



# City of San Antonio

## Agenda Memorandum

**File Number:**19-9108

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**Agenda Item Number:** 41B.

**Agenda Date:** 12/12/2019

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Development & Operations

**DEPARTMENT HEAD:** John Jacks

**COUNCIL DISTRICTS IMPACTED:** 1

### **SUBJECT:**

Funding agreements related to the Alameda Theater complex

### **SUMMARY:**

This item will approve the following items related to the renovation of the Alameda Theater Complex:

(A) Ordinance amending the Alameda Theater capital project in the amount of \$1,731,213.00 with funds in the amount of \$1,400,000.00 from City of San Antonio's Tax Increment Reinvestment Zone #9 ("Houston St. TIRZ") and \$331,213.00 from the Inner City Incentive Fund ("ICIF"); approving a funding agreement with Texas Public Radio and the Alameda Theater Conservancy for environmental monitoring and remediation expenses, in an amount not to exceed \$900,000.00 to Texas Public Radio and in an amount not to exceed \$500,000.00 to Alameda Theater Conservancy for expenses related to their joint restoration of the historic Alameda Theater complex; and approving a reimbursement agreement with Texas Public Radio in an amount not to exceed \$331,213 for emergency repairs made to the Alameda Theater complex.

(B) Approving a Chapter 380 Grant Agreement with the Alameda Theater Conservancy for operating expenses in FY 2020 in the amount of \$300,000.00 and in FY 2021 in the amount of \$250,000.00, funded by the City of San Antonio's Tax Increment Reinvestment Zone #9 (Houston St. TIRZ).

### **BACKGROUND INFORMATION:**

Over the past three years, the City of San Antonio (“City”), Bexar County, Texas Public Radio (“TPR”) and La Familia Cortez have been working on redevelopment of the Alameda Theater Complex. This project includes the construction of the TPR headquarters within a newly constructed back stage annex of the Alameda Theater, as well as the restoration of the historic Alameda Theater into a live performing arts and multi-media center that would feature the American-Latino multicultural story.

Overseeing the theater project is the Alameda Theater Conservancy (“ATC”), a 501(c)(3) non-profit organization that was formed in May 2017. The mission of the ATC is to be a vital presenter of Latino arts and culture, through its management and programming of the Alameda Complex. In recognition of the role of the arts to unite people, the ATC aims to serve a diverse San Antonio audience with programming that entertains, educates, and inspires. The initial board includes a representative from the City, Bexar County, TPR, and La Familia Cortez. The non-profit board will eventually be expanded to include additional programming and fundraising partners from the community.

On August 31, 2017, City Council approved a Funding and Development Agreement with the ATC. Through that agreement, the City and County each contributed \$9 million to the project, and TPR contributed \$5 million to the TPR headquarters project. The project is also pursuing various state and federal tax credits, and the ATC is committed to raising additional funds for the Theater project through a two-year capital campaign. In addition, the City and Bexar County have provided initial operating funding of \$200,000 each to support the ATC’s basic operating budget while the theater design and construction is underway.

The City has entered into a Master Lease Agreement with the ATC for management of the Alameda Theater capital project and future operations and programming of the Theater. The ATC has a long-term sublease with TPR for occupation of the Annex property for use as its headquarters.

Construction of the TPR Headquarters began in early 2019, and the building is expected to be occupied in January 2020. Restoration of the Alameda Theater has followed an extended timeframe to allow thorough community input and consideration of the design needs specific to the theater. Construction is scheduled to begin in January 2020 and the grand opening is planned for mid-2021. Due to the construction timeline, this ordinance will also affirm and extend the deadline for City development fee waivers previously approved for the Alameda Theater project, estimated at \$45,080.10, until the conclusion of construction.

