

A RESOLUTION

EZGB-2004-02

OF THE INTERIM GOVERNING BOARD OF THE CITY OF SAN ANTONIO EMPOWERMENT ZONE GOVERNANCE BOARD RECOMMENDING TO THE CITY COUNCIL AND THE BOARD OF DIRECTORS OF THE CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION THAT THE EMPOWERMENT ZONE DEVELOPMENT CORPORATION BE AUTHORIZED TO ISSUE UP TO \$40,000,000.00 OF TAX-EXEMPT EMPOWERMENT ZONE BONDS, THE PROCEEDS FROM WHICH WOULD BE LOANED TO A PARTNERSHIP COMPOSED OF DRURY SOUTHWEST, INC. AND EURO ALAMO INVESTMENTS, INC. (OR THEIR AFFILIATES OR RELATED ENTITIES) AND USED TO PROVIDE ALL OR A PORTION OF THE FUNDS REQUIRED BY SUCH PARTNERSHIP TO RENOVATE AND REDEVELOP THE ALAMO NATIONAL BANK BUILDING AND PARKING GARAGE INTO A HOTEL AND PARKING FACILITY AND RELATED AMENITIES, AND FURTHER RECOMMENDING THAT THE CITY COUNCIL DESIGNATE AND RESERVE UP TO \$40,000,000.00 OF THE CITY'S \$230,000,000.00 CAPACITY TO ISSUE EMPOWERMENT ZONE BONDS FOR SUCH REDEVELOPMENT PROJECT

**STATE OF TEXAS §
COUNTY OF BEXAR §
CITY OF SAN ANTONIO EMPOWERMENT ZONE GOVERNANCE BOARD §**

WHEREAS, a portion of the CITY OF SAN ANTONIO, TEXAS (the "City") has been designated by the U.S. Department of Housing and Urban Development as a *Round III Urban Empowerment Zone* (the "Empowerment Zone"), which, among other areas, includes the downtown area of the City; and

WHEREAS, among other federal tax incentives available to provide a catalyst for private investment and promote economic development within the Empowerment Zone, the City is authorized to issue up to \$230,000,000 in principal amount of bonds (the "City's Empowerment Zone Bond Capacity") and loan the proceeds thereof to an "enterprise zone business" to finance "qualified zone property" (as such terms are defined in Sections 1397C and 1397D, respectively, of the *Internal Revenue Code of 1986*) in the Empowerment Zone, the interest on which is excludable from federal income taxation ("Empowerment Zone Bonds"); and

WHEREAS, on April 15, 2004, pursuant to Ordinance No. 99089, the City Council of the City created the CITY OF SAN ANTONIO EMPOWERMENT ZONE GOVERNANCE BOARD (the "EZ Governance Board") to advise and assist the City Council and the City staff in leveraging the

Empowerment Zone incentive tools to achieve maximum economic benefits, including evaluating and ranking projects eligible for financing with Empowerment Zone Bonds and the prioritizing and allocating bonding capacity among eligible projects; and

WHEREAS, at such time, the City Council designated its members as the Interim Governing Board of Directors of the EZ Governance Board; and

WHEREAS, **DRURY SOUTHWEST, INC.**, a Missouri corporation authorized to do business in the State of Texas ("Drury Southwest"), has submitted an application to the City requesting that the City designate \$40,000,000 of the City's Empowerment Zone Bond Capacity, and that the City of San Antonio, Texas Empowerment Zone Development Corporation (the "Issuer"), acting on behalf of the City, issue of up to \$40,000,000 in principal amount of Empowerment Zone Bonds, in order to provide for tax-exempt financing to renovate and redevelop the Alamo National Bank Building and related parking facilities (located on the west side of St. Mary's Street between Commerce Street and Market Street in the City's downtown area) in one more phases into a new hotel which, upon completion, will include approximately 390 guest rooms and related hotel amenities and parking facilities and improvements along the Riverwalk (the "Drury Hotel Project"); and

WHEREAS, the Drury Hotel Project is located within the Empowerment Zone and is expected to satisfy the requirements of a "qualified zone property" as set forth in Section 1397D of the Internal Revenue Code of 1986; and

