



City of San Antonio

Agenda Memorandum

File Number:14-2884

Agenda Item Number: 30.

Agenda Date: 12/4/2014

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Defeasance of HUD Loan related to the Port Authority of San Antonio

SUMMARY:

This Ordinance authorizes the City to take all actions necessary to defease two outstanding bonds issued in 2010 by the City to the U.S. Department of Housing and Urban Development in connection with providing financial assistance to the Port Authority of San Antonio including approving and authorizing the execution of an Escrow Agreement related to such defeasance.

BACKGROUND INFORMATION:

In July, 2010, the City issued and delivered two bonds to the United States Department of Housing and Urban Development ("HUD"), one in the original principal amount of \$9,730,000 and the other in the original principal amount of \$2,425,000, (together, the "2010 Bonds") the proceeds of which were used to refund, in order to achieve interest cost savings, two loans previously issued by HUD to the City to provide funds to support the redevelopment of the former Kelly Air Force Base (the "HUD 108 Loan").

On August 21, 2014, City Council approved the restructuring of the terms of the Agreement to Pledge Structural Reserve Funds which was entered into by the City and the Port Authority of San Antonio (the "Port") as a requirement for the funding provided by the HUD 108 Loan. The restructuring allowed for the Structural Reserve Funds to be utilized by the Port and approved the redirection of \$3.7 million in funding that the City had budgeted for infrastructure improvements at the Port to be applied to the Port's payments to the City for the HUD 108 Loan. The City recommended both of these actions in response to a request by the Port for assistance

and cash flow flexibility.

ISSUE:

The Port recently notified the City that it is in the process of refinancing a portion of their outstanding debt and desires to pledge all or a portion of its property which is currently pledged to the City in relation to the HUD 108 Loan. In order for the City to release its lien on such property, and to protect the City's financial interests, it is necessary to defease the 2010 Bonds. The cost of the defeasance is approximately \$6,518,235 which represents the current principal and interest on the 2010 Bonds plus an amount to cover consultant and escrow fees. The funding source for the defeasance is made up of the following: 1) \$3.7 million that was previously approved by City Council for payment of the HUD 108 Loan; 2) approximately \$483,655.89 currently in the HUD Loan Repayment Account for the benefit of the 2010 Bonds; and 3) the balance will be made up of the current amount on deposit in the Structural Reserve Fund with any remaining funds sent to the Port after the closing. All of the funding sources are currently held by the City. The defeasance is scheduled to close on December 10, 2014.

ALTERNATIVES:

The City could choose to not defease the 2010 Bonds; however, this could impact the Port's ability to refinance a portion of their outstanding debt.

FISCAL IMPACT:

The funding for this defeasance is to be provided by funds that are allocated to the Port for the HUD 108 Loan and the 2010 Bonds

RECOMMENDATION:

Staff recommends approval of this Ordinance that authorizes the City to take all actions necessary to defease two outstanding bonds issued in 2010 by the City to the U.S. Department of Housing and Urban Development in connection with providing financial assistance to the Port Authority of San Antonio including approving and authorizing the execution of an Escrow Agreement related to such defeasance.