## **ISSUE:**

### *Environmental*

The Alameda Theater complex is situated on a site that reflects the historic industrial uses of the era. The City has been working to address environmental needs of the site for several years, and the property is enrolled in the Voluntary Cleanup Program under the Texas Commission on Environmental Quality (“TCEQ”). The City’s environmental consultant has conducted extensive environmental investigations within the property and surrounding area to delineate the extent of soil and groundwater contamination. There is no threat to public safety in its current state. The site is by necessity disturbed during construction, however, this has resulted in significant unforeseen costs. The findings of this investigation have been shared with the designers of both TPR and ATC consultants to ensure environmental issues are identified and addressed during the design phases.

The City has worked closely with all parties to coordinate construction efforts and to ensure environmental compliance with federal, state, and local environmental regulatory requirements. Conditions on the property necessitate environmental work at a combined estimated cost of \$1.9 million. As the owner of the property, the City is committed to ensuring that the environmental monitoring and remediation related to the project site is appropriately and safely addressed.

Environmental remediation, treatment, and monitoring on the site of the TPR Headquarters project are estimated at a total cost of approximately \$900,000. Due to the timeline of the project, some environmental costs have already been incurred by TPR. This item will consider reimbursement for environmental costs related to the TPR Headquarters project, in an amount not to exceed \$900,000.

Remediation, treatment, and monitoring of the Alameda Theater and Casa de Mexico structures are estimated at a total cost of approximately \$1 million. The ATC had previously budgeted \$500,000 to cover these project expenses. This item will provide up to \$500,000 to the ATC to ensure the environmental expenses are fully funded for the project.

### *Operations*

Additionally, funding is needed for support staff and consulting services for ATC while the project is under construction, and to program and operate the theater once the restoration project is complete. This item approves the appropriation of City funds in the amount of \$550,000 over two years for these support services, to include \$300,000 in FY2020 and \$250,000 in FY2021. Additionally, Bexar County will consider a grant of \$450,000 to support the theater's operation over two years.

### *Exterior Repairs*

As the landlord of the building, the exterior repairs to the Alameda Theater annex building are the responsibility of the City. This ordinance will authorize the City to reimburse TPR for an amount not to exceed \$331,213 using ICIF for the expenses associated with emergency exterior repairs undertaken earlier this year.

During construction of the TPR Headquarters, the general contractor identified existing damage/deterioration to the exterior stucco of the annex building. The cracking was likely due to extreme interior temperatures and lack of climate control within the building. Prior to engaging a contractor to undertake improvements, TPR advised the City of the damage and proposed engaging Spaw Glass to undertake repair work and then seek reimbursement from the City. Due to the urgency of the construction timeline, the specialized nature of the work, and the possible risk of further damage to the building, TPR commenced the exterior repairs with the understanding the City would consider reimbursement. This plan of action was coordinated with the City Attorney's Office. Repairs commenced in May 2019, and TPR provided evidence the repairs were competitively bid by multiple contractors.

## **ALTERNATIVES:**

The alternative to approving these agreements would be to suspend the renovation project and operations of the ATC for an undetermined length of time to permit exploration of other funding sources.

The City may elect to identify alternative funding sources to reimburse TPR for exterior repairs, however, doing so would result in the non-profit organization still pending reimbursement for repairs completed on behalf of the City.

## **FISCAL IMPACT:**

The City's contribution of \$1,400,000.00 for environmental costs will come from the Houston Street TIRZ. The TIRZ Board has approved this funding. This ordinance also authorizes reimbursement in an amount not to exceed \$331,213.00 to TPR for exterior repairs to the Alameda Theater annex building, the source of these funds being the Inner City Incentive Fund. The Alameda Theater Capital project will be amended in the amount of \$1,731,213.00 to facilitate this repair and remediation work.

Funding for the Conservancy's operating budget will also come in the form of a grant from the Houston Street TIRZ in the amount of \$550,000 over the next two years. The TIRZ Board has approved this funding.

**RECOMMENDATION:**

Staff recommends amending the Alameda Theater capital project to pay for necessary exterior repairs and environmental remediation work. In addition, staff recommends City Council approve two years of operational support for the Alameda Theater Conservancy.