

# Resort Hotel Update

April 18, 2017



## Introduction

- On April 18, 2016, a presentation was made to the City Council by a group looking to develop a resort hotel within the Craig Ranch Town Center.
- Since that time, city staff has been negotiating with the development group on deal points for a possible Public/Private Partnership.
- The development group commissioned a 3<sup>rd</sup> party feasibility study to analyze the hotel market conditions in McKinney.
- The City contracted with CBRE to review the feasibility study and to analyze the data to help the city negotiate the best deal for this project.



# Hotel Location



## Hotel Details

- The hotel shall be branded as a Marriott Autograph Collection hotel, containing the following:
  - Minimum 285 guest rooms
  - 33,000 square feet of meeting and conference space, including:
    - Minimum 6,000 square foot main ballroom
    - Minimum 4,000 square foot junior ballroom
    - At least 12,000 square feet of breakout rooms
    - At least 1,000 square feet of boardrooms
    - At least 5,000 square feet of pre-function space
    - At least 5,000 square feet of outdoor event space



# Hotel Amenities

- On-site amenities shall include:
  - Resort style pool with lazy river
  - Fitness center
  - Concierge
  - Three-meal restaurant
  - Lounge with terrace/pool seating and food and beverage service
  - Coffee/bakery kiosk
  - Structured parking
  - Valet and self-parking
  - Gift/sundries shop
  - Business center
  - Facility wide high speed internet



## Hotel Amenities

- Access to off-site amenities shall include:
  - Guest access to the TPC golf course
  - Guest dining at the TPC clubhouse
  - Guest use of the Cooper Aerobics Center fitness facility
  - Use of an additional 3,000 square feet of conference meeting space in the TPC clubhouse



# Partnership Request

## 2016 Proposal

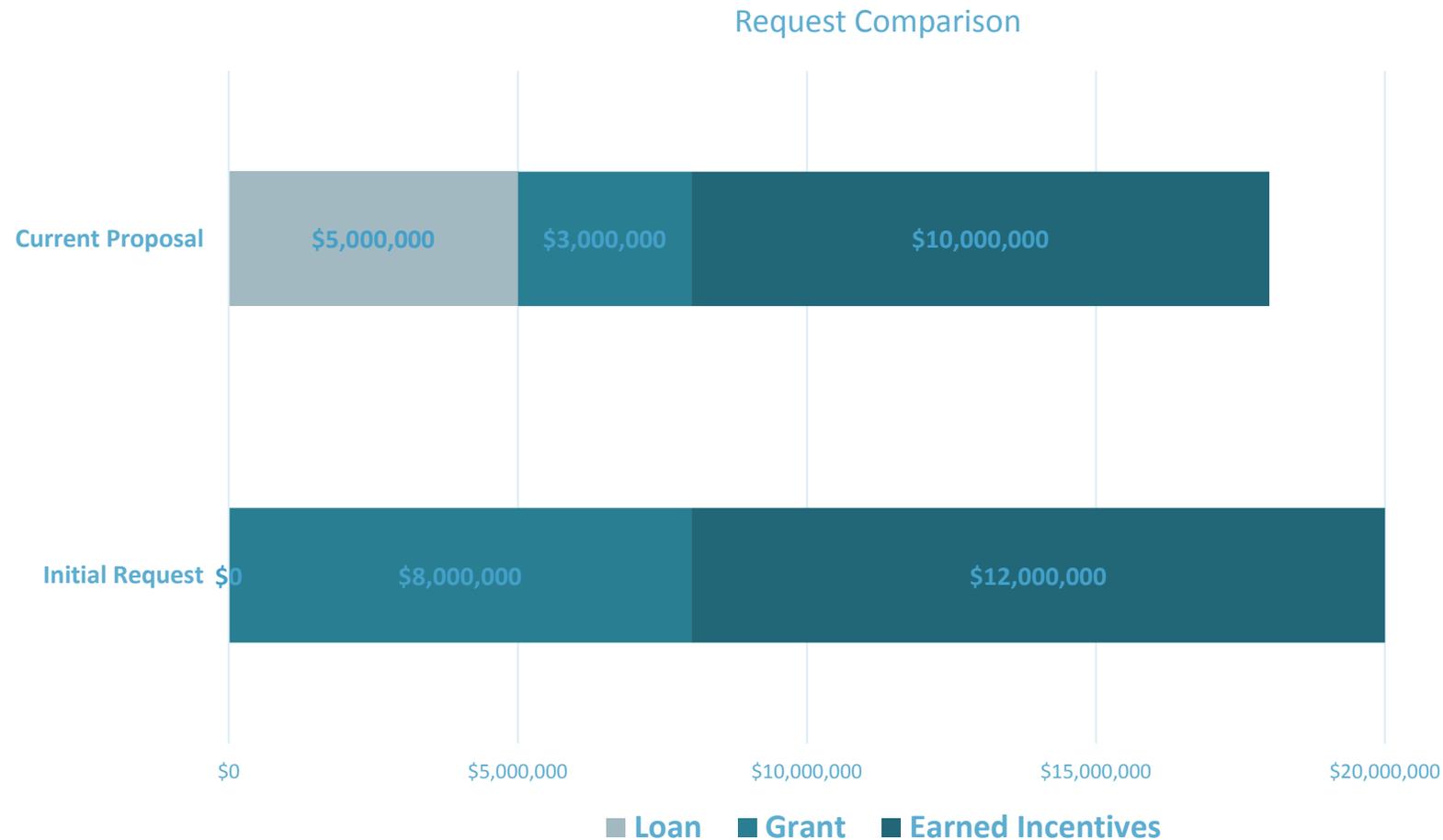
- 250 guestrooms
- 15,000 sf of conference space
- \$20 million total package consisting of:
  - \$8 million initial grant
  - Up to \$12 million in tax reimbursements over 10 years
    - 100% Hotel Occupancy Tax
    - 50% Ad Valorem
    - 50% Sales Tax

## Current Proposal

- 285 guestrooms
- 23,000 sf of conference space (not including pre-function and outdoor space)
- \$18 million total package consisting of:
  - \$5 million initial loan
  - \$3 million grant at Cert. of Occupancy
  - Up to \$10 million in tax reimbursements over 10 years
    - Years 1 – 5 – 75% HOT, Ad Valorem and Sales Tax
    - Years 6 – 10 – 50% HOT, Ad Valorem and Sales Tax



# Initial Request vs. Current Proposal



## Proposed Incentive Details

- \$5 million loan upon commencement of construction
  - Loan will be repaid upon sale or refinance of hotel or 8 years after issuance of certificate of occupancy, whichever is first
  - Loan will accrue simple interest at a rate of 3% annually
- \$3 million grant upon issuance of a certificate of occupancy
- Tax Incentives
  - Years 1 – 5
    - 75% reimbursement of Sales Tax and Property Tax
    - Operations grant equal to 75% of Hotel Occupancy Tax collected
  - Years 6 – 10
    - 50% reimbursement of Sales Tax and Property Tax
    - Operations grant equal to 50% of Hotel Occupancy Tax collected
  - Will not exceed 10 years or \$10 million



## Financial Impact

- Based on various projections of Average Daily Room Rates and Occupancy, the initial \$5 million loan, plus the \$3 million grant will be repaid through loan payments and city tax collections 7 to 8 years after opening the hotel.
- Based on the same projections, the entire proposed incentive package, including the tax abatements/reimbursements, will be earned back in approximately 10 to 13 years after opening.
- Upon expiration of the tax incentives, the city expects to collect more than \$2 million annually through sales, property and hotel occupancy taxes from the hotel.

