



City of San Antonio

Agenda Memorandum

File Number:19-5539

Agenda Item Number: 20.

Agenda Date: 8/28/2019

In Control: Planning Commission

DEPARTMENT: Center City Development and Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 2

SUBJECT:

Property Sale at St. Paul Square

SUMMARY:

Resolution for approval for the declaration of surplus property, as well as, the sale and conveyance of five real properties owned by the City of San Antonio to East Commerce Realty, LLC or affiliated entity, commonly known as 123 Heiman St., 121 Heiman St., 1154 E. Commerce St., 1164 E. Commerce St., and 1172 E. Commerce St., described as Lots 30, 32, 33, 34, and 35, Block 1, New City Block 679, St. Paul's Square, C.D.B.G. No. 2035 Subdivision, Unit 1, City of San Antonio, Bexar County, Texas as shown by Plat in **Attachment A** within the Historic St. Paul's Square in Council District 2.

BACKGROUND INFORMATION:

St. Paul Square is a National Register Historic District also known as the Southern Pacific Depot Historic District. Located on land once farmed by the Mission San Antonio de Valero (the Alamo) in the 18th century, the district was connected to San Antonio by a Spanish road laid out in 1805, now called East Commerce Street.

The name is derived from the Old St. Paul Methodist Episcopal Church, which was constructed between 1870 and 1880 in the Gothic Revival style. Sparsely developed in the early 19th century, the area grew significantly with the arrival of the railroad in 1877 and the "Cemetery Line" of the street car system during the 1890s down East Commerce St., the commercial corridor's main artery. In 1902, the *Southern Pacific* Passenger Depot was

built. The opening of the depot was a catalyst for commercial development, and its Mission Revival style strongly influenced architecture in the area.

Although racially mixed from its earliest days, the area became a flourishing African-American community of restaurants, hotels, retail stores, boarding houses, and professional offices by the mid-20th century. However, the rise of automobile traffic and the construction of IH-37 brought about a decline beginning in the 1960s.

Within the Historic District are five city-owned real properties that were acquired by the City of San Antonio (Ordinance 69052 dated March 16, 1989), at the direction of the U.S. Department of Housing and Urban Development (HUD), as a result of defaulted HUD Section 312 and CDBG loans. The properties were previously owned by the San Antonio Local Development Corporation (SALDC), a non-profit Certified Development Corporation principally financed by the City's Community Development Block Grant to help revitalize St. Paul's Square through economic development loans. All the buildings received some form of financial assistance for the rehabilitation of the structures which totaled just under \$1,490,176 million in loans sourced from HUD funds.

After the foreclosures, the City sought to find a suitable economic use to revitalize the historic commercial area that had not seen the peak of success since the early 1960's. In May 1996, the City entered into a 45 year lease in addition to three consecutive 10 year optional renewals with the Sunset Station Group, LLC. On April 8, 2004, Sunset Station Group, LLC assigned its lease rights to East Commerce Realty, LLC.

In 2017, the interest in East Commerce Realty, LLC was sold a subsidiary of Reata Real Estate Services, a San Antonio based full service commercial real estate company providing expertise in retail, office, medical, industrial, investment sales, land sales, property management and development.

ISSUE:

East Commerce Realty, LLC approached the City of San Antonio regarding the purchase of five properties from the City of San Antonio, commonly described as 123 Heiman St., 121 Heiman St., 1154 E. Commerce St., and 1164/1172 E. Commerce St, as further described by Plat in Attachment A as part of a larger master plan to reinvigorate the area.

Currently, East Commerce Realty, LLC is in year 25 of a 45 year lease. The City is considering a direct sale of real property to East Commerce Realty in lieu of continuing through to the end of the lease term. The properties were appraised for \$1,560,000 by an independent appraiser. The City has negotiated a sales price of \$1,758,080. The City also negotiated a buy back option the property if the property is not substantially renovated within a two year period.

East Commerce Realty, LLC plans on significantly investing in the renovation of the buildings while continuing to lease the space with retail concepts and office uses in line with the proposed revitalization efforts at St. Paul's Square.

ALTERNATIVES:

The City could opt not to sell the property to East Commerce Realty and collect annual lease revenues for the remainder of the lease. However, East Commerce Realty would be challenged in financing the needed

improvements at the site if they do not have fee simple ownership. Additionally, the City would reduce the FY 2020 CDBG Action Plan and Budget by difference in projected program income expected from the sale vs. the annual income generated from the lease.

FISCAL IMPACT:

Sales proceeds will be utilized as program income identified as part of the FY 2020 Community Development Block Grant Action Plan and Budget. Currently, the CDBG program receives \$100,000 per year in annual rent on the five properties. Capitalizing sales proceeds into the CDBG program will allow the City to complete additional housing and community development activities.

RECOMMENDATION:

Staff recommends a resolution approving the declaration of surplus property, as well as, the sale and conveyance of five real properties owned by the City of San Antonio to East Commerce Realty, LLC or affiliated entity, commonly known as 123 Heiman St., 121 Heiman St., 1154 E. Commerce St., 1164/1172 E. Commerce St., as described by Plat in Attachment A within the Historic St. Paul's Square in Council District 2.