



City of San Antonio

Agenda Memorandum

File Number:19-4794

Agenda Item Number: 23.

Agenda Date: 6/13/2019

In Control: City Council A Session

DEPARTMENT: Center City Development and Operations Department

DEPARTMENT HEAD: John P. Jacks

COUNCIL DISTRICTS IMPACTED: Council District 2

SUBJECT:

The negotiation and execution of a Development Agreement and any ancillary documents with 803 N Cherry, LLC (803) for the exchange and development of a 2 acre portion of City owned property at 223 S Cherry Street for a 1.69 acre property owned by 803 N Cherry Street, LLC at 803 and 815 N Cherry Street.

SUMMARY:

This ordinance authorizes the City Manager to negotiate and execute a Development Agreement with 803, for the exchange of a portion of City owned property at 223 S Cherry Street for 803 and 815 N Cherry Street.

BACKGROUND INFORMATION:

On August 2, 2012, City Council authorized a Master Economic Development Incentive Agreement with Alamo Beer Company, LLC and the Inner City Tax Increment Reinvestment Zone for the development of the Alamo Beer Micro Brewery. The Project included a microbrewery and administrative offices; a restaurant/beer garden; indoor/outdoor event venue; and an outdoor activity area. In addition to the approved Master Economic Development Agreement, the City agreed to sell 1.69 acres of unimproved land located at 803 N Cherry Street. Alamo Beer Company, LLC agreed to pay the appraised value of \$295,000. The land was to serve as the location of the microbrewery. Due to litigation, the conveyance of 803 and 815 N Cherry Street was delayed. Alamo Beer Company, LLC then decided to build the microbrewery on adjacent property it owned located at 415 Burnet.

The Master Economic Development Incentive Agreement also included three license agreements associated with the use and operation of the microbrewery.

1. A license agreement permitting the use of the land under the Hays Street Bridge.

2. A license agreement to use an area of the Hays Street Bridge for restaurant tables and chairs.
3. A license agreement to construct a skywalk connecting the microbrewery to the Hays Street Bridge.

On December 4, 2014, City Council amended the Master Development Agreement and its associated license agreements to reflect the new location of the microbrewery at 415 Burnett.

In 2016, Alamo Beer LLC deeded the property to 803 for the purpose of developing a housing project on the site. The project received conditional approval from the City Manager provided it met specific design parameters and received support from the neighborhood association. While the conditions were met and the developer can start construction of the housing project at 803 and 815 N Cherry Street, Mayor Ron Nirenberg and City Council Member Art Hall with the support of City Council requested that staff explore options to reacquire the properties and to seek community input on a use that would meet community needs based on community input.

Over the past several weeks, City staff and Mitch Meyer met and developed a framework that includes a property exchange of 2 acres of 223 S Cherry Street for 803 N Cherry Street. The property at 223 S Cherry Street is owned by the City and served as offices for the City's traffic operations division until the division was relocated in December 2018. The property is 3.92 acres and has been identified by staff as a potential location for a mixed income housing project. The property exchange will be limited to 2 acres of the 223 S Cherry Street property (See Exhibit 1).

The remaining 1.92 acre property will be disposed of through a Request for Proposal. The preferred use is a mixed income housing project. However, if such a project is not feasible the City will dedicate the proceeds from the sale of the property to facilitate affordable housing in the area. The future conceptual design of the remaining property, including but not limited to any height restriction, will receive guidance from the Historic Design Review Commission and input for consideration from the Denver Heights neighborhood.

ISSUE:

City Council is being asked to authorize the City Manager to negotiate and execute a Development Agreement and any ancillary documents with 803 that facilitates the exchange of a 2 acre portion of 223 S Cherry Street for 803 N Cherry Street. The terms of the agreement are outlined in an executed Memorandum of Understanding between the City and 803 and are listed below.

