

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

TO: Mayor and City Council

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 Zanon; Trey Jacobson; Manuel Longoria; File

SUBJECT: City Council Ordinance requesting the Empowerment Zone Development Corporation to issue and reserve up to \$40,000,000 of tax-exempt empowerment zone bonds to Drury Southwest, Inc to renovate and redevelop the Alamo National Bank building and parking garage.

DATE: June 24, 2004

SUMMARY AND RECOMMENDATIONS:

This ordinance requests that the City of San Antonio, Texas Empowerment Zone Development Corporation conditionally 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 designating and reserving up to \$40 million of the City's \$230 million capacity to issue EZ bonds for this redevelopment project.

Staff recommends approval of this resolution.

[Following consideration of this item City Council will recess and reconvene as the Board of Directors of the Empowerment Zone Development Corporation]

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 EZ residents.

POLICY ANALYSIS:

The EZ serves as an economic development tool to promote private sector investment in targeted areas of the City and provide jobs for economically disadvantaged EZ residents. The Empowerment Zone Facility Revenue Bond is available to businesses that meet location and

operational criteria, with capital projects of sufficient cost to justify going to the public bond market, and a good credit rating or a letter-of-credit from a bank.

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 by Drury Southwest, Inc. 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 requested 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 EZ 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 City 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.

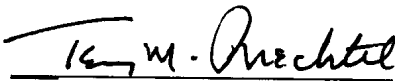


Ramiro A. Cavazos, Director
Economic Development Department



J. Rolando Bono
Deputy City Manager

Approved:



Terry M. Brechtel
City Manager