

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	69068	Agenda Number	5.
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Meeting Date:	4/20/2017	Department:	Treasury
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Subject

Approve a resolution authorizing the issuance and sale, by Austin-Bergstrom Landhost Enterprises, Inc., of Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017 in an aggregate amount not to exceed \$60,000,000 in accordance with the parameters set out in the resolution, authorizing related documents, approving related fees and providing that the issuance and sale be accomplished by July 1, 2017.

Amount and Source of Funding

\$1,800,000 in anticipated first year debt service requirements and an estimated annual administrative fee of \$500 for the paying agent/registrar for the proposed bond sale will be included in the Austin-Bergstrom Landhost Enterprises, Inc. 2018 Approved Operating Budget. The Bonds will be used to refund all outstanding Austin-Bergstrom Landhost Enterprises, Inc. Airport Hotel Senior Revenue Bonds, Series 1999A.

Fiscal Note

Purchasing Language:

Prior Council Action: On December 9, 1998 Council authorized negotiation with a hotel developer, approved creation of non-profit corporation, Articles of Incorporation and Bylaws, appointment of original board members, and issuance of Series 1999 Bonds.

For More Information: Art Alfaro, Treasurer - 512-974-7882

Council Committee, Boards and Commission Action:

MBE / WBE:

Related Items:

Additional Backup Information

ABLE, a Texas nonprofit public facility corporation acting on behalf of the City of Austin, issued \$38,785,000 Airport Hotel Senior Revenue Bonds, Series 1999A and \$3,730,000 Airport Hotel Subordinate Revenue Bonds, Series 1999B in February 1999. These bonds were issued to provide for the design, construction, equipping and operating the 262 room Airport Hilton (the "Hotel").

The Hotel was completed and began operations in January 2001. ABLE has a long term contract with Hilton Management LLC ("Hilton") to operate the Hotel under the Hilton flag. Hilton provides their corporate expertise, market penetration, reservation system network and other professional services to ensure professional, competitive, successful operations of the Hotel. ABLE has a management contract with Boykin Prospera, LLC to provide on-site staff and management of the hotel. The current agreement with Boykin Prospera is month-to-month and a new 5 year agreement will be executed to become effective on the date of closing of the Series 2017 bonds.

Currently, Austin-Bergstrom Acquisition LLC (ABA) owns 95.61% of the outstanding Series 1999A Bonds and all of the outstanding Series 1999B Bonds. On July 28, 2016, ABA, ABLE, the City and the trustee for the Series 1999

Bonds executed a letter of intent (Letter of Intent) establishing that ABA will receive \$30,000,000 in consideration for retiring all of the outstanding Series 1999 Bonds, to be appropriated (a) to pay all of the owners of the Series 1999A Bonds other than ABA an amount of par plus accrued interest to the redemption date of the Series 1999A Bonds, (b) to retire all of the remaining Series 1999A Bonds and Series 1999B Bonds owned by ABA, and (c) to repay ABA for costs incurred for repairs of and maintenance to the Hotel. In addition, approximately \$9M in bond proceeds will be used for remodeling and other capital improvements at the Hotel. Approximately \$4.5M will be used to fund a Debt Service Reserve Fund and approximately \$2M will be used for short-term operational needs.

This resolution authorizes and approves the issuance by ABLE of Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017 (Series 2017 Bonds), to refund the Series 1999 Bonds, to fund a reserve fund for the Series 2017 Bonds, to fund improvements to the Hotel, and to pay costs of issuance of the Series 2017 Bonds. Under the terms of the Letter of Intent, the Series 2017 Bonds shall be issued on or before July 1, 2017.

The aggregate principal amount of the refunding will not exceed \$60,000,000 and the net effective per annum interest rate, calculated in a manner consistent with the provisions of Chapter 1204, Texas Government Code, will not exceed 5.75%.