

PUBLIC HEARING
TIME CERTAIN
2:00 PM

**CITY OF SAN ANTONIO
HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council
FROM: Andrew W. Cameron
SUBJECT: HUD Section 108 Loan Funds Friedrich Adaptive Reuse Project
DATE: November 17, 2005

SUMMARY AND RECOMMENDATIONS

This item is the final Public Hearing required by the U.S. Department of Housing and Urban Development (HUD) regarding the Section 108 Guarantee Loan for the development of the Friedrich Adaptive Reuse Project to the U.S. Department of Housing and Urban Development (HUD). If approved, staff will include any charges resulting from this public hearing into the application and forward the final application to the Department of Housing and Urban Development.

Staff recommends approval of the submission of the 108 Loan Application.

BACKGROUND INFORMATION

An Ordinance authorizing the City Manager to submit an application for a \$9 million loan through the Section 108 Loan Guarantee Program to assist with the development of the Friedrich Adaptive Reuse Project was approved on September 28, 2005. The Ordinance approved the submission of a Section 108 Guarantee Loan application to the U.S. Department of Housing and Urban Development (HUD); acceptance of the Loan if approved by HUD; signing of documents in connection with said Loan between the City and HUD; and entering into a contract with Friedrich Lofts, Ltd. This Public Hearing completes the submission requirements established by HUD.

The proposed Friedrich Adaptive Reuse project is located on East Commerce Street in the Eastside area of San Antonio. The Friedrich Refrigeration Company Plant was constructed in phases on a site of over six acres between 1923 and 1956. The Plant is comprised of numerous buildings ranging from one to six stories, with a total existing building area of approximately 473,000 square feet. The Plant employed over 1,000 workers at its peak in the early 1950s, but was abandoned as a manufacturing facility in 1971. It was used again on a very limited basis for storage from 1981 to 1991 when it closed permanently. Friedrich Lofts, Ltd. purchased the abandoned property in 1999 and began the process of redevelopment.

The City received approval of a Brownfields Economic Development Initiative (BEDI) grant for \$1.5 million in 2000. The BEDI and Section 108 loan provide the funding gap in the financial resources needed to complete the project. The Section 108 loan will be a 20 year repayment period, with the repayment coming primarily from project income. The City must pledge the CDBG Entitlement to make annual payments in the event of a default. If the developer is unable to make any of the annual payments, the City will be required to make payment from the CDBG Entitlement or other non-federal funds.

Both the Section 108 loan and BEDI grant funds will be loaned to the developer to assist with the renovation costs associated with the initial phase of the commercial portion of the project. The assistance is via the use of an Investment Partnership and CDE, so that the project can benefit from New Markets Tax Credits (NMTC). The repayment to the City of the BEDI funds in the early years will allow the City to use the funds in the repayment of an interest only structure on the Section 108 loan for the first 7 years. This will allow the necessary time for the project to be constructed and to start generating rental income to fund the repayment of the Section 108. In addition, both Historic Tax Credits (HTC) and NMTC are being utilized in the project and the 7 year period coincides with the equity investor requirements to substantially reduce the risk of NMTC recapture.

The adaptive reuse plan calls for a total of 99,620 square feet of commercial space in Phase 1, including new retail space on the street level along East Commerce Street and a wide variety of flexible spaces for a variety of commercial businesses. The development of the commercial space will be completed in phases, with the timing for subsequent phases dictated by market acceptance of the initial phase. The developers have completed approximately 15,000 square feet of commercial space for the purpose of demonstrating the property's potential. These spaces are occupied by three architectural firms, two E-commerce companies, a marketing company and an office/showroom for commercial furniture sales.

