

**EMPOWERMENT ZONE GOVERNANCE BOARD  
INTERDEPARTMENTAL MEMORANDUM  
ECONOMIC DEVELOPMENT DEPARTMENT**

**TO:** Empowerment Zone Governance Board of Directors

**FROM:** Ramiro A. Cavazos, Director, Economic Development Department

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

**COPIES:** J. Rolando Bono; Jelynn Burley; Andrew Cameron; Andrew Martin; Milo Nitschke; Peter Zanoni; Trey Jacobson; Manuel Longoria; File

**SUBJECT:** Board Resolution supporting the Drury Southwest, Inc. application for Empowerment Zone Bond Financing.

**DATE:** June 24, 2004

**SUMMARY AND RECOMMENDATIONS:**

*[City Council will recess and reconvene as the Interim Empowerment Zone Governance Board]*

This resolution of the Interim Governance Board of the City of San Antonio Empowerment Zone recommends to the City Council and the Board of Directors of the City of San Antonio Empowerment Zone Development Corporation that the Empowerment Zone Development Corporation be authorized to issue up to \$40 million of tax-exempt empowerment zone bonds (EZ Bonds), which would be loaned to a partnership composed of Drury Southwest, Inc. and Euro Alamo Investments, Inc. to provide all or a portion of the funds required to renovate and redevelop the Alamo National Bank building and parking garage into a hotel, and further recommending that the City Council designate and reserve up to \$40 million of the City's \$230 million capacity to issue EZ bonds for this redevelopment project.

The Governance Board is required to advise the City Council on proposed tax-exempt EZ bond financings and the degree to which a project meets the goals and objectives or strategies of the Empowerment Zone Strategic Plan.

Staff recommends approval of this resolution.

*[After consideration the Interim Empowerment Zone Governance Board will adjourn and reconvene as the City Council]*

**BACKGROUND:**

On March 1, 2004, Drury Southwest, Inc. submitted an application for EZ Bond Financing for the Alamo National Bank Building Redevelopment Project in the amount of \$40 million. This project is estimated to create 167 jobs once in the operational phase with a private investment of

\$45 million. Additionally, 35% of the positions created by the project must be held by Empowerment Zone residents.

### **POLICY ANALYSIS:**

This item supports an Inducement Resolution expressing the City's intent to conditionally reserve capacity in the amount of \$40 million in Empowerment Zone (EZ) Facility Bonds on behalf of Drury Southwest, Inc. to finance the Alamo National Bank Building Redevelopment Project. In the coming months, staff and financial consultants will work with Drury Southwest, Inc. to negotiate financial, legal development and other issues related to the project prior to actual bond issuance. This Resolution would also permit the future reimbursement of costs incurred up to 60 days prior to the resolution from the tax-exempt financing.

This application is in accordance with the Empowerment Zone Strategic Plan submitted to HUD under Goal 1, Strategy 10, and Section 5b. This goal addresses closing the job gap for EZ residents by providing tax incentives for businesses that hire EZ residents using local, state and federal funding, specifically EZ Facility Bonds.

The proposed inducement and reimbursement resolution is a conditional expression of support for the bond issuance. It also permits any costs incurred by Drury to be financed using tax exempt Empowerment Zone Bonds as long as the cost was incurred no earlier than 60 days prior to approval of the resolution.

Staff and consultants will negotiate a development agreement with Drury to address or ensure the following:

- Timely, concurrent development of the Aztec Theater
- Commitment to an appropriate wage standard for hotel employees
- Real estate and right-of-way usage if any
- Traffic coordination
- Construction and safety matters, and

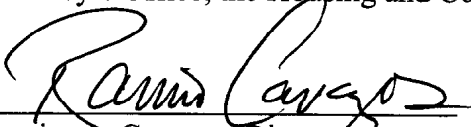
Design and construction of the River Walk connection adjacent to the development


### **FISCAL IMPACT:**

There is no fiscal impact to the Interim Empowerment Zone Governance Board associated with recommending this Inducement Resolution.


**COORDINATION:**

The Economic Development Department staff has coordinated this item with the Governance Committee, Economic and Human Development Committee, Finance Department, City Attorney's Office, the Housing and Community Development Department and Bond Counsel.

  
\_\_\_\_\_  
Ramiro A. Cavazos, Director  
Economic Development Department

  
\_\_\_\_\_  
J. Rolando Bono  
Deputy City Manager

Approved:

  
\_\_\_\_\_  
Terry M. Brechtel  
City Manager