



City of San Antonio

Agenda Memorandum

File Number:19-4232

Agenda Item Number: 44.

Agenda Date: 6/13/2019

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services Department

DEPARTMENT HEAD: Verónica R. Soto, AICP, Director

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

Ordinance approving execution of a Development Agreement with GrayStreet Houston - E. 305 Houston Street, LLC for the Grant/Kress Building Rehabilitation project in an amount not to exceed \$1,250,000.00. The project is located at 305 and 315 East Houston Street in City Council District 1 and within the Houston Street Tax Increment Reinvestment Zone (TIRZ).

SUMMARY:

City Council is being asked to consider an Ordinance approving execution of a Development Agreement between the Houston Street TIRZ Board of Directors, GrayStreet Houston - E. 305 Houston Street, LLC and the City of San Antonio for the Grant/Kress Building Rehabilitation project in an amount not to exceed \$1,250,000.00 in reimbursable TIRZ funds for facade renovation and waterproofing, green roof, and landscaping.

BACKGROUND INFORMATION:

The Kress Building was built circa 1938 as a “five-and-dime” store by Edward Sibbert, the head architect for S. H. Kress & Co. While the five-and-dime store closed in 1992, various restaurants and retailers have occupied the space since. The Grant Building, originally known as the Vance building, was built circa 1946 and housed a dime store for many years. Between 1995 and 2015, it was the site of San Antonio Children’s Museum.

The developer, Graystreet Partners, purchased the Kress Building, 315 East Houston Street, in April 2015, and the Grant Building, 305 E. Houston Street, in June 2016. This project will see the two buildings integrated on multiple levels to create a unique 75,000 square feet office work space, with a food hall on the ground floor,

and a rooftop terrace. The developer will invest \$43M in the Grant and Kress Buildings. The upper floors of the Kress Building have been vacant since 1992 and the Grant Building has been vacant since 2015.

WeWork Companies Inc. has leased the office space in the buildings. The co-working space will take the top two floors of the Grant Building along with the top four floors of the Kress Building and expects about 1,105 members to utilize the space. WeWork will utilize the Grant/Kress Building to provide shared workspaces for technology startups, and various business services to entities that include entrepreneurs, freelancers, startups, small companies, and large enterprises. The company was founded in 2010 with its headquarters located in New York City. WeWork has a valuation of roughly \$47 billion and manages approximately 10,000,000 square feet of office space with approximately 5,000 employees assigned to more than 280 locations distributed among 86 cities in 32 countries.

The Food Hall will provide space for 12-16 vendors including a coffee bar. Local restaurants will receive priority in the selection process. Vendors will be chosen to provide a mix of concepts and price points. Hall hours will allow restaurateurs to serve 3 meals per day and will accommodate bar that will operate during extended evening hours. The food hall will be open to the public and contribute to the activation of Houston Street.

On May 20, 2019, the Houston Street TIRZ Board approved a Resolution authorizing execution of the Development Agreement with GrayStreet Houston - E. 305 Houston Street, LLC to provide reimbursement in an amount not to exceed \$1,250,000.00 for eligible expenses to include facade renovation and waterproofing, roof terrace, and landscaping to the Grant and Kress buildings.

The purpose of the \$1,250,000 in TIRZ funds is to reimburse the developer for eligible expenses to include historic façade restoration, waterproofing, roof terrace, and landscaping. These expenditures will serve to contribute to the feasibility of the overall project which will:

- Create a unique presence by renovating and integrating two significant buildings
- Increase foot traffic to Houston Street and Downtown
- Generate new jobs and economic development
- Create a multi-tenant food hall downtown
- Enhanced the pedestrian experience by activating vacant buildings

GrayStreet Partners is a private equity firm focusing on the investment, development, and management of urban commercial real estate. Their portfolio of real estate investments includes office, retail, mixed-use, urban land, and parking assets, totaling about 3 million square feet of real estate, primarily in San Antonio.

ISSUE:

The Grant/Kress Building Rehabilitation project is located at 305 and 315 East Houston Street in the Houston Street TIRZ, City Council District 1. Total development cost is expected to be approximately \$43,582,116.00. At completion, the property is expected to generate an additional \$243,305.87 per year in tax revenue for the city.

The project will see the two buildings integrated on multiple levels to create a unique space, with 75,000 square feet of office space, and a 15,000 square foot food hall on the ground floor, a rooftop terrace, restored historical façades, and new glass openings on the east wall of the Kress Building. Renovating and integrating these two significant buildings is expected to reactivate the vacant Grant Building and the vacant upper floors of the historic Kress Building, thereby creating a truly unique presence on Houston Street. Additionally, the

rehabilitation is designed to attract new employment, economic activity, and increased foot traffic to Houston Street and Downtown.

Construction of the project will commence on or before December 31, 2019 and is expected to be complete no later than December 31, 2020.

ALTERNATIVES:

City Council could decide not to approve the Development Agreement with GrayStreet Houston - E. 305 Houston Street, LLC. If so, this action could negatively affect the Grant/Kress Building Rehabilitation project.

FISCAL IMPACT:

If approved, this action will authorize execution of a Development Agreement between the Houston Street TIRZ Board of Directors, the City of San Antonio, and GrayStreet Houston - E. 305 Houston Street, LLC in an amount not to exceed \$1,250,000.00. This development agreement will be funded through the Houston Street TIRZ and paid solely from the tax increment generated. Upon completion, the property is expected to generate an additional \$243,305.87 per year in tax revenue for the city.

RECOMMENDATION:

Staff recommends approval of an Ordinance authorizing execution of a Development Agreement in an amount not to exceed \$1,250,000.00 for the Grant/Kress Building Rehabilitation project located at 305 and 315 East Houston Street in City Council District 1 and within the Houston Street TIRZ boundary.