



# City of San Antonio

## Agenda Memorandum

**File Number:** 19-9168

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**Agenda Item Number:** 23.

**Agenda Date:** 6/4/2020

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Development and Operations Department

**DEPARTMENT HEAD:** John Jacks

**COUNCIL DISTRICTS IMPACTED:** Council District 1

### **SUBJECT:**

Sale of Continental Hotel Property

### **SUMMARY:**

A Master Development Agreement and sales contract with Weston Urban, LLC for the Sale of the Continental Hotel Property located at 322 W. Commerce.

### **BACKGROUND INFORMATION:**

#### **Property Information**

The Continental Hotel property is located at 322 W. Commerce and includes a historic building and former City parking lot on a total of 1.08 acres. The property is within the Central Business District, the Main/Military Plaza Historic District, and Zona Cultural. It is adjacent to the San Pedro Creek Culture Park, and in close proximity to Phase 1 of UTSA's Downtown campus expansion, which is expected to add over 3,000 faculty, staff, and students to the area by 2028.

The building was constructed as a hotel and has since undergone numerous interior and storefront alterations. In 1984, extensive renovations transformed the building's interior into offices and lab space for the City's Metropolitan Health District. The building has remained vacant since the Health District relocated in 2016.

#### **Request for Proposals**

To facilitate the sale and redevelopment of the property, the City issued a Request for Proposals on September 11, 2019. The RFP sought proposals for multifamily projects which maximized residential density, respected

the historic structure, and responded to the surrounding downtown context. Respondents were asked to disclose their proposed affordability mix and opportunities for public parking. The minimum purchase price was \$4.7 million.

### **Procurement Process**

The Audit and Accountability Committee received a pre-solicitation briefing on August 30, 2019. The RFP was released on September 11, 2019 and responses were due on October 28, 2019. One firm responded to the RFP.

The evaluation committee included representatives from the City Manager's Office, UTSA, able.city, Broadway Bank, Centro San Antonio, and Zachry Hospitality. By a consensus vote, the evaluation committee recommended Weston Urban, LLC for award. The committee based its decision on several factors, including Purchase Price, Development Experience, Financial Capacity and Capability, Project Plan and Timeline, Economic Value, and the Local Preference Program. The recommended respondent is a Local Business.

A post-solicitation briefing was delivered on December 17, 2019, where the Audit and Accountability Committee unanimously recommended to forward the selection of Weston Urban to the full City Council.

### **ISSUE:**

Weston Urban proposes redevelopment of the Property as part of a mixed-use community that provides new mixed-income housing in the urban core, blending the historic buildings on the site with added density in the middle of the block. The proposed purchase price is \$4.7 million.

Weston Urban owns the parcel immediately south of the Property, which contains the historic Arana Building which was not part of the City's solicitation. Acquisition of the Continental Hotel property would complete their ownership of the block, bound by Commerce, Laredo, Dolorosa, and San Pedro Creek, and would facilitate comprehensive mixed-use redevelopment on a site with unique constraints.

The overall development plan considers historic renovations for the Continental Hotel, as well as the Arana Building. The Continental Hotel building is envisioned as mixed-use, with commercial uses on the ground floor and some residential units above. Most of the new units will be contained in a new 12-story residential tower behind the Continental Hotel. Approximately 274 new residential units are proposed, with at least half reserved for households at 80% of the Area Median Income (AMI). This affordability mix is anticipated to be achieved through a partnership with a Public Facilities Corporation.

Parking will be provided in a garage wrapped on three sides by the residential units. The garage will include approximately 432 spaces, including 68 public spaces made available for City's daytime use at a market rate.

The project seeks incentives aligning with the adopted 2018 CCHIP policy, including City fee waivers valued at \$161,000, SAWS fee waivers not to exceed \$1 million, and a 15-year property tax rebate valued at approximately \$277,343. The project would also qualify for an Infrastructure Grant valued at \$500,000. The terms of the grant would require that the residential units remain affordable for 15 years or be paid back by the developer to the City. The funding source for the Infrastructure Grant and City fee waivers is the Houston Street TIRZ and Westside TIRZ, contingent upon approval of each respective TIRZ Board.

Construction is scheduled to commence in November 2021 and be completed by November 30, 2023. Design of the project is subject to all applicable zoning and overlay districts, including the RIO-7b overlay, and approval by the Historic Design Review Commission (HDRC). As the project is still in the design phase and site constraints may alter the final development plan, the agreement will require a minimum investment of

\$40.3 million and at least 150 housing units to be constructed with at least half of the units reserved for families at or below 80% AMI.

**ALTERNATIVES:**

Should this agreement not be approved, the City of San Antonio would retain ownership of the property and incur costs of ongoing maintenance and security. Further, because the sale of the property is a component of the City Tower financing package, the budget for the City Tower project would face a shortfall in the amount of \$4.7 million.

**FISCAL IMPACT:**

This ordinance authorizes a one-time sale of City-owned Property at 322 W. Commerce, known as the Continental Hotel Property. Funds received from the sale will be deposited into the City Tower Fund.

This ordinance also authorizes incentives in alignment with the Center City Housing Incentive Policy. The funding source for the Infrastructure Grant is the Westside TIRZ in the amount of \$250,000 and the Houston Street TIRZ in the amount of \$250,000. The funding source for the City Fee Waivers is the Houston Street TIRZ in an amount not to exceed \$161,000. These funding awards are contingent upon approval of the Westside TIRZ Board and Houston Street TIRZ Board.

**RECOMMENDATION:**

Staff recommends approval of the agreement with Weston Urban, LLC to purchase and redevelop the Continental Hotel Property. This contract was procured by means of Request for Proposal, and a Contracts Disclosure Form is attached.