WHEREAS, it is further expected that the Drury Hotel Project will be operated as a "Drury Hotel" and will be owned by a partnership composed of Drury Southwest and **EURO ALAMO INVESTMENTS, INC.**, a Texas corporation ("Euro Alamo"), or one or more related entities of Drury Southwest and/or Euro Alamo and managed by Drury Southwest or one of its affiliates (herein referred to collectively as the "Borrower"); and

WHEREAS, Drury Southwest has represented to the City and the Issuer that the Borrower will satisfy the requirements of an "enterprise zone business" as set forth in Section 1397C of the Internal Revenue Code of 1986 (including but not limited to the requirement that during each year of the term that such bonds are outstanding, at least 35% of the employees of the enterprise zone business will be residents of the Empowerment Zone); and

WHEREAS, in conjunction with the Drury Hotel Project, Drury Southwest has indicated that it, along with Euro Alamo or other private entities, will use other available funds to renovate and remodel the Aztec Theater, located near the Drury Hotel Project, into a state-of-the-art theme tourist destination movie theater and Riverwalk restaurant, which project is expected to provide additional economic development to the City; and

WHEREAS, the Interim Governing Board of the EZ Governance Board has reviewed the

application submitted by Drury Southwest, or information related thereto by the City staff, and now deems it necessary and appropriate to approve the Drury Hotel Project for Empowerment Zone Bond financing and to recommend that the Issuer issue up to \$40,000,000 of tax-exempt Empowerment Zone Bonds to finance all or a portion of the Drury Hotel Project and that the City Council of the City designate and reserve up to \$40,000,000 of the City's Empowerment Zone Capacity to finance all or a portion of the Drury Hotel Project with tax-exempt Empowerment Zone Bonds; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code; **NOW THEREFORE:**

BE IT RESOLVED BY THE INTERIM GOVERNING BOARD OF THE CITY OF SAN ANTONIO EMPOWERMENT ZONE GOVERNANCE BOARD THAT:

SECTION 1. APPROVAL AND RECOMMENDATIONS. In satisfaction of the requirements and intent of Ordinance No. 99089, particularly Section 3 thereof, and the Strategic Plan for the Empowerment Zone as submitted by the City to the Department of Housing and Urban Development, the Interim Governing Board of the EZ Governance Board hereby approves Empowerment Zone Bond financing for the Drury Hotel Project and recommends that the City of San Antonio, Texas Empowerment Zone Development Corporation (the "Issuer") issue up to \$40,000,000 of tax-exempt Empowerment Zone Bonds to finance all or a portion of the Drury Hotel Project and recommends to the City that the City Council of the City of San Antonio designate and reserve up to \$40,000,000 of the City's Empowerment Zone Capacity to finance all or a portion of the Drury Hotel Project with tax-exempt Empowerment Zone Bonds in accordance with the application submitted by Drury Southwest.

SECTION 2. INCORPORATION OF RECITALS. The Interim Governing Board of the EZ Governance Board hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and the Interim Governing Board hereby incorporates such recitals as a part of this Resolution.

SECTION 3. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption.

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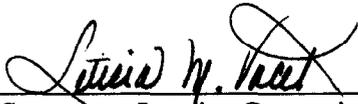
VMZ
06/24/04
Item #65A

**PASSED AND ADOPTED BY THE INTERIM GOVERNING BOARD OF THE CITY OF
SAN ANTONIO EMPOWERMENT ZONE GOVERNANCE BOARD THIS 24TH DAY OF
JUNE, 2004.**



Chairman, Interim Governing Board
(Executed by the Mayor of the City serving as the
Chairman of the Interim Governing Board until a
permanent Chairman is elected)

Attest:



Secretary, Interim Governing Board
(Executed by the City Clerk of the City serving
as the Secretary of the Interim Governing Board
until a permanent Secretary is elected)

[EXECUTION PAGE TO EZ GOVERNANCE BOARD RESOLUTION FOR DRURY HOTEL PROJECT]