

JOINT MEETING

APRIL 18, 2017

The City Council and the McKinney Community Development Corporation of the City of McKinney, Texas met in joint session in the Council Chambers of the Municipal Building on April 18, 2017 at 5:00 p.m.

Council Present: Mayor Brian Loughmiller, Mayor Pro Tem Randy P. Pogue, Council members: Chuck Branch, Don Day, Tracy Rath, Rainey Rogers, and Travis Ussery.

McKinney Community Development Corporation Present: Chairman Kurt Kuehn; David Clarke; David Myers; Rick Glew; Jackie Brewer; Michelle Gamble; and Hamilton Doak.

Staff Present: City Manager Paul Grimes; Assistant City Manager Barry Shelton; City Attorney Mark Houser; City Secretary Sandy Hart; Executive Director of Development Services Michael Quint; Director of Strategic Services Chandler Merritt; McKinney Community Development Corporation President Cindy Schneible; McKinney Economic Development Corporation - Darrell Auterson and Abby Liu; McKinney Convention and Visitors Bureau Director DeeDee Guerra; Police Chief Greg Conley; Community Services Administrator Shirletta Best; Library Director Spencer Smith; Director of Engineering Mark Hines; Housing and Community Services Manager Janay Ticken; Finance – Mark Holloway and Trevor Minyard; Airport FBO Director Mark Jaraczewski; and Facilities Construction Manager Patricia Jackson.

There were twenty five guests present.

Mayor Loughmiller called the City Council meeting to order at 5:03 p.m. after determining a quorum present.

MCDC Chairman Kuehn called the McKinney Community Development Corporation meeting to order at 5:03 p.m. after determining a quorum present.

17-381 Mayor Loughmiller and Chairman Kuehn called for Consideration and Provide Direction Regarding the Proposed Public-Private Partnership for a Resort Hotel at the Intersection of Collin McKinney Parkway and Van Tuyl Parkway. Assistant City Manager Barry Shelton introduced Mr. Scott Tarwater, Tarwater Hospitality Consulting. Mr. Tarwater presented

information on the proposed Craig Ranch Resort and Conference Center. This project is a public-private partnership with the City of McKinney, Craig Ranch, Marriott, and Aimbridge Hospitality. The proposed facility will have a minimum of 285 rooms and suites, a four-star resort with 33,000 square feet of conference space, 5,000 is pre-function and 5,000 is outdoor event space. The majority of revenue will come from Sunday through Thursday with the corporate activities and 20% of overall total revenue will come from staycations for Friday and Saturday nights. The registered guests will have access to the TPC golf course, club house, and Cooper Fitness Center. Approximately 35 to 40% of the revenue from this project will come from group-related corporate activities. This project is anticipated to generate significant tax dollars and fill a void in the City offerings to attract future corporations to McKinney. Mr. Shelton addressed Council and pointed out that this site is unique as it has partnerships with the golf course and clubhouse, as well as the aerobic center fitness facility with the ability to use additional meeting space. When this project was presented a year ago, it was a smaller hotel with less conference space and a \$20 million total package that consisted of \$8 million of an initial grant and \$12 million of earned incentives. These are the backend incentives that are tax abatements or reimbursements of taxes generated from the project so it's important to look at the two different size incentive packages. It is important for us to work the best deal possible and you can see the \$12 million is earnable over a ten-year period from 100% of hotel occupancy tax, 50% from ad valorem and 50% sales tax. We were trying to lower the initial \$8 million grant money as much as possible. We did get the total package down to \$18 million. What was important was that \$8 million initial incentive. We worked with the development team and came up with a program where \$5 million would be a loan that will be earning interest at 3% annually to be paid to the project at commencement of construction. That means every year

that loan is outstanding, it will accrue \$150,000 in interest. There will be a \$3 million grant at certificate of occupancy so it's important that we have the project completed and ready to open prior to the incentives being offered to the hotel. Rather than the \$12 million earned incentives, we have that down to a \$10 million earned incentives over 10 years. What's important about the earned incentives is as the hotel operates and performs at the level anticipated, they earn that incentive money over the 10-year period. If it does not live up to expectations and occupancy rates are lower or the average daily room rate is lower, they have the potential of not earning the full \$10 million. The current proposal is \$5 million loan amount, \$3 million grant, and \$10 million earned incentives. The total package is \$18 million rather than the \$20 million. We are looking toward the MCDC for funding that initial loan. The loan would be required to be repaid upon the sale or refinance of the hotel or eight years after issuance of the Certificate of Occupancy, whichever occurs first. The \$5 million investment into the project would be worth \$6.35 million. The \$3 million grant will be upon Certificate of Occupancy. The earned income or incentives on the backend, years one through five we offer 75% reimbursement of ad valorem, sales tax and hotel occupancy tax. In years six through 10, that drops to 50%. There is a cap that will not exceed 10 years after Certificate of Occupancy is issued or \$10 million total. Based on projections, the entire proposed incentive package, including the initial grants and loans, tax abatements and reimbursements, will be earned back in approximately 10 to 13 years after opening depending on the scenario. Mr. Shelton stated that based on Collin County Appraisal District values for the properties in the Craig Ranch area, the total assessed value is about \$1.278 billion and the total taxable value is right at \$1.2 billion. At the City's current tax rate of \$.573 cents per \$100 valuation, the Craig Ranch properties generate \$6.9 million annually for the City. The properties generate over \$18 million

annually for Frisco ISD. The plan for funding is the \$5 million loan will come from the MCDC with repayment back to MCDC. We will also ask the MCDC to fund the \$3 million grant upon issuance of the Certificate of Occupancy which will occur about two years after the initial loan is made. Mr. Bill Stadler, Executive Vice President and Chief Investment Officer for Aimbridge Hospitality stated that they expect to deliver this product in the fourth quarter of 2019. Currently, the plan is that this will go to the McKinney Community Development Corporation for a presentation on April 27th and to Council for a vote on the deal points on May 2nd. Mayor Loughmiller stated the City has been negotiating this for over a year and the structure of the agreement is in a better position for the City. This project will bring additional commercial development to McKinney by providing projects and infrastructure that will bring those businesses to McKinney. City Manager Grimes noted that the McKinney Community Development Corporation will not vote on this item until late May.

McKinney Community Development Corporation unanimously approved the motion by Vice Chairman Doak, seconded by Board member Clarke, to adjourn. Chairman Kuehn adjourned the McKinney Community Development Corporation meeting at 6:02 p.m.

Council unanimously approved the motion by Mayor Pro Pogue, seconded by Council member Ussery, to adjourn. Mayor Loughmiller adjourned the meeting at 6:03 p.m.

BRIAN LOUGHMILLER
Mayor

KURT KUEHN
Chairman

ATTEST:

SANDY HART, TRMC, MMC
City Secretary