

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 3rd 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

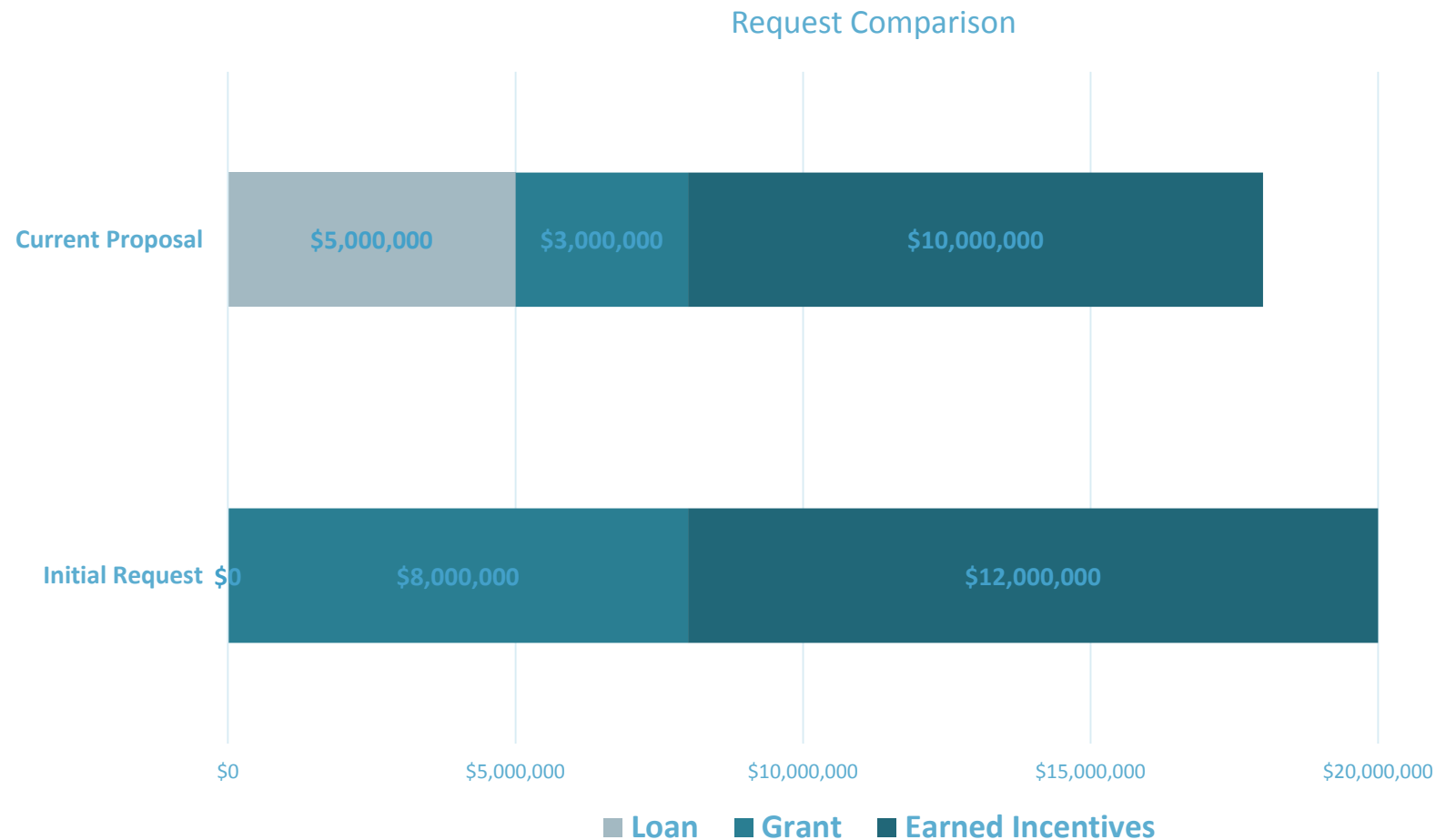
- 250 guestrooms
- 15,000 sf of conference space
- \$20 million total package consisting of:
 - \$8 million initial grant
 - Up to \$12 million in tax reimbursements over 10 years
 - 100% Hotel Occupancy Tax
 - 50% Ad Valorem
 - 50% Sales Tax

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.