

**Ambac**

## Public-Private Partnership Helps San Antonio Gain Prime Convention Center Hotel

\$208,145,000

City of San Antonio, Texas

Convention Center Hotel Finance Corporation

A Privately-Owned Convention Center Hotel Project

San Antonio, Texas enjoys a thriving tourism and meeting-related business. Hotels are frequently booked solid, particularly during conventions at the popular convention center, a situation city officials were anxious to alleviate. One of the few remaining parcels along the city's famed Riverwalk suitable for hotel development is right next to the convention center on land, owned by the City of San Antonio. Their solution was to embark on a public-private partnership enabling development of a privately-owned hotel connected to the existing convention center, with the hotel owner holding a long-term ground lease for the site. Taking advantage of San Antonio's federally approved empowerment zone, the project would be able to make use of tax-exempt as well as taxable financing for the project.

The City worked closely with its financial team, including financial guarantee provider Ambac Assurance, to develop a structure that would meet the divergent needs of the many parties involved. The transaction was structured utilizing both tax-exempt and taxable financing to accommodate returns on private equity. The financing team sought to provide appropriate security for investors, identifying several tourism-related city revenue streams, many of which will be generated at the new hotel, that could be tapped to meet debt service, if necessary. The bonds will be payable first from hotel revenues, which are projected to be sufficient to retire the bonds. The city tax revenues are only tapped if the hotel revenues fall short of debt payments.

The financing for the first class hotel, which will be managed by Hyatt, was successfully completed and closed on June 8, 2005. The project was funded with \$77 million in private equity, approximately \$130 million of tax-exempt empowerment zone bonds and approximately \$78 million of taxable bonds sold on parity with the tax-exempt portion. Both issues went to market at the highest ratings available thanks to a triple-A-rated guarantee from Ambac.

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