



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 10/27/2020

District D

Item Creation Date: 10/16/2020

PRD- Herman Park Clubhouse Master Lease

Agenda Item#: 52.

Background:

The Houston Parks and Recreation Department (HPARD) recommends approval of a Master Lease agreement between the City of Houston and Houston First Corporation (Houston First) for the historic Hermann Park Clubhouse at 6201 Hermann Park Drive (Clubhouse). Hermann Park Conservancy (HPC) is investing \$5.4 million to renovate and restore the historic golf clubhouse building. Once completed, HPC will operate and maintain the Clubhouse as a special events venue for rent to the public and provide a portion of the revenue to the City.

In order for HPC to qualify for historic tax credits for the renovation and restoration of the Clubhouse, it is necessary for HPC to hold a long-term leasehold interest in the property on which the Clubhouse is located. Because Article II, Section 17 of the City's Charter provides that "no grant of any franchise or lease, or right to use the same, either on, along, through, across, under or over the same by any private corporation, association or individual, shall be granted by the City Council unless submitted to the vote of the legally qualified voters of said City, for a longer period than thirty years", the City is unable to lease its property directly to HPC for a term longer than thirty years.

Houston First Corporation (Houston First) desires to facilitate HPC's project to renovate and restore the Clubhouse by entering into a lease with the City (Master Lease) for approximately 2.4668 acres within the Park, including the Clubhouse and portions of the parking lots adjacent to the Clubhouse. Pursuant to the Master Lease, Houston First will enter into a sublease of the Leased Premises with HPC. HPC will become directly responsible to the City for performing all duties and obligations of the tenant under the Master Lease, including the obligations to undertake the project to renovate and restore the Clubhouse, to operate and maintain the Clubhouse as a special events venue and to remit a portion of the revenues therefrom to the City.

HPC's predominant purpose is the stewardship of and improvement to the Park, which is a public purpose, and the operation and maintenance of the Clubhouse as a special events venue furthers this public purpose. Section 7.1 of City Administrative Policy Revised No. 7-5 provides that in a lease with an entity whose predominate purpose is to accomplish a public purpose, the lease may provide that a portion of the rental value be payable by the value of public services delivered by the tenant. Pursuant to the Master Lease, HPC will make revenue payments to the City in lieu of making a monthly rent payment in the amount of the fair market rental value.

As part of the due diligence process for negotiating the Master Lease and determining a fair market rental value, Houston Public Works performed an analysis to establish a probable price estimate for the Leased Premises and determined that the value of the fee estate is estimated to exceed \$1,000,000. Section 2-241(c) of the City Code of Ordinance requires that, in any lease in which the value of the fee estate is estimated to exceed \$1,000,000, Houston Public Works or the General Services Department shall engage two qualified appraisers to determine the fair market value. HPARD recommends that City Council waive the requirements of Section 2-241(c) of the City Code for this transaction, since HPC will operate, maintain, and provide public services at the Clubhouse in lieu of making a monthly rental payment.

Director's Signature:

DocuSigned by:

A handwritten signature in black ink, appearing to be "Steve Wright", is written over a horizontal line.

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Steve Wright, Director

Houston Parks and Recreation Department

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