

**CITY OF SAN ANTONIO
CITY MANAGER'S OFFICE
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Christopher J. Brady, Assistant City Manager

SUBJECT: Ordinance Approving the Terms and Conditions of a Purchase and Sale Agreement with FaulknerUSA for the Development and Construction of Condominiums

DATE: June 16, 2005

SUMMARY AND RECOMMENDATIONS

This ordinance approves the terms and conditions of a Purchase and Sale Agreement with FaulknerUSA (Developer) setting forth certain obligations of the City and the Developer with respect to:

- (A) the creation of a two (2) unit commercial condominium regime on the site of the new Convention Center Hotel Project that will include a lower commercial unit for the new Convention Center Hotel and a multi-floor commercial unit located above the Hotel which may be further subdivided by Developer into residential condominium units pursuant to a separate, residential condominium regime so that the condominium units may be sold by Developer;
- (B) the sale of the City's interest in such commercial upper unit to the Developer; and
- (C) the Developer's obligation to timely design, develop and construct the condominium units which will require amendments to existing project documents for the new Convention Center Hotel Project previously approved by City Council on April 14, 2005; declaring related properties surplus to the City's needs; and authorizing the City Manager to execute the agreement upon inclusion of subject property within the boundaries of the Inner City TIRZ #11.

Staff recommends approval.

BACKGROUND INFORMATION

On December 21, 2004, the City Council selected FaulknerUSA as the preferred developer of a convention center hotel on City-owned land adjacent to the Henry B. Gonzalez Convention Center. During the selection of the preferred developer, consideration was given to FaulknerUSA for their proposal to include the development and construction of condominiums above the Convention Center Headquarters Hotel. Negotiations relating to the Condominium Project were deferred until the Hotel

Project negotiations were completed. The Condominium Project will be financed separately from the Hotel Project. The Master Condominium Declaration will create two condominium units. The lower unit will be occupied by the Grand Hyatt Hotel and the upper unit will contain the residential condominiums.

Above the hotel will be 144 residential condominiums ranging in size from a 765 square foot one bedroom to a 3,903 square foot penthouse with private roof deck. The residences will begin at the 25th level and will be accessed by 3 dedicated elevators. The penthouse level at the 33rd floor houses 8 penthouses with various sizes, 6 of which have a private stair to a rooftop cabana, roof deck, and individual hot tub. The average projected sales price per square foot is \$300.00 to \$400.00. Individual units will be priced based on their level in the building, views, and finish level. All residents will have use of a pool on the 34th floor as well as a fitness center and party cabana overlooking downtown to the west. The total saleable square footage in the project is 220,546 square feet.

POLICY ANALYSIS

The upper unit condominiums will require the conveyance of air rights for floors 25-33. On May 3, 2005, an appraisal was completed by Dugger, Canady, Grafe, Inc. The appraised value of the air rights is \$1,000,000.

State law requires cities to provide notice and advertisement for bids on the sale of public property. One of the exceptions to the bidding requirement allows for a municipality to dispose of land that is located in a reinvestment zone and that the municipality desires to have developed under a project plan adopted by the municipality.

A request will be submitted to the TIRZ Board of Directors on June 27, 2005, to consider the amendment of the TIRZ Project Plan to extend the TIRZ (#11) boundaries to add the Hotel and Condominium Projects. Upon approval by the TIRZ Board of Directors, this amendment would be brought to City Council for consideration.

FISCAL IMPACT

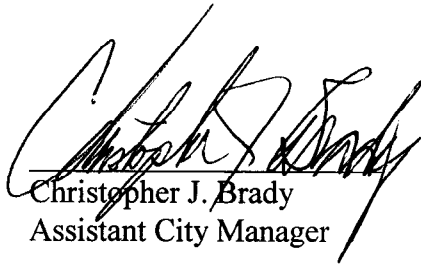
The ad valorem taxes levied by the City that are anticipated to be paid by the condominium owners once the units are all bought are estimated to be \$350,000 annually. The resulting increment contributed to the TIRZ fund could enable the Inner City TIRZ to accomplish more public improvements than previously contemplated.

The City is proposing that the City and the board of directors enter into an agreement whereby the board of directors would return the incremental hotel ad valorem tax dollars to the City as a project cost necessary for the implementation of the Project Plan. The tax increment from the condominium residential units would remain in the TIRZ fund, to be used for the implementation of the projects identified in the Inner City TIRZ Project Plan.

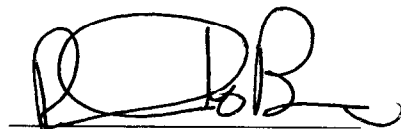
The City is seeking the return of all hotel ad valorem tax dollars to the City's general fund, to reduce the impact of demands for city services and infrastructure maintenance costs. The addition of another 1,000 rooms in the downtown area will necessitate additional calls for service for Police, EMS and parks services.

COORDINATION

This item has been coordinated with the City Attorney's Office, Asset Management, Economic Development Department and the Finance Department.



Christopher J. Brady
Assistant City Manager



J. Rolando Bono
Interim City Manager