

**CITY OF SAN ANTONIO
ECONOMIC DEVELOPMENT DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

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

SUBJECT: Resolution Approving Issuance By Texas Empowerment Zone Development Corporation Of Tax-Exempt Empowerment Zone Bonds To Drury Southwest, Inc.

DATE: June 9, 2005

SUMMARY AND RECOMMENDATIONS:

This City Council Resolution approves the issuance by the City of San Antonio, Texas Empowerment Zone Development Corporation of up to \$35,000,000 in principal amount of its Contract Revenue Empowerment Zone Bonds (Drury Southwest Hotel Project), Series 2005, the proceeds of which will be loaned to Alamo National Building Development, LP, a Missouri limited partnership, to finance the redevelopment of the Alamo National Bank Building into a hotel.

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 a partnership composed of Drury Southwest, Inc. and Euro Alamo Investments, Inc. and includes renovation of the former Alamo National Bank building as well as the restoration of the Aztec Theatre and office building. It is estimated to create 167 jobs once in it becomes operational in the summer of 2006, with a private investment of \$45 million. Additionally, 35% of the positions created by the project must be held by EZ residents.

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. There is no obligation on the part of the City of San Antonio to repay the Empowerment Zone Facility Bonds. The qualified borrower assumes all responsibility for repayment and meeting the 35% hiring requirement to maintain the bond's tax exempt status.

POLICY ANALYSIS

This item is consistent with previous City Council ordinances and an inducement resolution by the Empowerment Zone Development Corporation passed in June 2004, in which the City conditionally reserved capacity in the amount of \$40 million in Bonds on behalf of Drury Southwest, Inc. to finance the Alamo National Bank Building Redevelopment Project. City Council approved a Development Agreement with Drury Southwest 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.

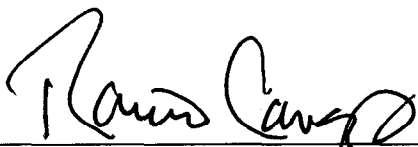
The Empowerment Zone Governance Board reviewed this project and issued a resolution of support for use of EZ bonds for the Alamo National Bank Building Redevelopment Project. This application is in accordance with the Empowerment Zone Strategic Plan submitted to HUD under the goal that addresses closing 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.

FISCAL IMPACT

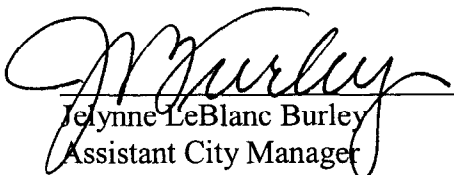
A total of \$35 million in Empowerment Zone Facility Bonds will be utilized for this project leaving a remaining balance of \$60 million which will remain available until December 2009. Drury anticipates a subsequent bond issue in 2006 for the \$5 million remaining amount provisionally reserved for the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

COORDINATION


The Economic Development Department staff has coordinated this item with the City Council Economic and Human Development Committee, Finance Department, 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



Jelynn LeBlanc Burley
Assistant City Manager



J. Rolando Bono
Interim City Manager