



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 17

Agenda Date: December 12, 2024

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: District 1

SUBJECT:

Tower of the Americas Lease Extension

SUMMARY:

Landry's Restaurants, Inc. ("Landry's") has leased the Tower of the Americas ("the Tower") and operated the Chart House restaurant located in the building's tophouse since being awarded the contract in 2004. The 15-year lease expired during the pandemic and the parties agreed to continue operating in holdover while negotiating an extension. This lease extension provides a 5-year term. Landry's will also manage the delivery of the City's \$15.4 million Maintenance & Repair Project for the Tower.

BACKGROUND INFORMATION:

On November 18, 2004, City Council approved a lease with Landry's to renovate and operate the Tower of the Americas in Hemisfair Park for a 15-year term. Following extensive renovation, the Tower re-opened to the public on June 22, 2006. Landry's operates the Tower and the adjacent parking lots, and pays rent to the City based on a percentage of their sales.

Under the agreement, Landry's is responsible for maintenance of the elevators and interior improvements while the City is responsible for the building facade, structural components, and

some building systems. Landry's receives a monthly credit related to the elevator maintenance. This arrangement has worked well and ensured that Landry's can respond promptly to issues that may impact their ability to operate. The lease extension continues this approach and adds management and oversight of the City's \$15.4 million Maintenance & Repair Project to Landry's responsibilities under the lease.

Prior to the 2022 Bond, the City initiated a facility assessment of the Tower and developed a \$15.4 million project budget to complete necessary structural and life safety improvements identified in the assessment. The project was funded with \$10 million from the 2022 Bond as well as funding allocated in FY 2021 and FY 2022. The City completed the design portion of the project and then Landry's requested to directly manage the work, as they are best situated to avoid unnecessary impacts to their operations while the work is completed.

ISSUE:

The commencement date of the 5-year term will be either the completion of the City's project scope or 13 months from City Council approval of the lease, whichever is earlier. The 5-year lease also includes a 5-year extension subject to City Council approval. This 5-year term allows both parties to better understand the future development of Tower Park and other developments in the area prior to the City either issuing a Request for Proposals or executing an extension with Landry's.

Landry's will manage the City's \$15.4 million Maintenance and Repair Project and will separately invest an additional \$4 million into the building and their tenant space, including refreshing components of the observation deck, restaurant space, theater, and retail components. They will also replace airhandlers serving the tophouse and fully replace leaking plumbing in the crawlspace below the tophouse. Landry's intends to remain open and operate the Chart House restaurant through most of the construction project, while anticipating a 2-month shutdown beginning in mid-April 2025 (approx.). That closure will be needed to allow for the replacement of plumbing and flooring for the kitchen. During the closure period, Landry's will pay no rent and then will receive a 50% rent reduction in the first three-months after reopening. The project is expected to complete in December 2025. To deliver the project, Landry's sought pricing from several contractors for the City's scope and selected Sabinal Construction Group to complete the repairs.

Under the terms of the agreement, payment to the City is equal to the greater of Monthly Base Rent of \$159,258.48 or Participation Rent, which is calculated based on a percentage of gross revenue from various services. The annual base rent may escalate in later years of the lease if the annual Participation Rent significantly exceeds the prior year's base rent. Landry's will also continue to collect the \$0.50 fee on tickets sold for the observation deck; this fee supports homeless services funded through the General Fund.

This agreement also allows Landry's to charge special event parking rates during events in Hemisfair Park, at the Alamodome, or Convention Center.

Participation Rent under the agreement is based on the percentages of revenue for various services.

A summary table is below.

Source of Revenue	Participation Revenue Percentage
Restaurant Operations	10%
Observation Deck Operations	35%
Parking Operations	30%
Retail Operations	15%
Telescope and Other Operations	50%
Theater and Incidental Operations	5%

ALTERNATIVES:

The City could remain in holdover and issue a Request for Proposals to identify other potential operators. The City could also directly oversee the Maintenance and Repair project, however this is likely to have additional impacts on tenant operations, may impact revenue to the City, and will cause a delay in implementing the improvements while the project is advertised and awarded.

FISCAL IMPACT:

This ordinance authorizes a five year lease extension for Landry's Restaurants, Inc. ("Landry's"). The commencement date of the 5-year term will be either the completion of the City's project scope or 13 months from City Council approval of the lease, whichever is earlier. Total revenue to the General Fund during this lease term is projected at \$10,585,636.07. Revenue to the City related to parking at the Tower parking lots is deposited in the Parking Fund and the total revenue to the Parking Fund during the lease term is projected at \$3,804,848.09.

RECOMMENDATION:

Staff recommends that City Council approve this lease extension with Landry's to continue operating the Tower.