

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

TO: Mayor and City Council
FROM: Rebecca Waldman, Director, Department of Asset Management
SUBJECT: Ordinance approving the execution Consent to Assignment and Assumption of Lease Agreement (incorporating Estoppel Certificate) for use of the German-English School Lease Agreement
DATE: December 16, 2004

SUMMARY AND RECOMMENDATIONS

This is an ordinance approving the Consent to Assignment and Assumption of Lease Agreement (Incorporating Estoppel Certificate) of the Leasehold Interest of Highland Hospitality, L.P., a Delaware Limited Partnership, the current Lessee, to HH LC Portfolio LLC (a wholly owned subsidiary of Highland Hospitality Corporation) to use the City of San Antonio-owned German-English School, located at 421 S. Alamo Street, to also include a consent to a sublease from HHC TRS OP LLC, to HHC TRS LC Portfolio LLC another wholly owned subsidiary of Highland Hospitality Corporation, in connection with refinancing that involves the Plaza San Antonio- a Marriott Hotel.

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. This school property is contiguous to the Plaza San Antonio and is used by the hotel for meetings and conferences. The Lease Agreement has been previously assigned and is now held by Highland Hospitality, L.P., a Delaware Limited Partnership, with a sublease to HHC TRS OP LLC, which serves as the operating entity.

With this action, the leasehold interest of Highland Hospitality, L.P., will be assigned to HH LC Portfolio LLC. Additionally, the City will consent to a sublease to HHC TRS LC Portfolio LLC, to serve as the operating entity. Both of these corporations are wholly owned subsidiaries of Highland Hospitality Corporation. This proposed transaction is in connection with refinancing that involves the Plaza San Antonio- a Marriott Hotel.

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 \$67,881.96.

POLICY ANALYSIS

Approval of this agreement is consistent with the policy to consider assignments and other necessary modifications of Lease Agreements associated with refinancing transactions.

FINANCIAL ANALYSIS

As part of the Adopted FY '05 Budget, a Lease Assignment fee of \$1,000 was approved. This fee will be collected for this proposed transaction.

COORDINATION

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

SUPPLEMENTARY COMMENTS

The required Discretionary Contract 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, 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:

None

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

HH LC Portfolio LLC

and the name of:

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

None

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;

Highland Hospitality, L.P.
Highland Hospitality Corporation

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

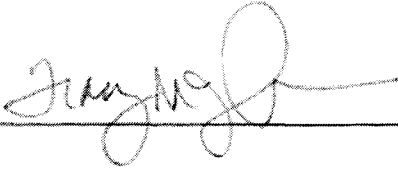
Political Contributions

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 | None | 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.

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| None | | |
| Signature:  | Title: Vice President Company: HH LC Portfolio LLC | Date: December 3, 2004 |

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.