



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 24

Agenda Date: May 16, 2024

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Authorizing the Remarketing of City Tower Renovation Project Bonds

SUMMARY:

This Resolution authorizes the remarketing of obligations designated as “City of San Antonio, Texas Municipal Facilities Corporation Variable Rate Lease Revenue Bonds, Taxable Series 2021 (City Tower Renovation Project)” in the approximate amount of \$30,550,000 into a new interest mode; provides additional tax-related covenants related to the remarketing of certain of the bonds into tax-exempt rates; prescribes the form, term, conditions, and resolves other matters incident and related to the remarketing of the bonds; authorizes certain corporation representatives to execute one or more conversion certificates memorializing the terms of such remarketing; approves a remarketing agreement and remarketing memorandum relating to these obligations; and other matters in connection therewith.

BACKGROUND INFORMATION:

On June 4, 2015, City Council approved a comprehensive development agreement with Weston Urban LLC and Frost Bank in a transaction that facilitated the construction of the new Frost Bank Tower. This Public/Private Partnership (P3) allowed the City to acquire the former Frost Bank Tower building, now rebranded as City Tower, to consolidate many City departments and staff in

a convenient location within the civic core of downtown.

On June 18, 2015, City Council approved a loan in the amount of \$6,100,000 with JP Morgan to pay for certain costs related to the acquisition of the Frost Tower.

On December 18, 2016, City Council approved the City's issuance of "\$47,000,000 City of San Antonio, Texas Variable Rate Certificates of Obligation, Taxable Series 2016" (the "Certificates") through private placement with Regions Commercial Equipment Finance LLC ("Regions"). The Certificates were issued to fund the acquisition of the Frost Bank Tower building located at 100 West Houston Street, San Antonio, Texas. The Certificates provided for multi-modal conversion (including conversion to tax-exempt obligations) at the expiration of the initial interest rate period.

On September 6, 2018, City Council approved a Resolution authorizing the reimbursement of costs incurred for the City Tower. This Reimbursement Resolution allows the City to get reimbursement for expenditures in connection with the project prior to the issuance of bonds or other obligations. The consolidated plan of finance for the City Tower includes the refunding of the loan with JP Morgan, the conversion and remarketing of the Certificates, and the issuance of Lease Revenue Bonds through the City of San Antonio Municipal Facilities Corporation (the "Corporation"). The City intends to utilize the City Tower and Garage Fund to fund the annually appropriated lease payments to the Corporation which will in turn pay debt service on the bonds. This funding mechanism capitalizes on the City's strong bond ratings which allows for a lower overall cost of borrowing and gives the City greater flexibility to manage the debt under changing economic conditions.

On May 13, 2021, City Council approved a Resolution authorizing the issuance of \$30,550,000 Variable Rate Lease Revenue Bonds, Taxable Series 2021 and \$59,760,000 Fixed Rate Revenue Bonds, Series 2021 by the City of San Antonio Municipal Facilities Corporation. These bonds were issued to fund the acquisition and renovation of the Frost Bank Tower building located at 100 West Houston Street, San Antonio, Texas. The Variable Rate Lease Revenue Bonds provided for multi-modal conversion (including conversion to tax-exempt obligations) at the expiration of the initial interest rate period which is set to expire on July 31, 2024.

The Board of Directors of the Corporation is comprised of the City of San Antonio Mayor and City Council. The Corporation entered into a Trust Agreement and an appropriation Lease Agreement with the City where the City Council will be required to make annual appropriations equal to the lease payments to pay for debt service.

It is anticipated that the remarketing will take place the week of July 9, 2024, by an underwriting syndicate led by Stern Brothers & Co., as Senior Book Running Manager, and J.P. Morgan Securities, LLC and SWBC Investment Services, LLC as Co-Managers. Closing and delivery is anticipated to occur on August 1, 2024.

Hilltop Securities Inc. and Estrada Hinojosa & Company, Inc., are serving as Co-Financial Advisors.

The final results of the pricing and sale will be detailed in a memorandum which will be provided to City Council after the sale.

ISSUE:

Approval of the aforementioned transactions will allow the City to effectuate the remarketing financing for the City Tower.

ALTERNATIVES:

The City could utilize another funding mechanism; however, the proposed financing plan capitalizes on the City's strong bond ratings which allows for a lower overall cost of borrowing and greater flexibility.

FISCAL IMPACT:

Any costs pertaining to the proposed transactions will be paid for from the proceeds derived from the issuance and sale of such obligations. Therefore, there is no impact on the City's Operating Budget.

RECOMMENDATION:

Staff recommends approval this Resolution.