

## Port San Antonio unveils new details about \$300 million futuristic office tower

As plans for the office tower have evolved, its opening date has been pushed back to 2029

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Madison Iszler – March 3, 2024

A glittering wing-shaped building set to rise at Port San Antonio will cost about \$300 million and demand rents of \$50 a square foot or more — putting it among the most expensive offices in the city.

But despite rising office vacancies across San Antonio, port CEO Jim Perschbach is confident he'll have no troubling filling the space.

He says the futuristic tower will be an illustration of the cybersecurity, aerospace, defense and advanced manufacturing work being done at the port — and a way to raise the city's profile. Places like Chicago, Austin and Dallas have such buildings, he says, occupied by companies with high-paying jobs like those already at the port.

"It's probably going to be harder than I think it is, and we're going to do it one way or the other. Because I want people to realize that San Antonio already is capable of competing on the world stage with everybody, but we've got to start showing it," Perschbach said. "If all we build are these regular pedestrian buildings, the story we're telling is our work is pedestrian."

The data appear to support his optimism. While the office vacancy rate across the city is nearly 20%, just 4% of the port's 8.2 million square feet is vacant. More than 80 tenants call the 1,900-acre campus home and together have 18,000 employees on their payrolls, a workforce Perschbach expects to double in the next seven to 10 years, adding to the demand for space.

### Redeveloping Kelly

The 11-story, 295,000-square-foot building is part of the port's development of its 800 remaining acres.

The Defense Base Closure and Realignment Commission ordered Kelly Air Force Base closed in 1995 and it officially shut down in 2001, dealing a major blow to San Antonio. About half of the 4,017-acre base was transferred to Joint Base San Antonio-Lackland and the city created a nonprofit port authority to own, operate and redevelop the rest.

Since then, the organization has erected hangars, air cargo facilities and office buildings and renovated existing structures for tenants including Boeing Co., StandardAero, Accenture PLC, CNF Technologies Corp., Northrop Grumman Corp. and Booz Allen Hamilton. It has also secured millions of dollars to make infrastructure improvements.



A rendering of a new office building planned at Port San Antonio. Courtesy of Port San Antonio and Pelli Clarke & Partners

In 2022, it unveiled its largest project to date: a \$70 million, 130,000-square-foot esports and concert venue now known as Boeing Center at Tech Port. It has hosted robotics events, conferences, boxing matches and gaming competitions and is home to the San Antonio Museum of Science and Technology.

### **Signature building**

The building Perschbach wants to solidify the port's status as the region's largest technology center was designed by Pelli Clarke and Partners. It will have floor-to-ceiling windows, terraces on every floor and "spa-quality" locker rooms with saunas, according to a new marketing brochure. About 27,000 square feet will be used for amenities such as a health and wellness center, fitness classroom and dining terrace.

It'll also have private areas and LED lights, features aimed at creating a better work environment for employees, Perschbach said. A parking garage will be built nearby.

The design has evolved dramatically from initial renderings made public when it was announced two years ago. Then, it was presented as a trapezoidal building with square sides. A year later, the port unveiled plans for a futuristic wing-shaped office tower that now has been burnished as the port begins pushing for financing and marketing to future tenants.

Back in 2022, the building was expected to open by 2025 with at least one high-profile tenant. The port's original announcement said it would house DeLorean Motor Co., but that company's current condition makes its viability as signature tenant unclear.

The CEO of the San Antonio-based automaker, which leases space at the port, stepped down amid questions last month, with customers clamoring for information about the EVs they paid thousands of dollars to reserve. DeLorean also recently terminated its incentive agreements with the city and Bexar County, which offered tax breaks and grants for meeting certain job creation and wage targets.

Perschbach said he now expects tenants to include companies that already lease space at the port and want to expand as well as others that are new to the area.

Rents are expected to be \$50 a square foot and higher, depending on the amount of space, lease terms, finishes and, potentially, job investments. That's higher than rents at upscale downtown office buildings such as the Frost Tower, the 1900 Broadway building with Jefferson Bank's headquarters and The Soto.

### **'Upward mobility'**

"My goal is that we keep pushing the envelope on what rents are, not just for our campus but for San Antonio. It helps us and it helps the city, the more people are paying for rent, because it drives up values," Perschbach said. "If an employer is not really cost of space sensitive, they're probably not cost of labor sensitive either. And we want to make sure that we're attracting the type of opportunities that provide upward mobility."

The building will be funded with debt and the port's own capital. A request for proposals is to be released soon and negotiations during that process will determine the financing structure, Perschbach said. The port has budgeted revenue of about \$75 million in the current fiscal year and its borrowing capacity exceeds \$500 million.

The goal now is to begin construction early in 2025 and complete construction within four years, he said.

A vertiport for passenger and cargo electric vertical takeoff and landing vehicles — a cross between fixed-wing aircraft and helicopters — and a research complex with a simulated lunar terrain lab were the other two projects announced in 2022. A contractor will soon begin land grading for the vertiport and the port is pursuing funding, Perschbach said. The research facility has been paused for now so executives can make progress on the other two projects.

With its other remaining acreage, the port plans to build more office space, schools, restaurants, hotels and retail space, Perschbach said.

"In the next seven to 10 years, this is where those 18,000 (new) people are going to go, and that will be a real central business district," he said. "It's not to replace downtown, it's not to replace the North Side. A really viable community should be like a good theme park: every segment of San Antonio should be equally valuable, just have a different flavor to it."