



# City of San Antonio

## Agenda Memorandum

**File Number:**20-6465

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**Agenda Item Number:** 17.

**Agenda Date:** 11/12/2020

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** City-Wide

### **SUBJECT:**

Approving and Authorizing the Execution of an Amendment to the Indenture of Trust

### **SUMMARY:**

This resolution approves and authorizes the execution of an amendment to the Indenture of Trust between the Corporation and U.S. Bank National Association, as Trustee, which authorized the issuance of 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, primarily for the purpose of modifying the interest rate formula related to such bonds.

### **BACKGROUND INFORMATION:**

The City of San Antonio, Texas Empowerment Zone Development Corporation (the "Corporation") is a nonprofit local government corporation created and existing under the laws of the State of Texas, to act on behalf of the City of San Antonio (the "City") to accomplish certain governmental purposes of the City to include the administration of various federal tax incentives relating to the Empowerment Zone designated within the City, including the issuance of empowerment zone facility bonds on behalf of qualified businesses within the Empowerment Zone.

The Corporation, acting on behalf of the City, originally issued "Empowerment Zone Bonds" in 2005 and 2007 for the benefit of Alamo National Building Development LP, a Missouri limited partnership (the "Borrower"), in connection with its acquisition and renovation of the former Alamo National Bank Building into a "Drury Hotel." At the request of the Borrower, the original bonds were refunded in 2013 with proceeds of the

outstanding City of San Antonio Texas Empowerment Zone Development Corporation Contact Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A and Series 2013B (collectively, the “Bonds”).

The Bonds were issued pursuant to an Indenture of Trust between the Corporation and U.S. Bank National Association as Trustee (the “Trustee”), and were privately placed with U.S. Bank National Association (the “Bondholder”), which continues to own and hold the Bonds.

#### **ISSUE:**

The Corporation issued the Bonds as Index Rate Bonds bearing interest at a London InterBank Offered Rate (“LIBOR”) index rate through December 1, 2020. Pending the possible termination of the use of the LIBOR Index in December 2021, it is necessary to amend the Indenture of Trust to provide for the ability to, in the future, substitute the LIBOR Index for another interest rate index. The Bondholder has provided notification that effective December 2, 2020, the Bonds shall convert to an adjusted index rate period which can accommodate this substitution. In order to accomplish this change, the Borrower and the Bondholder have requested the Indenture of Trust be amended to permit this future substitution.

#### **ALTERNATIVES:**

If the Corporation does not authorize the amendment to the Indenture of Trust, the new interest rate calculation will not be able to replace the expiring LIBOR Index Rate.

#### **FISCAL IMPACT:**

Neither the City nor the Corporation is obligated in any manner to pay the debt issued by the Corporation.

#### **RECOMMENDATION:**

The Corporation approves this Resolution authorizing the amendment to the Indenture of Trust between the Corporation the Trustee.