City owned property located at 401 South Alamo Street in Council District 1. There is no fiscal impact associated with this action and the approval of this matter.

RECOMMENDATION:

Staff recommends approval of an ordinance authorizing the execution of a lease amendment with Fairmont Investments LLC delegating the approval of subleases to City Manager or their designee for the ground lease associated with the Fairmont Hotel located at 401 South Alamo Street in Council District 1.