



City of San Antonio

Agenda Memorandum

File Number: 13-1092

Agenda Item Number: 46.

Agenda Date: 11/21/2013

In Control: City Council A Session

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: City wide

SUBJECT:

Resolution through City of San Antonio, Texas Empowerment Zone Development Corporation authorizing the issuance of \$39,900,000 in Empowerment Zone Refunding Bonds to refund all outstanding Empowerment Zone Revenue Bonds issued in 2005 and 2007 for the Drury Plaza Hotel, authorizing the execution of a loan agreement, an indenture of trust, a tax agreement and a purchase contract, calling certain outstanding empowerment zone bonds for redemption and approving other matters in connection therewith.

SUMMARY:

The City Council will consider a Resolution requesting the City's Empowerment Zone Development Corporation to authorize the issuance of \$39,900,000 in tax-exempt Empowerment Zone Development Corporation Contract Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A and Series 2013B (collectively, the "Bonds"). The City Council will then recess and convene as the Board of Directors of the Empowerment Zone Development Corporation and will consider a resolution authorizing the issuance of the Bonds and approving and authorizing the execution of all related documents, including a Loan Agreement, an Indenture of Trust, and a Tax Agreement, and calling outstanding Empowerment Zone Bonds for redemption.

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. The federal program has been extended to December 31, 2013.

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 (see attached EZ map). 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.

ISSUE:

Drury has requested the City and the Corporation take action to approve the issuance of the Bonds in order to refund the outstanding Empowerment Zone Bonds, which Drury expects will result in lower borrowing costs for the Drury Plaza Hotel. This item follows the direction and intent of previous City Council actions in connection with providing incentives permitted in the EZ.

ALTERNATIVES:

If the Corporation and the City do not approve the issuance of the Empowerment Zone Refunding Bonds as requested by Drury, Drury will not be able to refinance the outstanding Empowerment Zone Bonds and achieve lower borrowing costs.

FISCAL IMPACT:

Neither the City nor the Corporation is obligated in any manner to pay the debt issued by the Corporation. The Corporation will receive an application fee of \$2,500 and a closing fee of \$20,000 from Drury, which will be deposited into its account. 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 of San Antonio City Council approve this Resolution requesting the Empowerment Zone Development Corporation issue \$39,900,000 of Empowerment Zone Refunding Bonds in order to refund the outstanding Empowerment Zone Bonds as requested by Drury.