

City of San Antonio



AGENDA

City Council A Session

Municipal Plaza Building
114 W. Commerce Street
San Antonio, Texas 78205

Thursday, March 27, 2025

9:00 AM

Municipal Plaza Building

The City Council will hold its regular meeting in the Norma S. Rodriguez Council Chamber in the Municipal Plaza Building beginning at the above referenced date and time for the following items. Once convened, the City Council will take up the following items in any order during the meeting but no sooner than the designated times.

9:00AM: Call to Order

Members of the public can comment on items on the agenda. To sign up to speak visit www.saspeakup.com. Click on meetings and events and select the meeting you'd like to participate in. Sign up to speak or submit a written comment. Questions relating to these rules may be directed to the Office of the City Clerk at (210) 207-7253.

Individuals signing up for public comment may register for VIA bus fare or parking validation at www.saspeakup.com. VIA bus fare or parking at City Tower Garage (located at 100 Blk N. Main) will be provided to individuals who request the assistance. Staff will provide VIA bus fare passes and parking validation tickets in the lobby of City Council Chambers.

To view the Live meeting please view our [Live Stream](#)

During the meeting, the City Council may meet in executive session for consultation with the City Attorney's Office concerning attorney-client matters under Chapter 551 of the Texas

Government Code.

ACCESS STATEMENT

The City of San Antonio ensures meaningful access to City meetings, programs and services by reasonably providing: translation and interpretation, materials in alternate formats, and other accommodations upon request. To request these services call (210) 207-2098 or Relay Texas 711 or by requesting these services online at <https://www.sanantonio.gov/DEI/Language-Services>. Providing at least 72 hours' notice will help to ensure availability.

Intérpretes en español estarán disponibles durante la junta del consejo de la ciudad para los asistentes que lo requieran. También se proveerán intérpretes para los ciudadanos que deseen exponer su punto de vista al consejo de la ciudad. Para más información, llame al (210) 207-7253.

For additional information on any item on this agenda, please visit www.sanantonio.gov or call (210) 207-7080.

- 11.** Ordinance approving the First Amendment and Extension of Lease of Surface, Subsurface, and Air Rights for the Majestic and Brady Buildings for an additional twenty-five year term, plus two additional five-year options. [Lori Houston, Assistant City Manager; John Jacks, Director, Center City Development and Operations]

THE CITY COUNCIL MAY RECESS FOR LUNCH AND RECONVENE TO CONSIDER ANY UNFINISHED COUNCIL BUSINESS

6:00 P.M. – If the Council has not yet adjourned, the presiding officer shall entertain a motion to continue the council meeting, postpone the remaining items to the next council meeting date, or recess and reconvene the meeting at a specified time on the following day.

Printed on: 03/30/2025 09:02 AM



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 11

Agenda Date: March 27, 2025

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: District 1

SUBJECT:

First Amendment and Extension to Lease of Surface, Subsurface, and Air Rights for the Majestic and Brady Buildings

SUMMARY:

This ordinance approves the First Amendment and Extension to Lease of Surface, Subsurface, and Air Rights for the Majestic and Brady Buildings, located at 202 and 222 E. Houston St, with the owners of the buildings, Majestic Development Company.

BACKGROUND INFORMATION:

In 1988, the City of San Antonio (City) engaged in a coordinated effort with the Majestic Development Company (MDC) and the Foundation for Cultural Arts in San Antonio (CASAS) to preserve and revitalize downtown. The efforts focused on the redevelopment of the Majestic and Empire Theaters as well as the adjacent Majestic and Brady Buildings. The parties orchestrated a sequence of transactions to preserve and revitalize the historic buildings and facilitate the creation of workforce housing. As part of that effort, the City acquired the Majestic Theater and Empire Theater as well as the land beneath the Majestic and Brady Buildings. The City leased the buildings to CASAS who oversaw their renovation and continues to operate the facilities. The Majestic and

Brady Buildings are owned by MDC, and the City has leased the underlying land to MDC with a 50-year ground lease.

The 10-story Brady Building opened at 202 East Houston St. in 1914, and the 20-story Majestic Building opened at 222 East Houston St. in 1929. The Majestic Building stands adjacent to the Majestic Theater, while the Brady Building surrounds the Charlene McCombs Empire Theater. MDC has owned the buildings since 1987, subject to surface, subsurface, and air rights leases with the City. In 1992, the office buildings were converted to include 96 residential units at a cost of \$6.5 million. Over the past 30 years since renovation was completed, MDC has invested over \$7 million in maintenance of the historic buildings, including repairs and maintenance of buildings and capital replacement of equipment.

The ground lease for the Majestic and Brady Buildings is in effect through 2038. Rent is calculated as 33.3% of net profits, which is defined as gross receipts less 1) normal monthly operation expenses, 2) reserves for expenditures such as insurance and property tax, 3) principal payments on debt, and 4) cumulative losses. MDC submits annual financial statements which are reviewed and accepted by the City, accounting for net profits and cumulative losses. The financial statements have never shown net profits as calculated by the lease, and therefore rent has never been owed. The current lease term expires in 2038.

