



Recommendation for Action

File #: 23-2905, **Agenda Item #:** 21.

9/21/2023

Posting Language

Authorize execution of loan agreements and related documents necessary for the City to loan Austin Convention Enterprises, Inc. an amount not to exceed \$38,750,000 related to the closure of the Austin Convention Center during expansion.

Lead Department

Financial Services Department

Fiscal Note

Funding is available in the Capital Budget of the Austin Convention Center.

For More Information:

Ed Van Eenoo, Chief Financial Officer, 512-974-2638; Trisha Tatro, Convention Center Director, 512-404-4218

Additional Backup Information:

Austin Convention Enterprises, Inc (ACE) is a public facility corporation that was created by the City in 2001 to own, finance, construct, and operate the Austin Convention Center Hotel. ACE is managed by a board of directors appointed by City Council. The hotel is managed for ACE by Hilton pursuant to an Amended and Restated Hotel Operating Agreement. Hilton has operated the Austin Convention Center Hotel since inception.

Development and construction of the Austin Convention Center Hotel was financed with revenue bonds issued by ACE, approximately \$147,065,000 of which currently remain outstanding. The outstanding ACE bonds are secured by an Indenture of Trust, which constitutes a valid and binding agreement securing the payment of the principal of and interest on the outstanding bonds and creates a continuing lien on and pledge of the trust estate for the benefit of the bondholders. This indenture provides for certain events of default, including closure of the convention center or changes to the use of the convention center and a hotel consultant forecasts such closure or change will have a material adverse effect on Gross Operating Revenues of the Austin Convention Center Hotel. The City intends to expand the existing Convention Center, located adjacent to the Austin Convention Center Hotel, and anticipates closure and demolition of parts or all of the convention center facility will be required. The closure and demolition of the convention center for the construction of the expansion may cause an event of default under the Indenture of Trust.

An amendment to the Indenture of Trust has been approved by ACE, the bondholders, and Hilton providing that the closure and demolition of the convention center during the expansion period will not result in an event of default. However, this amendment is subject to the City providing funding for potential debt service and capital project funding shortfalls that may occur during the convention center expansion period. This funding will be in the form of three loan agreements and promissory notes between the City and ACE:

1. \$25,000,000 loan agreement and promissory note that will be funded by the 2% expansion Hotel Occupancy Tax. Key components of the loan agreement include: loan will be limited to the period of the convention center closure for expansion plus six months after reopening, loan will be used to fund debt service deficiencies prior to drawing from debt service reserve fund, maximum loan amount of

\$25,000,000, loan interest rate at 2% per annum, and loan repayment will come from excess hotel revenues.

2. \$8,750,000 loan agreement and promissory note that will be funded by the 2% expansion Hotel Occupancy Tax. Key components of the loan agreement include: loan will be limited to the period of the convention center closure for expansion plus six months after reopening, loan will be used to fund life, health, and safety related capital projects upon projected depletion of the capital reserve fund, maximum loan amount of \$8,750,000, loan interest rate at 2% per annum, and loan repayment will come from excess hotel revenues.
3. \$5,000,000 loan agreement and promissory note that will be funded by the 2% expansion Hotel Occupancy Tax. Key components of the loan agreement include: loan will be limited to the period of the convention center closure for expansion plus twenty four months after reopening, loan will be used to fund supplemental life, health, and safety related capital projects upon substantial depletion of all capital-eligible funds, maximum loan amount of \$5,000,000, loan interest rate at 2% per annum, and loan repayment will come from excess hotel revenues.