



City of San Antonio

Agenda Memorandum

File Number: 14-1183

Agenda Item Number: 26.

Agenda Date: 6/12/2014

In Control: City Council A Session

DEPARTMENT: Center City Development Office

DEPARTMENT HEAD: Lori Houston

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Amendment No. 1 to River Walk Lease Agreement with Hilton Palacio Del Rio

SUMMARY:

This ordinance authorizes Amendment No. 1 to the River Walk Lease Agreement between the City of San Antonio and Palacio Del Rio, Inc. d/b/a Hilton Palacio Del Rio, a Delaware Corporation and successor in interest to Palacio Del Rio, Ltd. a Texas Limited partnership to extend the lease agreement term through June 30, 2039 and provide for an option to renew for an additional twenty-five year period thereafter.

BACKGROUND INFORMATION:

Ordinance #2009-06-25-0578 authorized a River Walk Lease Agreement with Hilton Palacio Del Rio for use of 902.43 square feet of outdoor patio space along the River Walk that will expire June 30, 2014. Hilton Palacio Del Rio requested that the Agreement's term be extended through June 30, 2039 in order to secure capital financing for planned improvements and renovations.

This ordinance will authorize Amendment No. 1 to extend the Agreement through June 30, 2039 with an option to renew for an additional twenty-five year period thereafter. Hilton Palacio Del Rio will pay a rate of \$2.63 per square foot per month for the first year of the extended term with annual increase of 3.00%. Market adjustments to this rate through the extended term may occur at five year intervals. Should Hilton Palacio Del Rio sell the adjacent hotel property to an entity other than a parent, subsidiary or similarly affiliated entity, the

Agreement shall automatically terminate.

ISSUE:

Approval of this ordinance is consistent with the City's policy of leasing River Walk patio space to adjacent businesses for outdoor dining alongside the San Antonio River.

ALTERNATIVES:

The City may elect not to amend and extend the Agreement, which would result in Hilton Palacio Del Rio's occupancy becoming month-to-month or terminating.

FISCAL IMPACT:

Hilton Palacio Del Rio will pay an initial rate of \$2.63 per square foot per month beginning on July 1, 2014. The total amount to be received by Hilton Palacio Del Rio for the first five years of the extended term is as follows:

Lease Year	Rate	Monthly	Annual
July 1, 2014 - June 30, 2015	\$2.63	\$2,373.39	\$28,480.68
July 1, 2015 - June 30, 2016	\$2.71	\$2,445.59	\$29,347.08
July 1, 2016 - June 30, 2017	\$2.79	\$2,517.78	\$30,213.36
July 1, 2017 - June 30, 2018	\$2.87	\$2,589.97	\$31,079.64
July 1, 2018 - June 30, 2019	\$2.96	\$2,671.19	\$32,054.28
Total			\$151,175.04

All funds received will be deposited into the River Walk Capital Improvements Fund.

RECOMMENDATION:

Staff recommends approval of Amendment No. 1 to the River Walk Lease Agreement between the City of San Antonio and Hilton Palacio Del Rio to extend the lease agreement term through June 30, 2039.