



# City of San Antonio

## Legislation Details (With Text)

**File #:** 18-6594

**Type:** Resolution

**In control:** City Council A Session

**On agenda:** 1/10/2019

**Title:** Resolution by the City of San Antonio, Texas Empowerment Zone Development Corporation appointing U.S. Bank National Association to serve as the Market Agent relating to the outstanding City of San Antonio, Texas Empowerment Zone Development Corporation Contract Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A and Series 2013B, and approving and authorizing the execution of a related Market Agent Agreement. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Draft Resolution, 2. Resolution EZDC 2019-01-10-0001R

Date	Ver.	Action By	Action	Result
1/10/2019	1	City Council A Session	Motion to Approve	Pass

**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** City-Wide

**SUBJECT:**

Appointing a Market Agent for Conduit Bond Issue

**SUMMARY:**

This resolution of the City of San Antonio, Texas Empowerment Zone Development Corporation will appoint U.S. Bank National Association to serve as the Market Agent relating to the outstanding City of San Antonio, Texas Empowerment Zone Development Corporation Contract Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A and Series 2013B, will approve and authorize the execution of a related Market Agent Agreement.

**BACKGROUND INFORMATION:**

The Empowerment Zone (EZ) was a federal program designed to promote economic development and employment opportunities in distressed areas of communities using public funds and tax incentives as catalysts for private investment.

In January 2002, San Antonio received federal designation as a Round III Urban Empowerment Zone (EZ) from the U.S. Department of Housing and Urban Development. The designation of EZ allowed businesses locating in the EZ and who hired residents that lived in the EZ to receive federal wage and tax credits, capital gains incentives and tax-exempt bond financing. This designation included 26 census tracts within the inner city plus three developable sites. In September 2004, City Council created an EZ Governance Board that advised the City Council on the implementation of the EZ Strategic Plan and provided recommendations on qualifying projects within the EZ. This Board has since been dissolved.

The San Antonio EZ was awarded \$230 million in EZ facility bond capacity. Of that amount, \$130 million was allocated for the 2005 Convention Center Hotel project and \$39.9 million for the Drury Plaza Hotel. The Drury project included the construction of a \$1,456,000 extension of the Riverwalk between Dolorosa and Commerce, as well as landscaping, lighting and streetscaping along the pedestrian walkway.

In 2005, the City created the Empowerment Zone Development Corporation as a "local government corporation" to assist the City with the administration of various federal tax incentives relating to the EZ, including the issuance of empowerment zone facility bonds on behalf of qualified businesses within the EZ at the request of the City Council. In 2005 and 2007, the Corporation issued an aggregate of \$39,900,000 of Empowerment Zone Bonds to provide a portion of the financing to redevelop the former Alamo National Bank Building into the current Drury Plaza Hotel.

In 2013, \$39,900,000 of Empowerment Zone Refunding Bonds was issued in order to refund the previously outstanding Empowerment Zone Bonds as requested by Drury. The City incurs no financial liability and no obligation for repayment and/or debt service on these bonds.

Currently, Drury is requesting U.S. Bank National Association be appointed to serve as the Market Agent on the 2013 Bonds in order to be able to convert the current interest rate to a new adjusted index rate (which takes into effect a change in interest rate due to a change in the maximum corporate tax rate).

#### **ISSUE:**

Drury has requested the City and the Corporation take action to approve the appointment of U.S. Bank National Association to serve as the Market Agent for the Bonds in order to assist with the setting of a new adjusted index rate in accordance with the terms of the Indenture that authorized the Bonds.

#### **ALTERNATIVES:**

If the Corporation does not approve the appointment of the Market Agent then Drury will not be able to convert the current interest rate to a new adjusted index rate (which takes into effect a change in interest rate due to a change in the maximum corporate tax rate).

#### **FISCAL IMPACT:**

Neither the City nor the Corporation is obligated in any manner to pay the debt issued by the Corporation. Drury is solely responsible for paying all debt service and other costs associated with the issuance of the Bonds. The City incurs no financial liability and no obligation for repayment and/or debt service on these bonds.

**RECOMMENDATION:**

Staff recommends the City's Empowerment Zone Development Corporation approve the Resolution authorizing the appointment of U.S. Bank National Association to serve as the Market Agent relating to the outstanding City of San Antonio, Texas Empowerment Zone Development Corporation Contract Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A and Series 2013B, and approving and authorizing the execution of a related Market Agent Agreement.