ISSUE:

MDC plans to invest \$10 million to renovate the Majestic and Brady Buildings. The investment will include \$1.25 million in exterior repair and improvements, \$1.65 million in HVAC replacement, \$4.17 million in interior renovations, \$1.6 million in elevator upgrades, and \$1.34 million in utilities, security, and fire protection. The investment will be made in phases, with at least \$5 million expected to be invested in the building over the next five years.

In order to facilitate financing for the renovations, MDC requests an extension of the lease term for an additional 25 years beyond the current term, plus two additional 5-year options. As is typical for a property subject to a ground lease, lenders require the borrower to hold a long-term lease of the underlying property in order to secure debt.

ALTERNATIVES:

Should City Council elect not to approve a lease extension, the MDC will be unable to secure financing needed to invest in renovation.

FISCAL IMPACT:

This ordinance approves the First Amendment and Extension to Lease of Surface, Subsurface, and Air Rights for the Majestic and Brady Buildings, located at 202 and 222 E. Houston St. with the owners of the buildings, Majestic Development Company. There is no fiscal impact resulting from the extension.

RECOMMENDATION:

Staff recommends approval of the First Amendment and Extension to Lease of Surface, Subsurface, and Air Rights for the Majestic and Brady Buildings, located at 202 and 222 E. Houston St, with the Majestic Development Company for an additional term of 25 years plus two additional 5-year options.

ORDINANCE

APPROVING A FIRST AMENDMENT AND EXTENSION TO LEASE OF SURFACE, SUBSURFACE, AND AIR RIGHTS FOR THE MAJESTIC AND BRADY BUILDINGS, LOCATED AT 202 AND 222 E. HOUSTON ST, WITH THE OWNERS OF THE BUILDINGS, MAJESTIC DEVELOPMENT COMPANY.

* * * * *

WHEREAS, in 1988, the City of San Antonio (City) engaged in a coordinated effort with the Majestic Development Company (MDC) and the Foundation for Cultural Arts in San Antonio (CASAS) to preserve and revitalize downtown; the efforts focused on the redevelopment of the Majestic and Empire Theaters as well as the adjacent Majestic and Brady Buildings and the parties orchestrated a sequence of transactions to preserve and revitalize the historic buildings and facilitate the creation of workforce housing; and

WHEREAS, as part of that effort, the City acquired the Majestic Theater and Empire Theater as well as the land beneath the Majestic and Brady Buildings and the City leased the buildings to CASAS who oversaw their renovation and continues to operate the facilities; the Majestic and Brady Buildings are owned by MDC, and the City has leased the underlying land to MDC with a 50-year ground lease; and

WHEREAS, the 10-story Brady Building opened at 202 East Houston St. in 1914, and the 20-story Majestic Building opened at 222 East Houston St. in 1929. The Majestic Building stands adjacent to the Majestic Theater, while the Brady Building surrounds the Charlene McCombs Empire Theater. MDC has owned the buildings since 1987, subject to surface, subsurface, and air rights leases with the City. In 1992, the office buildings were converted to include 96 residential units at a cost of \$6.5 million. Over the past 30 years since renovation was completed, MDC has invested over \$7 million in maintenance of the historic buildings, including repairs and maintenance of buildings and capital replacement of equipment; and

WHEREAS, the current ground lease for the Majestic and Brady Buildings is in effect through 2038; rent is calculated as 33.3% of net profits, which is defined as gross receipts less: 1) normal monthly operation expenses; 2) reserves for expenditures such as insurance and property tax; 3) principal payments on debt; and 4) cumulative losses. MDC submits annual financial statements which are reviewed and accepted by the City, accounting for net profits and cumulative losses; The financial statements have never shown net profits as calculated by the lease, and therefore rent has never been owed; the current lease term expires in 2038; and

WHEREAS, MDC plans to invest \$10 million to renovate the Majestic and Brady Buildings; the investment will include \$1.25 million in exterior repair and improvements, \$1.65 million in HVAC replacement, \$4.17 million in interior renovations, \$1.6 million in elevator upgrades, and \$1.34 million in utilities, security, and fire protection; the investment will be made in phases, with at least \$5 million expected to be invested in the building over the next five years; and

WHEREAS, as is typical for a property subject to a ground lease, lenders require the borrower to hold a long-term lease of the underlying property in order to secure debt in order to facilitate financing for the renovations; MDC requests an extension of the lease term for an additional 25 years beyond the current term, plus two additional 5-year options;

NOW THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Manager or designee is hereby authorized to execute a First Amendment and Extension to Lease of Surface, Subsurface, and Air Rights for the Majestic and Brady Buildings, substantially in the same form as **Attachment I**, with the owners of the buildings, Majestic Development Company.

SECTION 2. The City Manager or designee is further authorized to execute any and all necessary documents to effectuate the transaction.

SECTION 3. This Ordinance becomes effective immediately upon its passage by either (8) votes or more and 10 days after passage upon its approval by less than eight (8) votes.

PASSED AND APPROVED this 27th day of March, 2025.

M A Y O R
Ron Nirenberg

ATTEST:

APPROVED AS TO FORM:

Debbie Racca-Sittre, City Clerk

Andrew Segovia, City Attorney