

PUBLIC HEARING  
TIME CERTAIN  
ITEM NO 5  
3:00PM

**CITY OF SAN ANTONIO, TEXAS  
EMPOWERMENT ZONE DEVELOPMENT CORPORATION  
CITY COUNCIL AGENDA MEMORANDUM**

**TO:** Empowerment Zone Development Corporation Board of Directors

**FROM:** Ramiro A. Cavazos, Executive Director

**SUBJECT:** Resolution by Texas Empowerment Zone Development Corporation authorizing the issuance of up to \$35 million in Tax-Exempt Empowerment Zone Revenue Bonds for the Alamo National Bank Building Redevelopment Project

**DATE:** June 9, 2005

**SUMMARY AND RECOMMENDATIONS:**

This resolution by the Board of Directors of the Empowerment Zone Development Corporation approves the issuance of up to \$35 million of tax-exempt empowerment zone facility bonds (EZ Bonds) to renovate and redevelop the Alamo National Bank Building, and also approves all documents related thereto including a Loan Agreement between the Corporation and the Borrower (as described below), an Indenture between the Corporation and U.S. Bank, N.A., as Trustee, and a Tax Agreement among the Corporation, the Borrower and the Operator (as described below) of the Drury Hotel.

Prior to considering the Resolution, the Corporation will hold a public hearing in order to comply with the provisions of Section 147(f) of the Internal Revenue Code (relating to the issuance of private activity bonds).

Staff recommends approval of this resolution.

**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, for the project financing to obtain tax-exempt status 35 percent of the positions created by the project must be held by EZ residents. The Empowerment Zone Governance Board determined that the Drury application was in accordance with the Empowerment Zone Strategic Plan submitted to HUD under the goal that addresses closing the

Empowerment Zone Strategic Plan submitted to HUD under the goal that 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.

### **POLICY ANALYSIS**

This item is in followup to (i) an Ordinance that was approved by City Council in June 2004, in which the City conditionally reserved capacity in the amount of \$40 million in EZ Bonds on behalf of Drury Southwest, Inc. to finance the Alamo National Bank Building Redevelopment Project, and (ii) an Inducement Resolution that was approved by the Board of Directors of the Corporation in which the Corporation expressed its intent to issue EZ Bonds to finance the Alamo National Bank Building Redevelopment Project. There is no obligation on the part of the City of San Antonio to repay the EZ Bonds. The Borrower assumes all responsibility for repayment and meeting the 35% hiring requirement to maintain the bond's tax exempt status. In addition, payment of the Bonds will be secured by a direct-pay letter of credit issued by U.S. Bank, N.A.

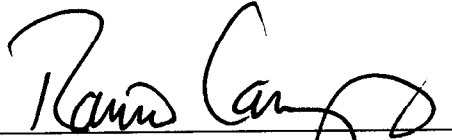
City Council approved a Development Agreement with Drury Southwest, Inc. in December 2004 regarding the project and public improvements to be financed by the developer. Staff and financial consultants worked with Drury Southwest, Inc. to negotiate financial, legal development and other issues related to the project prior to actual bond issuance. Drury Southwest, Inc. has established and will use several new or existing Texas or Missouri limited partnerships or limited liability companies to own the land on which the Project is located, and own and operate the Project, all of which are affiliated with or related to Drury Southwest, Inc., but ultimately Drury Southwest, Inc. will be a guarantor for the repayment of obligations related to the issuance of the EZ Bonds. The actual "Borrower" under the Loan Agreement is Alamo National Building Development, LP, a Missouri limited partnership.

### **FISCAL IMPACT**

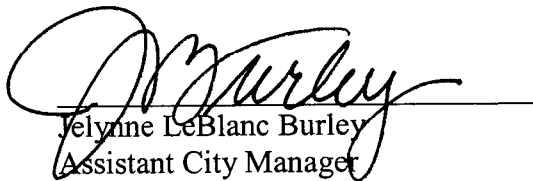
A total of \$35 million in Empowerment Zone Facility Bonds will be utilized for this project leaving a remaining balance of \$60 million available through December 2009. Drury anticipates a subsequent bond issue in 2006 for the \$5 million remaining amount provisionally reserved for the project. The Empowerment Zone Development Corporation will receive \$20,000 in fees from the proceeds of the bond issuance.

## COORDINATION

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



Ramiro A. Cavazos, Director  
Economic Development Department



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