- 803 North Cherry Street, LLC shall convey 803 and 815 N Cherry Street to the City in exchange for 1.69 acres of 223 S Cherry Street.
- The City at the City's sole expense will replat and renumber the two-acre tract at 223 S Cherry.
- The City will convey a 2 acre portion of 223 S Cherry Street to 803, referenced in Exhibit 1. An additional .31 acres is necessary so that 803 will accept the property with a height restriction requirement of five stories on the deed for the 2 acres of 223 S Cherry. The use of the 2 acres of 223 S Cherry Street that the City conveys to 803 will be limited to multifamily. The City gives 803 the right to construct a five-story multi-family building. The Term Sheet is predicated on the fact that nothing less than a five-story multi-family building will be built.
- The City will sign a deed, which is to be unrecorded and undated, for the 223 S Cherry Street property over to 803. The deed must be accepted and recorded on either acceptance of a building permit for the

site or thirty six months following the completion of the site demo and cleanup, whichever comes sooner.

- The City will provide the same incentives to the housing project on 223 S Cherry Street that was provided through the previously executed Center City Housing & Infill Policy (CCHIP) Agreement for 803 and 815 N Cherry Street. This includes a 10-year property tax rebate of City ad valorem taxes, as well as, a waiver of City and SAWS fees.
- The City incentives under the CCHIP will be contingent upon 803 commencing construction on the CCHIP project prior to the third anniversary of the execution of a Development Agreement between the City and 803. Extensions will be allowed consistent with the CCHIP policy or in the City Manager's opinion.
- Applicable City processes to convey and develop the property shall apply to the conveyance of 223 S Cherry. The development will be subject to HDRC review consistent with the terms of this MOU, for example, the right to build a 5 story building and nothing less.
- The City shall deliver 223 S Cherry in an environmentally clean condition that meets all federal, state and local requirements for a residential development of a five-story building in its completed state and the City will fund and oversee the remediation of the site.
- The City shall demolish existing buildings and structures on 223 S Cherry Street and work with 803 to retain, recycle and reuse utilities coming into the site without impeding the demolition process.

The future use of 803 and 815 N Cherry will be for public or recreational use or for a use that meets a community need based on community input. City staff and the District 2 Council Office will seek input from community partners to include the residents of Dignowity Neighborhood, Hays Street Bridge Restoration Group, and other stakeholders and surrounding neighborhoods to develop a plan for its future use. The process will be done in accordance with the City's public participation principles. The process will consider at minimum conceptual design, viewshed protection, and cultural and historical interpretation opportunities to include consideration of interpretation related to the train depot or individuals employed by the railroad.

The Planning Commission will consider the exchange of the property at the June 12, 2019 Planning Commission meeting. The proposed development for 223 S Cherry will require HDRC review and consideration prior to the issuance of a building permit.

Staff will terminate two license agreements with Alamo Beer LLC for the use of an area of the Hays Street Bridge for restaurant tables and chairs and to construct a skywalk connecting the microbrewery to the Hays Street Bridge. These license agreements were subject to the development of a restaurant/retail space that was to be developed at 803 N Cherry Street. The License agreement to improve and activate the land under the bridge shall remain in place.

ALTERNATIVES:

City Council could choose not to execute the Development Agreement that facilitates the property exchange and the proposed project at 803 and 815 N Cherry Street would continue as planned and the City would issue a Request for Proposal for a mixed income housing project at 223 S Cherry Street.

FISCAL IMPACT:

Funding for the demolition of the structures at 223 S Cherry Street, the environmental cleanup necessary to meet residential standards, and the survey and replatting of the property is available in the FY 2019 Inner City Incentive Fund. The total cost for these services will not exceed \$600,000. The demolition and cleanup of the site was necessary regardless of the proposed property exchange.

The 1.69 acre property at 803 and 815 N Cherry Street is appraised at \$2,580,000. The appraisal considers that the property is entitled for development and be developed immediately. The 2 acre property at 223 S Cherry Street is appraised at \$2,615,000. The appraisal considers the 5 story deed restriction of the entire 2 acre property. A summary of the appraisal instructions is attached.

RECOMMENDATION:

Staff recommends approval of this ordinance.