

## A G E N D A



## Recommendation for Council Action

Austin City Council	Item ID	60635	Agenda Number	13.
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Meeting Date:	8/18/2016	Department:	Aviation
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## Subject

Authorize negotiation and execution of an amendment to a reimbursement agreement with Austin-Bergstrom Landhost Enterprises, Inc. for atrium and heating, ventilating, and air conditioning system (HVAC) repairs to the Airport Hilton Hotel located at Austin-Bergstrom International Airport in an amount not to exceed \$3,000,000. (District 2)

## Amount and Source of Funding

Funding is available in the Fiscal Year 2015-16 Capital Budget of the Aviation Department.

## Fiscal Note

A fiscal note is attached.

Purchasing  
Language:Prior Council  
Action:

May 19, 2016 – Council authorized negotiation and execution of an amendment to a reimbursement agreement with Austin-Bergstrom Landhost Enterprises, Inc. for legal and finance professional services related to the Austin-Bergstrom International Airport hotel in the amount of \$150,000 for a total contract amount not to exceed \$505,000.  
November 6, 2014 – Council authorized negotiation and execution of an amendment to a reimbursement agreement with Austin-Bergstrom Landhost Enterprises, Inc. for debt restructuring professional services related to the Austin-Bergstrom International Airport hotel in the amount of \$300,000 for a total contract amount not to exceed \$355,000.

For More  
Information:

Dave Arthur, Assistant Director and Chief Financial Officer, Department of Aviation, 512-530-6688.

Council  
Committee,  
Boards and  
Commission  
Action:

August 9, 2016 - Recommended by the Airport Advisory Commission on a 6-0-0-4 vote with Commissioners Saulmon, Anderson, Legate, and Walewski absent.

## MBE / WBE:

## Related Items:

## Additional Backup Information

Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) is a public facility corporation created by the City to develop and operate the City owned airport hotel at Austin-Bergstrom International Airport (Airport). In order to finance the construction and equipping of the Airport hotel, ABLE issued revenue bonds (Airport Hotel Bonds). Currently, ABLE is not meeting its debt service requirements under those bonds due to the initial large debt issuance, high interest rates, and other economic factors. Further, the Airport hotel is in need of repairs in an amount not to exceed \$4,000,000. For health and safety purposes, the repairs are needed immediately and will consist of mold remediation in the hotel's atrium and heating, ventilating, and air conditioning (HVAC) system replacement. Also, ABLE desires

to restructure its debt and acquire additional capital for necessary hotel improvements. Since September 2013, the City has participated in ABLE's negotiations with Austin-Bergstrom Acquisition LLC (ABA) in an effort to restructure ABLE's debt, finance the urgent repairs, and acquire additional capital to make necessary hotel improvements. ABA is the majority holder of ABLE's Airport Hotel Bonds.

In order for the debt restructure to be successful, the urgent repairs must commence prior to the bond issuance. The Airport will assist with 75% of the repairs initially (\$3 million) and be reimbursed by ABLE after the bond sale closing. ABA will be responsible for 25% of the costs of the repairs (\$1 million) and will reimburse ABLE for an additional 25% of the cost of repairs at the bond sale closing. The proposed letter of intent between the City, ABLE, ABA, and UMB Bank N.A. describes the parties' responsibilities for the repairs and restructure of ABLE's debt.

A future Request for Council action will be presented to authorize and appropriate the bond sale action. It is anticipated ABLE will issue bonds in an amount not to exceed \$50,000,000 to refinance the outstanding ABLE Airport Hotel Bonds, to fund reserves for the payment of debt service, and to fund necessary hotel improvements. The restructuring is necessary so ABLE will no longer be in default, urgent repairs are completed, and necessary hotel improvements can be made. By restructuring ABLE's debt and making the necessary repairs and improvements to the Airport hotel, the City's real estate asset is preserved and improved to provide a first-class hotel for the Central Texas community, its guests, and visiting passengers. Further delays may result in health and safety concerns, additional costs to repair the hotel, and possibly diminish revenues that may be generated at the Airport hotel.