



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 5

Agenda Date: September 12, 2024

In Control: City Council A Session

DEPARTMENT: City Manager's Office

DEPARTMENT HEAD: Ben Gorzell Jr., Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Ordinance approving a Memorandum of Understanding (MOU) with Bexar County, Designated Bidders, LLC, and Weston Urban LLC for a proposed new downtown minor league baseball stadium.

SUMMARY:

Ordinance approving a MOU with Bexar County, Designated Bidders, LLC, and Weston Urban LLC for a proposed new downtown minor league baseball stadium.

BACKGROUND INFORMATION:

Term Sheet Update

During the August 29th Special Session and Public Hearing, several City Councilmembers inquired about the provision requiring the Team to provide wages for full-time and part-time employees of the ballpark equal to the City's entry wage for full-time and part-time employees. This provision in the term sheet has been modified to clarify the intent of the parties that the Team provide wages for full-time and part-time ballpark employees at least equal to the City's entry wage as adjusted and adopted by the City during the term of the lease agreement.

Additionally, a request to the Team to consider being a "Fair Chance Employer" for the hiring of ballpark employees was made. In response, the Term Sheet has been updated with the following response from the Team: "The Team will continue its practice to "ban the box" as a Fair Chance Employer and not conduct background checks until after an interview and an offer is made."

City Councilmembers also expressed concerns on the plan for tenants of the Soap Factory Apartments displaced by the proposed private development. The Soap Factory Apartments are market rate and are not comprised of income-restricted units, meaning rent is not capped and units are available to anyone, at any income level. After the B-Session, representatives of the Team have further developed a more detailed relocation plan for tenants of Soap Factory. Exhibit B of the Term Sheet has been updated and outlines the revised detailed relocation plan.

Background

The San Antonio Missions are a baseball Double-A affiliate of the San Diego Padres. In 2022, the San Antonio Missions were acquired by a local ownership group, Designated Bidders, LLC.

Since 1994, the team has played home games in Nelson Wolff Stadium. Due to the age of the Stadium, Major League Baseball (MLB) has determined that the facility in its current condition is not suitable for minor league baseball in the future. MLB requested that the new ownership group have a plan for a new ballpark by August 1, 2024. The new ownership group has expressed the desire to have a new ballpark meeting MLB's facility requirements constructed downtown.

The City has been working with the new ownership group on a proposed project to include the financing and construction of a new downtown minor league baseball stadium and surrounding private development. The new ownership group has coordinated this effort with the County.

To meet the MLB's August 1st deadline, the Mayor and County Judge co-signed a non-binding Letter of Intent in July 2024 which was delivered to MLB expressing both the City and County's agreement to the funding, maintenance, and operation of the new Ballpark based upon terms and conditions within the summary term sheet. In conjunction with this effort, City Staff has continued to work with the parties to negotiate and finalize a detailed term sheet outlining the framework, key parameters, and major provisions of definitive agreements to be negotiated and actions to be taken for the proposed ballpark stadium. Additionally, after receipt of the Letter of Intent, MLB has requested a more binding detailed commitment from the parties by October 15, 2024.

Attached to this briefing item is a proposed MOU between the City of San Antonio, Bexar County, Designated Bidders, LLC, and Weston Urban LLC. and the detailed term sheet. If approved, these documents would be subsequently submitted to MLB to further evidence the City's commitment to moving forward with the proposed ballpark stadium project subject to negotiation and approval of definitive agreements. The following provides a summary of the proposed project and highlights certain provisions outlined in the detailed term sheet.

The proposed project is a multi-purpose ballpark facility with approximately 4,500 fixed seats and a total capacity for approximately 7,500 attendees. The ballpark stadium will be located in the northwest quadrant of downtown near San Pedro Creek Culture Park and Fox Tech High School. Most of the property for the stadium and surrounding development has been acquired by members of the team's ownership. The remaining property to be acquired is the Fox Tech High School baseball field property owned by the San Antonio Independent School District (SAISD). Negotiations for acquisition of this property are ongoing.

The proposed ballpark stadium will be owned by the San Pedro Creek Development Authority (Authority) which will be jointly created by the City and County. The Authority's Board of Directors will include representation from the City, County, and the Team's ownership.

The estimated cost of the ballpark stadium project is \$160 million inclusive of land. The project plan also includes privately funded new surrounding development with an approximate taxable value of \$1 billion anticipated to be constructed over four phases through 2031. This new taxable development is expected to include hospitality and multi-family housing. The following table summarizes these four phases of planned new private development.