The buildings that make up the facility are suitable for loft residential units. The residential area is planned to be 19,288 square feet of residential space. Based on the continuing trends experienced in urban areas throughout the country, it is expected that the space will be highly desirable. A portion of the interior space that is now covered with corrugated metal roofs will be demolished to provide an inner courtyard for the residents and commercial tenants. Other portions of the existing space will be dedicated to tenant and resident parking. The residential component of the initial phase will be funded from non-CDBG sources. A breakdown of the space, by phases, is as follows:

<u>Phase I</u>	<u>Sq. Ft.</u>
Commercial	99,620
Residential	19,288
Total Income Producing Area, Phase I	<u>118,908</u>

<u>Subsequent Phases</u>	
Commercial / Retail	125,380
Residential	<u>50,712</u>
Total subsequent Phases	<u>176,092</u>
Total, All Phases/ All Uses	<u>295,000</u>

The total project costs associated with the initial phase are estimated to be \$16.8 million. The project is identified in the City's Environmental Protection Agency (EPA) Brownfields Site Assessment Demonstration Pilot Grant. Of the \$200,000 grant received by the City of San Antonio (COSA), up to \$60,000 is allocated to the project. As noted previously, both the Section 108 and BEDI funds will be loaned to the developer and used for the rehabilitation of the commercial use areas of the project. The sources and uses are summarized below:

Sources

Section 108	\$ 9,000,000
BEDI	\$ 1,500,000
New Market Tax Credits	<u>\$ 6,300,000</u>
Total	\$16,800,000

Uses

SALDC Loan Payoff	\$ 130,000
A/E	548,000
Hard Costs	\$12,900,000
Soft Costs	\$ 2,264,250
Capital Int.	\$ 882,750
Capital Res.	<u>\$ 75,000</u>
Total	\$16,800,000

Various task force efforts, marketing studies, and feasibility studies have been conducted on the Eastside. All of these studies have specifically mentioned the Friedrich as a key redevelopment priority. Those studies have included input by a wide variety of community residents, business and civic leaders, and experts in community revitalization. The project has strong community support which include EastTown @ Commerce, a Neighborhoods Acting Together Project.

Civic groups in support of the project are the Greater San Antonio Chamber of Commerce and the Alamo Chamber of Commerce. Community input will continue throughout the redevelopment of the Friedrich Plant and other Eastside revitalization efforts. Recently, the Urban Land Institute (ULI) completed a study of the near eastside. The successful renovation of the Friedrich was stated as one of its top goals for the area.

POLICY ANALYSIS

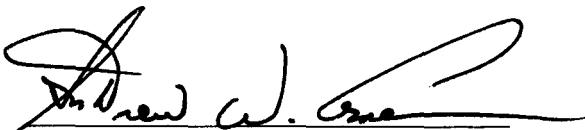
The renovation of this facility is consistent with the City's efforts to revitalize this inner City neighborhood. All actions taken regarding this proposed program have been consistent with Local and Federal Regulations. The requirements for public notice and public hearings have been met. Approval of this ordinance does not commit the City to enter into a loan agreement with Developers. If HUD application is approved, City staff will work with Developers to finalize loan agreement.

FISCAL IMPACT

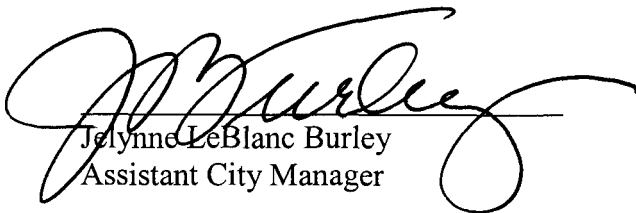
If approved, the City will be obligated to repay the full amount of the HUD 108 Loan over a 20-year period. If the developer defaults on the loan, the City will be obligated to make the payment from the CDBG Entitlement or from non-federal resources.

COORDINATION

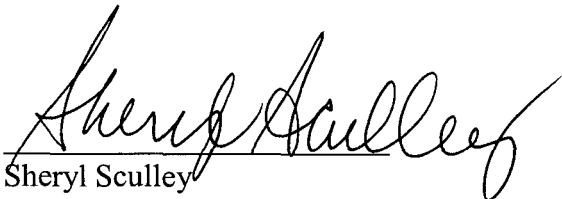
This item has been coordinated with Office of Management and Budget, Finance Department, the City Attorney's Office and outside legal counsel.



Andrew W. Cameron
Director, Housing and Community Development



Jelynn LeBlanc Burley
Assistant City Manager



Sheryl Sculley
City Manager