



City of San Antonio

Agenda Memorandum

File Number:21-3596

Agenda Item Number: 22B.

Agenda Date: 5/13/2021

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT:

Authorizing the consolidated financing plan for the City Tower in an amount not to exceed \$157,000,000

SUMMARY:

Items to be considered by the City of San Antonio, Texas for the following matters in connection with the consolidated financing of the City Tower:

- A. This Ordinance authorizes the conversion to fixed rate and remarketing of “\$47,000,000 City of San Antonio, Texas Variable Rate Certificates of Obligation, Taxable Series 2016” and other matters incident and related thereto.
- B. This Resolution approves the issuance of one or more series of revenue bonds designated as the “City of San Antonio, Texas Municipal Facilities Corporation Lease Revenue Bonds (City Tower Renovation Project)” in an amount not to exceed \$110,000,000, as further designated by series, interest rate convention, and tax treatment, by City of San Antonio, Texas Municipal Facilities Corporation; authorizes the execution of a Lease Agreement between the City and the Corporation; authorizes the Corporation to enter into a Master Trust Agreement, and applicable supplements thereto, related to the foregoing project and the pledge of certain revenues as security therefore; and authorizes the execute of certain documents in connection therewith.

Item to be considered by City of San Antonio, Texas Municipal Facilities Corporation Board of Directors for the following matters in connection with the consolidated financing of the City Tower:

- A. This Resolution authorizes the issuance of one or more series of City of San Antonio, Texas Municipal

Facilities Corporation Lease Revenue Bonds (City Tower Renovation Project) in an amount not to exceed \$110,000,000, as further designated by series, interest rate convention, and tax treatment; authorizes the execute of a Lease Agreement and a Master Trust Agreement, with applicable supplements thereto, pursuant to which certain lease revenues will be pledged by the City of San Antonio, Texas to the Corporation for further pledge by the Corporation as security for the aforementioned bonds; appoints authorized representatives related hereto; and approves other matter in connection therewith

BACKGROUND INFORMATION:

On June 4, 2015, City Council approved a comprehensive development agreement with Weston Urban LLC and Frost Bank in a transaction that facilitated the construction of the new Frost Bank Tower. This Public/Private Partnership (P3) allowed the City to acquire the former Frost Bank Tower building, now rebranded as City Tower, to consolidate many City departments and staff in a convenient location within the civic core of downtown.

With the inception of the project, the City developed a thirty-year proforma that analyzes the impact of the project on the City's annual budget with the objective of maintaining a cost neutral impact to the City's budget. The proforma developed also included a plan of finance.

On June 18, 2015, City Council approved a loan in the amount of \$6,100,000 with JP Morgan to pay for certain costs related to the acquisition of the Frost Tower.

On December 18, 2016, City Council approved the City's issuance of "\$47,000,000 City of San Antonio, Texas Variable Rate Certificates of Obligation, Taxable Series 2016" (the "Certificates") through private placement with Regions Commercial Equipment Finance LLC ("Regions"). The Certificates were issued to fund the acquisition of the Frost Bank Tower building located at 100 West Houston Street, San Antonio, Texas. The Certificates provided for multi-modal conversion (including conversion to tax-exempt obligations) at the expiration of the initial interest rate period.

On September 6, 2018, City Council approved a Resolution authorizing the reimbursement of costs incurred for the City Tower. This Reimbursement Resolution allows the City to get reimbursement for expenditures in connection with the project prior to the issuance of bonds or other obligations.

On December 17, 2020, City Council approved the updated budget for the City Tower Renovation Project of \$140.9 million. Additional items in the updated budget include enhanced security, parking garage improvements, broadcast capabilities, and a return to work redesign.

The consolidated plan of finance for the City Tower includes the refunding of the loan with JP Morgan, the conversion and remarketing of the Certificates, and the issuance of Lease Revenue Bonds through the City of San Antonio Municipal Facilities Corporation (the "Corporation"). The City intends to utilize the City Tower and Garage Fund to fund the annually appropriated lease payments to the Corporation which will in turn pay debt service on the bonds. This funding mechanism capitalizes on the City's strong bond ratings which allows for a lower overall cost of borrowing and gives the City greater flexibility to manage the debt under changing economic conditions. The aggregate amount to be funded for the City Tower Renovation Project is \$140.9 million, while the maximum issuance amount included is \$157,000,000. The differential is attributable to the potential issuance of debt at a premium which will be dependent upon market conditions and determined at the time of the sale. A portion of the premium may be used to fund the costs of issuance.

The Board of Directors of the Corporation is comprised of the Mayor and City Council. The Corporation will enter into Trust Agreement and an appropriation Lease Agreement with the City where the City Council will be required to make annual appropriations equal to the lease payments to pay for debt service.

Delivery and closing of the fixed rate and remarketing of the Certificates and the Lease Revenue Bonds is anticipated to occur on June 15, 2021.

The final results of the pricing and sale will be detailed in a memorandum which will be provided to City Council.

ISSUE:

Approval of the aforementioned transactions will allow the City to effectuate the consolidated financing plan for the City Tower.

ALTERNATIVES:

The City could utilize another funding mechanism; however, the proposed financing plan capitalizes on the City's strong bond ratings which allows for a lower overall cost of borrowing and greater flexibility.

FISCAL IMPACT:

With the inception of the project, the City developed a thirty-year proforma that analyzes the impact of the project on the City's annual budget with the objective of maintaining a cost neutral impact to the City's budget. The project proforma is a dynamic model and considers multiple inputs, to include capital and operating expenses, parking and lease revenues, staff efficiencies resulting from the consolidation, and financing costs over a 30-year period. The proforma is a conservative model and has evolved as the project has gained greater definition. The updated project proforma remains cost neutral.

Any costs pertaining to the proposed transactions will be paid for from the proceeds derived from the issuance and sale of such obligations. Therefore, there is no impact on the City's Operating Budget.

RECOMMENDATION:

Staff recommends approval of these Ordinances and Resolution.