Phase	Estimated Completion Date	Estimated Taxable Value by Phase
1	2027	\$300,000,000
2	2029	\$275,000,000
3	2030	\$275,000,000
4	2031	\$150,000,000
TOTAL		\$1,000,000,000

The proposed ballpark stadium project site is located in the Houston Street Tax Increment Reinvestment Zone (TIRZ) along with the majority of property tracts upon which the planned new private development would be constructed. Certain parcels upon which planned new development is anticipated to be constructed are located within the current boundaries of the Westside TIRZ. As part of the plan of finance, the TIRZ boundaries are recommended to be revised to realign these specific tracts from the Westside TIRZ into the Houston Street TIRZ. Concurrently, the term of the Houston Street TIRZ is also recommended to be extended by 35 to 40 years from the proposed issuance date of the bonds to approximately 2060 to align with the anticipated term of the bonds and to allow for flexibility in the management of these bonds.

For context, a TIRZ is an economic development tool that is authorized under Texas State Statute. With the establishment of a TIRZ, the incremental increase in property taxes for participating taxing entities is captured and utilized to support development and redevelopment within the geographic boundaries of the TIRZ. This geographic area for the TIRZ must meet the criteria outlined under State Statute for establishment of a TIRZ. The year in which the TIRZ is created establishes the base tax value and the incremental increase in property taxes are the revenues derived from growth in values (base value growth and new taxable improvements) above the base tax value. Utilization of the Houston Street TIRZ as a financing mechanism for the ballpark stadium is an excellent financing option by coupling construction of the new ballpark stadium with a proposed \$500 million to \$1 billion in new private taxable investment in the northwest part of downtown San Antonio.

The proposed plan of finance also includes the creation of a Municipal Management District (MMD). The boundaries of the MMD would capture the proposed new taxable contiguous

development to be constructed in Phase 1 through 4 of the proposed development plan. Under the MMD, this new development would pay an assessment on the taxable value of the property in addition to applicable property taxes. The MMD assessments can be used to fund support services or projects within the MMD's boundaries. In this case, MMD assessments would be used to pay for debt service on the bonds proposed to be issued for the ballpark stadium. Once the debt requirements of the bonds have been satisfied, any surplus MMD assessments could be utilized to fund other eligible purposes.

As noted earlier, the estimated cost of the ballpark stadium project is approximately \$160 million and is expected to be completed in time for opening day in April 2028. The plan of finance for the ballpark stadium project includes an equity contribution of \$34 million from the ownership group coupled with a TIRZ bond financing by the newly created Authority. The bonds would include a pledge of revenues from the Houston Street TIRZ and would primarily be repaid through Team revenues and revenues from the taxable new private development (Phases 1 and 2) near the new ballpark stadium facility. Team revenues consist of a \$1 million annual lease payment made by the Team to the Authority and a \$2 ticket fee. Revenues from Phases 1 and 2 of the taxable new development include the City and County incremental property tax revenue and the MMD assessments.

Additionally, the annual revenue from both the City and County property taxes and the MMD assessments projected to be generated from Phases 1 and 2 of new private development will be guaranteed by the Team. To support this revenue guarantee, the Team will provide a rolling two-year line of credit and a subset of Team owners will provide an additional line of credit. Collectively, these resources plus the Team's \$34 million contribution represent approximately 86 percent of the funding for the ballpark project.

The remaining 14 percent may come from the existing City and County Houston Street TIRZ capacity. This capacity is from properties within the Houston Street TIRZ that are available for funding new projects. Most of the increment in the Houston Street TIRZ is from hotels, commercial office, retail, and residential property within the TIRZ boundary. The utilization of the existing Houston Street TIRZ capacity to repay annual debt service on the bonds is reduced if Phases 1 and 2 of new private development exceed projections and eliminated if Phases 3 and 4 are constructed. The financial information in the foregoing paragraphs is based upon preliminary analysis and subject to change once the financial transactions for the ballpark stadium are finalized.

The proposed ballpark project represents a collaborative effort between the City, County, local developer, and new ownership group of the San Antonio Missions. Following are the proposed next steps:

- Creation of the San Pedro Creek Development Authority (jointly created with the County);
- Adjustment of the geographic boundaries and term for the Houston Street TIRZ
- Consent to the creation of the MMD;
- Potential expansion of the downtown Public Improvement District;
- Negotiation of definitive agreements for consideration and approval:
 - oTeam Lease
 - oEconomic Development Agreement

- oDevelopment Agreement
- oBond Indenture and other financing documents
- oHouston Street TIRZ Funding Agreement
- oOther related agreements

ISSUE:

This item would approve an MOU with Bexar County, Designated Bidders, LLC, and Weston Urban LLC for a proposed new downtown minor league baseball stadium. The MOU along with the detailed term sheet would be subsequently submitted to MLB to further evidence the City's commitment to moving forward with the proposed ballpark stadium project subject to negotiation and approval of definitive agreements.

ALTERNATIVES:

The City could choose not to approve the MOU and detailed term sheet, however, MLB has requested a more binding detailed commitment from the parties on the proposed new ballpark stadium by October 15, 2024.

FISCAL IMPACT:

Approval of the MOU and detailed term sheet has no fiscal impact. The fiscal impact is subject to approval of the definitive agreements and the authorization for the issuance of bonds for the minor league ballpark stadium.

RECOMMENDATION:

Staff recommends approval of this Ordinance.