



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 31

Agenda Date: June 16, 2022

In Control: City Council A Session

DEPARTMENT: Neighborhood and Housing Services

DEPARTMENT HEAD: Veronica Garcia, Interim Director

COUNCIL DISTRICTS IMPACTED: District 1

SUBJECT:

Approving the transfer of Incremental Property Tax Revenue resulting from the Comprehensive Development Agreement (CDA) by and between the City of San Antonio, Weston Urban LLC and Frost Bank consistent with the FY2022 proposed budget, for FY2021 through and including FY2034 for the purpose of funding the City Tower Project located in Council District 1.

SUMMARY:

Transfer of Incremental Property Tax Revenue from Tax Increment Reinvestment Zone Houston Street #09 (TIRZ #09) resulting from Public-Private Partnership (P3) to City Tower Project located in Council District 1 that resulted in 1) a consolidated administrative office tower for the City; 2) residential housing redevelopment; and 3) the construction of the first-class A office tower in downtown since 1989.

BACKGROUND INFORMATION:

On June 4, 2015, City Council approved a Comprehensive Development Agreement with Weston Urban LLC and Frost Bank. This successful Public-Private Partnership (P3) resulted in the construction of the new Frost Tower by Weston Urban, and the acquisition, ongoing redevelopment and rebranding of the former Frost Bank Building by the City, now known as City Tower, which will serve as a consolidated administrative building for the City. When renovations

are complete, City Tower will office 23 City departments and approximately 1,400 City employees, consolidating several departments that are currently located in multiple leased buildings. The renovations will also provide approximately seven floors for tenant offices in the tower and retail space on the street level. This renovation will allow the City to streamline its operational processes and centralize various City services and resources.

Future components of the P3 agreement include the creation of hundreds of housing units in downtown, as Weston Urban redevelops properties previously owned by the City that were acquired through the agreement. The Municipal Plaza Building located at 114 W Commerce, will be converted to condominiums, with the majority of the building sold to Weston Urban for residential housing redevelopment, with the sale expected to close in late summer 2022. The City departments currently located at the Municipal Plaza Building will move to City Tower once their floors are completed. The City will retain the City Council Chambers, the B Room, and associated support spaces.

As a result of this P3 development, several properties that were previously City owned will become taxable and generate tax increment along with the new Frost Tower and parking garage which is generating more tax increment than the former Frost Bank headquarters building.

ISSUE:

The financing plan for the City Tower project includes several issuances of debt which are paid with various revenue sources including third party leases, parking revenues, sale of City properties and other cash contributions, budgeted savings from the consolidation of City services, and incremental taxes from various TIRZ. The transfer of tax increment from the Houston Street TIRZ is consistent with the financing plan and the City's overall approach to financing of the City Tower project.

This action by City Council authorizes the transfer of the incremental tax revenue generated by the P3 after backing out the amount previously collected by the TIRZ for the former Frost Bank headquarters building and related properties through FY2034.

ALTERNATIVES:

City Council could choose not to approve this transfer, but the City would need to identify another source of funding.

FISCAL IMPACT:

The FY 2021 transfer of the incremental tax revenue from related Public-Private Partnership (P3) properties was \$184,485 based on actual tax revenue and \$193,481 for FY 2022. The FY 2023 to FY 2034 transfers will be calculated annually when the actual property tax information is available. The following projections included a 3% annual increase. This item authorizes the TIRZ to fund the transfers through FY 2034.

Description	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026-2034
Annual Transfer	\$184,485	\$193,481	\$252,670	\$260,250	\$268,057	3% annual increase estimated

RECOMMENDATION:

Staff recommends approving the transfer of the incremental tax revenue generated by the Public-Private Partnership (P3) including the new Frost Tower building and garage and the condominiumized portion of the Municipal Plaza Building that will be redeveloped by Weston Urban from the Houston Street TIRZ (TIRZ #09) to the City's City Tower Fund, for the purpose of funding the City Tower project. This transfer will occur annually through FY2034.