

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
ECONOMIC DEVELOPMENT DEPARTMENT**

TO: Mayor and City Council

FROM: Ramiro Cavazos, Director, Economic Development

THROUGH: Terry M. Brechtel, City Manager

COPIES: J. Rolando Bono; Melissa Byrne Vossmer; Andrew Martin; Lou Lendman; Milo Nitschke; Trey Jacobson; Manuel Longoria; Dianne Quaglia; file

SUBJECT: Ordinance to authorize issuance of tax-exempt revenue refunding bonds by the City of San Antonio, Education Facilities Corporation to refinance existing debt for Chisholm Hall, located on the campus of the University of Texas San Antonio, in an amount totaling \$5.1 million.

DATE: December 4, 2003

SUMMARY AND RECOMMENDATION:

This ordinance would authorize the City of San Antonio Education Facilities Corporation (EFC) to issue revenue refunding bonds totaling \$5.1 million to refinance existing debt on UTSA Phase I Dormitory Project, which was originally financed by the corporation in 1985 and refinanced previously in 1996. Under State law, the bond issuance cannot be completed with City Council approval.

Staff recommends approval.

BACKGROUND:

The City of San Antonio, Texas Higher Education Authority was created by the City of San Antonio in 1984 for the purpose of aiding educational institutions of higher education with tax-exempt financing options to improve their facilities. On May 31, 2001, the City Council approved amendments to the Corporation's Articles of Incorporation to change its name to the City of San Antonio, Texas Education Facilities Corporation (EFC) and to permit the corporation to issue tax-exempt and taxable bonds to finance facility improvements at accredited non-public schools and state-authorized charter schools, pursuant to State law.

In 1985, the University of Texas System entered into a ground lease of property at the UTSA campus to permit the development of Chisholm Hall, a 508-bed student dormitory, which primarily serves as housing for freshmen students. A private developer, Phase I Dormitory Partnership, designed, constructed, and manages the housing for UTSA. At the end of the ground lease, the project will be owned by the university system. The HEA, prior to its name change to EFC, issued tax-exempt bonds to finance the construction of this dormitory facility. (It should be noted that tax-exempt, private-activity financings, such as this, were permissible before tax law changes in 1986.) The bonds were refinanced by the HEA in 1996, and approximately \$5.1 million of principal remains outstanding.

Over the past two years, the owner has borrowed \$2.4 million to make critical HVAC, life safety systems, and interior improvements to the facility. The owner now desires to structure the debt components (including previous HEA bonds) on parity relative to term, pledges, and claims on the property. If approved, the outstanding \$5.1 million tax-exempt bond debt will be refinanced on a tax-exempt basis, while the additional private debt will be financed by other sources. On November 4, the EFC Board of Directors unanimously approved the bond issue, and now requests City Council approval. In addition, it should be noted that Allied Irish Banks, p.l.c., will issue a direct-pay letter of credit which will further secure the timely payment of all principal and interest on the bonds.

POLICY ANALYSIS:

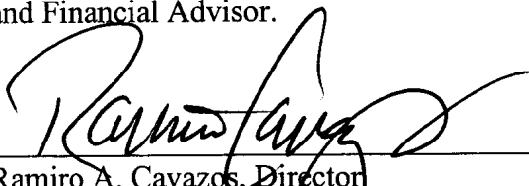
This student dormitory project was originally financed by the Corporation in 1985, and refinanced in 1996. This bond issue would reduce overall debt service expenses for the project and according to the owners/applicant, make possible the deferment of future rental rate increases, which would normally be borne by the student residents. As such, this refinancing is consistent with the policy and practice of the City of providing access to tax-exempt bonds to lower the operational costs to institutions of higher education and to their students.

FISCAL IMPACT:

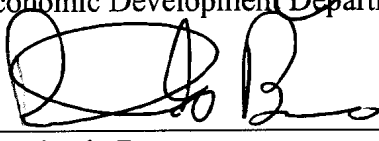
There is no financial impact to the City of San Antonio associated with this action. The EFC will receive \$22,500 in application and transaction fees. All debt obligations and liabilities are the responsibility of the owners, Phase I Dormitory Partnership and its respective partners. There is no financial impact or risk to either the City of San Antonio or the EFC.

COORDINATION:

This item was coordinated with the Finance Department, City Attorney's Office, Bond Counsel, and Financial Advisor.

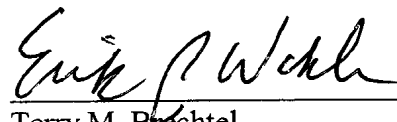


Ramiro A. Cavazos, Director
Economic Development Department



J. Rolando Bono
Deputy City Manager

Approved:



Terry M. Brechtel
City Manager

City of San Antonio Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.

* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract:

(2) the identity of any business entity¹ that would be a party to the discretionary contract:

Phase I Dormitory Partnership
1000 Main Street, Suite 3200
Houston, Texas 77002

and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract.

N/A - Proceeds of Refunding Bonds will be applied to refinance existing tax exempt debt.

and the name of:

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract.

Partners of Phase I Dormitory Partnership are Chisholm Hall Corp. and Chisholm Hall Partnership I, Ltd.

¹ A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

Political Contributions

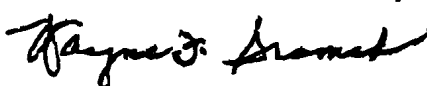
Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any current or former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None Known.

Signature: 	Title: President Company: Chisholm Hall Corp., general partner of Phase I Dormitory Partnership	Date: November 20, 2003
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² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.