



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 31

**Agenda Date:** June 20, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Development & Operations

**DEPARTMENT HEAD:** John Jacks

**COUNCIL DISTRICTS IMPACTED:** District 1

**SUBJECT:**

Construction Related Rent Relief for La Villita & Market Square Tenants

**SUMMARY:**

This ordinance authorizes a total \$1,356,964.00 from the Inner City Incentive Fund (ICIF) to support 75% rent abatements for 18 tenants at La Villita and 92 tenants at Market Square through the expected duration of construction for the S. Alamo St. and Zona Streets capital projects.

**BACKGROUND INFORMATION:**

Through recent bond initiatives and other efforts, the City has undertaken a significant investment in downtown infrastructure. Much of this investment is in the areas surrounding Market Square and La Villita. Tenants and the tenant associations at these facilities are supportive of the overall design and investment, however the near-term impact of such focused construction activity on small and microbusinesses has been challenging; this stress is exacerbated by the impact the pandemic had on retailers and artisans immediately prior to construction commencement. The tenant associations from both La Villita and Market Square have requested significant rent relief, communicating that it is necessary for many tenants to survive the ongoing construction and realize the future benefits.

Market Square lies at the center of the Zona Cultural district - a state certified Cultural District that encompasses 44-blocks of western-downtown. The Zona planning efforts culminated in

implementation strategies for public improvements that highlight the unique qualities of the Cultural District and make it immediately recognizable to locals and visitors. These projects were funded with 2012 and 2017 bond funds and include street, sidewalk, lighting, and street furniture enhancements along portions of Commerce Street (Frio Street to Santa Rosa Street), San Saba Street (Nueva Street to Martin Street), and Santa Rosa Street (César E. Chávez Boulevard to Martin Street). As is common in major road construction projects, there are also related impacts and lane closures in adjoining streets such as Cesar Chavez, Dolorosa, and Pecos. The project commenced in January 2022 and the current construction schedule projects the project to complete in April 2025.

Within La Villita, the Maverick Plaza project reached substantial completion in October of 2023. The project delivered an open and inviting plaza with a demonstration kitchen, a food and beverage kiosk, and new public restrooms. The future culinary concepts that will surround the plaza will be developed by Grupo La Gloria. Other impactful city projects that have recently impacted tenants within the facility include reroofing 16 buildings which required closures of the impacted businesses to facilitate the work, the replacement of the chilled water pumps and primary components of the HVAC plant system and associated outages, and the partial closures of both Nueva and Presa St. La Villita relies upon pedestrian traffic and the S. Alamo St. project adjacent to the facility has significantly reduced visitation, especially from convention goers and visitors who historically make up a significant portion of the customer base for tenants within the village. The South Alamo and Maverick Plaza projects will add to the vibrancy of the eastern end of our downtown, as will the nearby Alamo and Hemisfair projects. The S. Alamo project commenced in December 2022 and the project is expected to complete in August 2025, after a planned demobilization to accommodate the NCAA Final Four tournament and related activities.

Given that the City owns both properties impacted by the construction and serves as the landlord for the tenants, it is in a unique position to be able to temporarily alleviate one of the tenants' largest business expenses.

#### **ISSUE:**

La Villita tenants pay rents that are deposited in the City's General Fund and tenants at Market Square pay rent deposited in the Market Square fund. Providing rent relief for an extended duration, such as this construction related rent relief, has a negative impact on the health of both funds. ICIF was created to foster private investment and encourage retail and residential activity in the downtown. Funding is available in the Inner City Incentive Fund to offset the \$1,356,964.00 needed to fund this rent relief.

Tenants at Market Square were previously provided significant relief to offset construction impacts running through May 2025. This item approves a 75% reduction of base rent for the expected duration of construction from June 2024 through April 2025. La Villita tenants will receive a 75% rent reduction from the period of January 2024 through the S. Alamo project's completion in August 2025. This item also funds for an additional two months of rent relief (at 75% abatement) to allow rent relief to continue should minor delays or punchlist items impact the facilities following projected substantial completion dates.

**ALTERNATIVES:**

City Council could choose not to provide the tenants with this rent relief, identify a different amount or method of support, or direct staff to identify a different source of funding.

**FISCAL IMPACT:**

This ordinance authorizes \$1,356,964.00 from the Inner City Incentive Fund (ICIF), to support a 75% rent abatement for tenants at La Villita and Market Square. Rent relief for Market Square tenants will be provided between June 2024 to April 2025 and La Villita tenants will receive rent abatements from January 2024 to October 2025.

**RECOMMENDATION:**

Staff recommends using this funding from ICIF to support a 75% rent abatement for tenants at La Villita and Market Square.