



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 21

**Agenda Date:** May 5, 2022

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Authorizing the Execution of an Amended and Restated Indenture of Trust and a First Amendment to Loan Agreement relating to Refunding Bonds issued in 2013 for the Drury Hotel Project

**SUMMARY:**

This Resolution of the City of San Antonio, Texas Empowerment Zone Development Corporation approves an Amended and Restated Indenture of Trust and a First Amendment to Loan Agreement relating to the outstanding City of San Antonio, Texas Empowerment Zone Development Corporation Contract Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A and Series 2013B, primarily for the purpose of modifying the interest rate formula related to such Bonds; provides for the transfer of ownership of such Bonds from U.S. Bank National Association to UMB Bank, N.A.; consents to UMB Bank, N.A. to serve as the successor Trustee under the Indenture; and approves other related matters.

Funds will not be encumbered. The Corporation and the City are not obligated in any manner to pay the Bonds. The Borrower has been, and will continue to be, responsible for all debt service on the Bonds and will pay the City administrative fees of \$20,000.00 which will be deposited into the General Fund upon the delivery of the Amended and Restated Indenture.

## **BACKGROUND INFORMATION:**

The City of San Antonio, Texas Empowerment Zone Development Corporation (the "Corporation") is a nonprofit local government corporation created by the City and exists under the laws of the State of Texas to act on behalf of the City. Its purpose is to accomplish certain governmental purposes of the City to include the administration of various federal tax incentives relating to the federal Empowerment Zone designated within the City including the issuance of empowerment zone facility bonds on behalf of qualified businesses within the Empowerment Zone.

The Corporation, acting on behalf of the City, originally issued "Empowerment Zone Bonds" in 2005 and 2007 for the benefit of Alamo National Building Development LP, a Missouri limited partnership (the "Borrower"), in connection with its acquisition and renovation of the former Alamo National Bank Building into a "Drury Hotel." At the request of the Borrower, the original bonds were refunded in 2013 with proceeds of the outstanding City of San Antonio Texas Empowerment Zone Development Corporation Contact Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A and Series 2013B (collectively, the "Bonds").

The Bonds were issued pursuant to an Indenture of Trust between the Corporation and U.S. Bank National Association as Trustee (the "Trustee"), and were privately placed with U.S. Bank National Association, which currently owns and holds the Bonds. The Borrower and U.S. Bank now desire for the Borrower to change its banking relationship with respect to the Bonds. To accomplish that, the Borrower has arranged for UMB Bank to become the new owner of the Bonds when a new Amended and Restated Indenture is executed and delivered. UMB Bank also will become the successor Trustee in place of the current Trustee.

## **ISSUE:**

The Corporation issued the Bonds as "Index Rate Bonds" bearing interest at a London InterBank Offered Rate ("LIBOR") index rate; however, by mid-2023 LIBOR will cease to be reported; therefore, it is necessary to find a replacement for LIBOR as the index to be used to establish periodic variable rates of interest on the Bonds. In this case, the Borrower and UMB Bank have requested to substitute LIBOR with the Secured Overnight Financing Rate ("SOFR"), which is the reference rate that was selected by the Alternative Reference Rates Committee chaired by the New York Federal Reserve to replace LIBOR. To accomplish that change, the Borrower has requested the Corporation amend the existing Indenture by entering into an Amended and Restated Indenture of Trust with UMB Bank as the "successor Trustee" to the current Trustee – U.S. Bank. Other than substituting SOFR for LIBOR as an index to set variable interest rates, establishing a new 10-year "Initial Bank Period," and substituting UMB Bank for U.S. Bank as the purchaser and the successor Trustee, the new Amended and Restated Indenture will be substantially identical to the current Indenture.

With respect to the First Amendment to Loan Agreement being proposed for approvals, all amendments to the existing Loan Agreement are being made to recognize the substitution of SOFR

for LIBOR and to recognize UMB Bank as the new purchaser of and the successor Trustee for the Bonds.

**ALTERNATIVES:**

If the Corporation does not authorize the new Amended and Restated Indenture and the First Amendment to Loan Agreement, the Borrower will be unable to (i) use SOFR for LIBOR as the interest rate index to establish variable interest rates on the Bonds, (ii) change its banking relationship to UMB Bank, N.A., and (iii) change the Trustee to UMB Bank, N.A.

**FISCAL IMPACT:**

Funds will not be encumbered. The Corporation and the City are not obligated in any manner to pay the Bonds. The Borrower has been, and will continue to be, responsible for all debt service on the Bonds and will pay the City administrative fees of \$20,000.00 which will be deposited into the General Fund upon the delivery of the Amended and Restated Indenture.

**RECOMMENDATION:**

Staff recommends approval of the Resolution approving (i) the Amended and Restated Indenture of Trust between the Corporation the UMB Bank, N.A. as the successor Trustee, and (ii) the First Amendment to Loan Agreement between the Corporation and the Borrower.