

A G E N D A



Recommendation for Council Action

Austin City Council		Item ID	71410	Agenda Number	2.
Meeting Date:	6/15/2017			Department:	Aviation
Subject					
Authorize the execution of a franchise relicensing application with Hilton Franchise Holding, LLC to operate Austin-Bergstrom International Airport’s full-service hotel under the Hilton brand; and authorize payment of an application fee in an amount not to exceed \$85,000.					
Amount and Source of Funding					
Funding is available fiscal year 2016-17 Aviation Operating Account budget.					
Fiscal Note					
A fiscal note is not required.					
Purchasing Language:					
Prior Council Action:					
For More Information:	Jim Smith, Executive Director, (512)530-7518.				
Council Committee, Boards and Commission Action:					
MBE / WBE:	June 13, 2017 - To be reviewed by the Airport Advisory Commission.				
Related Items:					

Additional Backup Information

Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), a Texas nonprofit public facility corporation acting on behalf of the City, 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 design, construct, and equip the 262 room, full-service hotel at Austin-Bergstrom International Airport (Hotel).

The Hotel was completed and began operations in January 2001. Under a hotel franchise license agreement with Hilton, ABLE operates the Hotel as a Hilton and obtains from Hilton corporate expertise, market penetration, a reservation system network, and other professional services to ensure professional, competitive, and successful operation of the Hotel. ABLE's hotel franchise license agreement expires in 2021.

Later this year, ABLE will issue new Airport Hotel Senior Revenue Refunding and Improvement Bonds, Series 2017 (Series 2017 Bonds), to refund the Series 1999 Bonds, fund necessary improvements to the Hotel, and pay costs of issuance of the Series 2017 Bonds. In order for ABLE to issue non-taxable bonds, ABLE's hotel franchise license agreement with Hilton must conform as a qualified management agreement under federal tax law (See Rev. Proc. 2017-13, 2017- I.R.B. 2017-6). Accordingly, ABLE must submit an application with Hilton to relicense the Hilton brand and enter into a new franchise agreement in compliance with federal tax law. The Hilton franchise relicensing application requires payment of an application fee. Such application fee shall be refunded to the City as a cost of issuance upon closing of the Series 2017 Bonds.

