

Preliminary Plan of Finance

Convention Center Project

City Council Meeting
June 27, 2023



Convention Center Project Scope

Scope to Include:

- Arena
- Convention Center
- Selena Auditorium
- Entertainment District
- New Headquarters Hotel

Funding Sources

Project Finance Zone Revenue	City Hotel Occupancy Tax	TIRZ #3	Type B	Type A
<ul style="list-style-type: none">-Granted by approval of HB5012-State's portion of the incremental collections of sales tax, HOT, and mixed beverage for 30 years-Three-mile radius of project	<ul style="list-style-type: none">-2% Venue Tax-7% Hotel Occupancy Tax	<p>Add Convention Center Project as an allowed project to the Project and Financing Plan</p>	<p>Add Convention Center Project as an allowed project</p>	<p>Possible repurpose of both 1/8 cents sales taxes currently collected for the purpose of the Arena and Seawall</p>

Funding Categories

Known & Available

- Have historical collections
- Available to be allocated to the project

Known & Eligible for Allocation

- Have historical collections
- Currently allocated for other purposes
- Can be allocated in part or completely to the project

Unknown & Required

- Do not have historical collections
- Collection forecasting subject to assumptions
- Required to be allocated to the project

Funding Types and Categories

	Known & Available	Known & Eligible for Allocation	Unknown & Required
Project Finance Zone			X
City Hotel Occupancy Tax	2% Venue Tax	7% Occupancy Tax	
TIRZ #3		X	
Type A		X	
Type B		X	

Type A Repurposing

Today

- **1/4 Cent Sales Tax**
 - Arena-1/8 cent
 - Seawall-1/8 cent
- **Expiration**
 - Arena-2025
 - Seawall-2026
 - Can accelerate to an earlier date if cash on hand is used to retire existing debt early
- **Revenue**
 - 1/4 cent produces approximately \$16.0M annually which continues to increase each year

Type A Repurposing

Process

- November 2023 election to approve repurpose of 1/4 cent after existing debt is paid in full
- Election prior to expiration ensures no interruption in collection
- Single measure and ballot proposition
- Propose 1/4 cent allocation
 - Convention Center Complex (Includes Seawall)
 - Regional parks (Bill Witt, Labonte, West Guth, Salinas, and Cole Parks) and commercial/industrial streets

Type A Repurposing

Next Steps after Repurpose Approval

- Create special purpose entity governed by City Council to manage Convention Center Complex redevelopment
- Approve Type A and City Interlocal Agreement to transfer revenues:
 - Parks and Streets funding to City
 - Convention Center Complex funding to special purpose entity

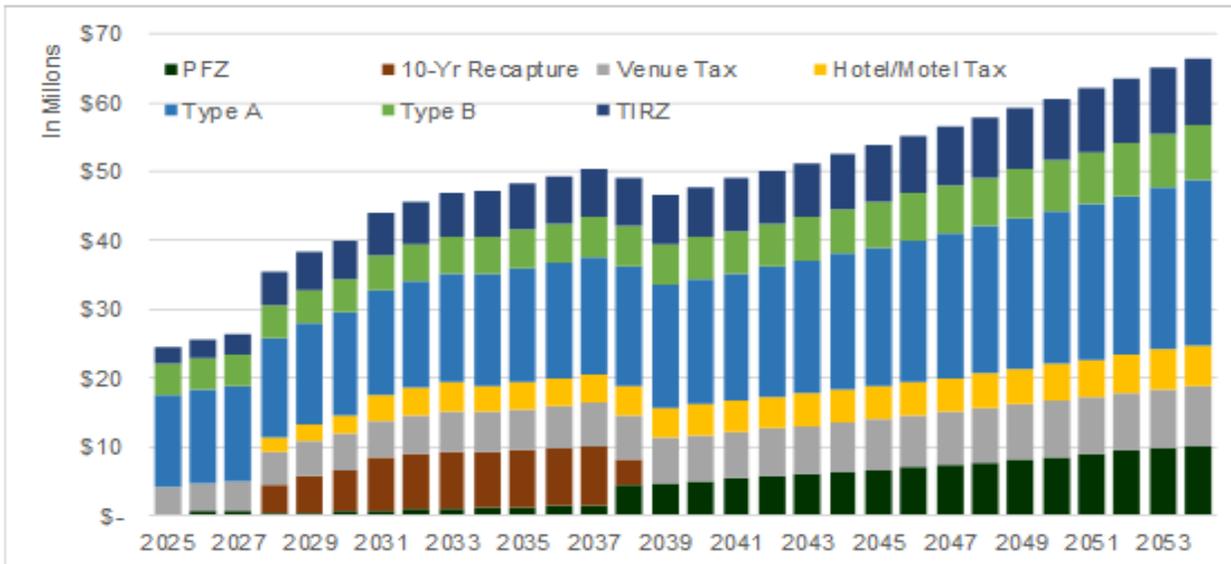
Convention Center Complex

“Convention Center Complex” will include:

- Arena
- Convention Center
- Selena Auditorium
- Seawall
- New Headquarters Hotel

Potential Revenues

Summary of Potential Gross Revenues (in thousands)				
Revenue Source	Description	Projected Total	@ 1.50x DSCR	Est. PV
3-Mile Project Finance Zone (PFZ)	State - Hotel, Sales & Bev	\$ 133,598	\$ 89,066	\$ 32,061
10-Year Recapture (Hotel & Sales)	State - Onsite	75,810	50,540	34,411
Venue Occupancy Tax (2.0%)	Local - Historical & Onsite	196,641	131,094	62,831
Hotel/Motel Tax (7.0%)	Local - Onsite	118,823	79,215	35,077
Type A Taxes	Local - Historical & Onsite	549,125	366,083	178,093
Type B Econ Dev Sales Taxes	Local - Historical & Onsite	183,042	122,028	59,364
TIRZ Tax Revenues	Local - Historical & Onsite	211,070	140,714	65,538
Totals		\$1,468,109	\$ 978,739	\$ 467,376



- ▶ Projected revenue sources, annual amounts and applicable years provided by Huden Partners as of June 26, 2023. Preliminary, subject to change.
- ▶ The annual revenue projections represent gross tax receipts. Operations & maintenance (O&M) and renewal & replacement (R&R) costs would be paid from these revenues, reducing the potential bond capacity.
- ▶ For purposes of illustration, the annual gross tax revenues are adjusted for a minimum debt service coverage ratio (DSCR) of 1.50x and present valued to July 1, 2024 at an illustrative cost of funds.
- ▶ An independent consultant should be retained to provide a detailed forecast of available pledged revenues. This study will be used to structure the debt and obtain bond ratings and insurance.
- ▶ Additionally, the City should consider adding a senior underwriter with considerable convention center/arena experience to the finance team early in the process as the plan of finance is being built.



Questions?