



City of San Antonio

Agenda Memorandum

File Number:15-3056

Agenda Item Number: 21.

Agenda Date: 5/27/2015

In Control: Planning Commission

DEPARTMENT: Center City Development and Operations

DEPARTMENT HEAD: Lori Houston

COUNCIL DISTRICTS IMPACTED: Council District 1

SUBJECT:

Acquisition, Declaration as Surplus, and Disposition of Downtown Property

A resolution authorizing the disposition of three City owned real properties in City Council District 1, generally described as 114 West Commerce (also known as the Municipal Plaza Office Building), 300 North Santa Rosa Street (also known as 319 West Travis Street), and an approximately 0.2860 acre parking lot located at 403 North Flores Street.

A resolution authorizing the acquisition of approximately 1.8220 acres of land with approximately 445,618 square feet of improvements onsite (including an office tower and parking garage) located at 100 West Houston Street, legally described as Lots 23 and 24, NCB 110, Frost Bank Tower and Motor Bank Subdivision in City Council District 1.

A resolution approving the declaration as surplus City owned real property consisting of approximately 1.0849 acres of land with approximately 35,700 square feet of improvements located at 322 West Commerce Street, legally described as Lots 1, 2, 3, 4, 5, 6, and 7, NCB 254 in City Council District 1.

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SUMMARY:

Center City Development and Operations is requesting three resolutions that will allow the City to acquire, declare surplus, and dispose of underutilized properties located in City Council District 1. Approval of this request will result in a consolidated administrative office tower for the City of San Antonio, the construction of

the first new class A office tower in downtown since 1989, the creation of 265 new housing units in the central business district, and the development of new projects that are consistent with the City's economic development goals for the downtown area.

BACKGROUND INFORMATION:

The City of San Antonio received a joint unsolicited proposal on June 25, 2014 and a detailed proposal on August 8, 2014 from Weston Urban and Frost Bank that would result in a consolidated administrative office tower for the City, 265 housing units in the central business district, and the construction of the first new class A office tower downtown since 1989. The proposal was submitted under the City's adopted Public Private Partnership (P3) Guidelines.

Upon receipt of the detailed proposal, City staff initiated due diligence efforts to include a space needs analysis, a building assessment of the Frost Bank Tower, an appraisal of the Frost Bank Tower, and financial analysis to determine if the project was financially feasible. City staff has completed its due diligence and negotiated a comprehensive development agreement with Weston Urban and Frost Bank.

The City will purchase the Frost Bank Tower for \$51 million. The Frost Bank Tower will serve as the administrative office tower for the City and its acquisition will centralize approximately 1,400 employees into three City-owned buildings: City Hall, Plaza De Armas, and the Frost Bank Tower. Currently, the City of San Antonio leases office space in five buildings, costing the City \$3.8 million annually. Weston Urban will then construct a 400,000 square foot tower and parking garage at the Frost Motor Bank location which will serve as Frost Bank's Headquarters.

Weston Urban will purchase the Municipal Plaza Building located at 114 West Commerce (the City to retain ownership of Council Chambers, B Room, public restrooms, and common areas), 300 North Santa Rosa (also known as 319 W Travis or San Fernando Gym) and 403 N Flores (Surface Parking Lot). The purchase prices for these buildings are their appraised value: Municipal Plaza Building is \$5,020,000; 300 North Santa Rosa (319 West Travis) is \$950,000; and 403 North Flores is \$392,432. The sale of the three properties combined with the properties that Frost will sell to Weston Urban will facilitate the construction of at least 265 housing units of which 65 will be a part of the renovated Municipal Plaza Building.

322 West Commerce Street (also known as the Continental Hotel site) was included in the original proposal, but it was ultimately removed from the transaction. Due to the property's location in the Zona Cultural and the proposed Commerce Street improvements, City staff recommends declaring the property as surplus and selling this property at a later date. Net proceeds from the sale of this surplus property would serve to offset debt issuance for the deal with Weston Urban and Frost Bank, and increase the overall net savings to the City's budget.

All City owned parcels have been canvassed through appropriate departments, and City Council is scheduled to hold a public hearing on May 28, 2015 regarding the P3 proposal. City Council will consider the item at the June 4, 2015 City Council meeting.

ISSUE:

The City, Weston Urban, and Frost Bank have negotiated a comprehensive development agreement that will result in a consolidated administrative office tower for the City of San Antonio, 265 housing units in the central business district, and the construction of a new office tower downtown. City staff has also identified a City

owned property that could be sold to offset transactional costs and increase net savings to the City's budget.

ALTERNATIVES:

The Planning Commission could choose not to approve this resolution, however, that would result in the continued decentralization of City operations and underutilization of City-owned properties in the downtown area.

FISCAL IMPACT:

The City will purchase the Frost Bank Tower for \$51 million. Weston Urban will purchase three properties from the City for approximately \$6.4 million. The City will issue debt for the acquisition and renovation of the Frost Bank Tower. The City performed a 30 year cash flow analysis for the transaction which showed a projected net savings of approximately \$1.2 million to the City budget over a 30-year period. The City currently leases office space for administrative staff in 5 buildings with lease payments totaling \$3.8 million annually: Riverview Tower, 1400 S Flores, One Alamo Center, Frost Bank Tower and 4410 Piedras. The analysis took several other factors into account, including but not limited to the following: revenue from third party leases in the Frost Bank Tower; parking revenue for nights and weekends in the parking garage; and the increase in ad valorem taxes the City will receive as a result of the new tower and the housing projects. It also took into account the Frost Bank Tower and other properties that would no longer be on the tax rolls.

Net proceeds from the eventual sale of 322 West Commerce Street will be used to offset debt issuance for the transaction outlined above and increase the overall net savings to the City's budget.

RECOMMENDATION:

Staff recommends approval of all three resolutions authorizing: the disposition of three City-owned properties to include 114 West Commerce Street (also known as Municipal Plaza), 300 North Santa Rosa Street (also known as 319 West Travis Street), and 403 North Flores Street; the acquisition of the Frost Bank Tower and Garage located at 100 West Houston Street; the declaration as surplus of 322 West Commerce Street.