

CONSENT AGENDA  
ITEM NO. 29

**CITY OF SAN ANTONIO  
DEPARTMENT OF ASSET MANAGEMENT  
INTERDEPARTMENTAL CORRESPONDENCE**

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**TO:** Mayor and City Council

**FROM:** Rebecca Waldman, Director, Department of Asset Management

**THROUGH:** Terry M. Brechtel, City Manager

**COPIES:** Erik J. Walsh; file

**SUBJECT:** Ordinance authorizing the execution of a Consent to Assignment and Assumption of Lease Agreement (incorporating Estoppel Certificate) for use of the German-English School Lease Agreement

**DATE:** December 18, 2003

**SUMMARY AND RECOMMENDATIONS**

This is an ordinance authorizing the execution of a Consent to Assignment and Assumption of Lease Agreement (incorporating Estoppel Certificate) granting the City's consent to the assignment of the Leasehold Interest of HMC Retirement Properties, L.P., the current Lessee, to Highland Hospitality, L.P., a Delaware Limited Partnership, to use the City of San Antonio-owned German-English School, located at 421 S. Alamo Street, and also consenting to a sublease from Highland Hospitality, L.P. to HHC TRS OP LLC, its indirect wholly owned subsidiary, ("HHC Operating Lessee") which will serve as the operating entity, in connection with a pending sale of Plaza San Antonio, a Marriott Hotel, the contiguous property, by HMC Retirement Properties, L.P., to Highland Hospitality, L.P.

Staff recommends approval.

**BACKGROUND INFORMATION**

In 1978 the City entered into a Lease Agreement with Plaza Nacional Group, Ltd., as Lessee, for two buildings totaling 10,798 square feet located at 421 S. Alamo Street, known as the German-English School. The Lease Agreement has been previously assigned and is now held by a Real Estate Investment Trust (REIT) owned by HMC Retirement Properties, L.P. (HMC). The German-English School property, which is contiguous to the Plaza San Antonio, a Marriott Hotel, is used by the hotel for meetings and conferences.

The Lease had an initial term of ten years and four (4) ten-year renewal options, and is currently in its second option period, through March 2008. The remaining two renewal option periods provide for potential renewal through March 2028. Rental increases annually are based on the Consumer Price Index (CPI) and the current annual rent is \$66,355.80 (\$6.15 per square foot).

Highland Hospitality Corporation is a recently formed hotel investment company that partnered with Highland Hospitality, L.P. (its "operating partnership") and other subsidiaries, Barceló Corporación Empresarial, S.A. and Barceló Crestline to purchase and operate several hotels in this country. With this association Highland Hospitality Corporation, including Highland Hospitality, L.P. (collectively "Highland Hospitality"), benefits from Barceló's seventy-year (70) history in hotel operation, management and ownership of over 125 hotels in the United States.

The Plaza San Antonio, a Marriott Hotel, will be acquired in an all cash transaction. Highland Hospitality intends to provide significant renovations to the hotel's guestrooms, bathrooms, corridors and restaurant at a cost of approximately \$5.5 million.

### **POLICY ANALYSIS**

Approval of this agreement is consistent with the policy to consider assignments of Lease Agreements associated with a sale of the property.

### **FISCAL IMPACT**

There is no fiscal impact associated with this proposed action.

### **COORDINATION**

This item has been coordinated with the City Attorney's Office.

### **SUPPLEMENTARY COMMENTS**

The required Discretionary Contracts Disclosure Form is attached.



Rebecca Waldman, Director  
Department of Asset Management



Erik J. Walsh  
Assistant to the City Manager

## City of San Antonio Discretionary Contracts Disclosure

*For use of this form, see City of San Antonio Ethics Code, Part D, Section 16.2*

### 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:

None

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

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

Highland Hospitality, L.P.

(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:

Highland Hospitality Corporation (parent)  
HHC TRS Holding Corporation (subsidiary)  
HHC TRS OP LLC (subsidiary)

(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 member of 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 entity include, but are not limited to, contributions made through the officers, owners, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None	None	None

**City of San Antonio**  
**Discretionary Contracts Disclosure**

*For use of this form, see City of San Antonio Ethics Code, Part D, Section 18.2*

**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 question<sup>1</sup> as to whether any city official would violate Section 1 of Part B by participating in official action relating to the discretionary contract.

None

**Signature:**

*Jerry M. G. Locain*  
Executive Vice President

**Date:**

*12/4/03*

<sup>1</sup> 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 refusal or require careful consideration of whether or not refusal is required.