

CITY OF MCKINNEY, TEXAS

Legislation Text

File #: 17-542, **Version:** 2

Consider/Discuss/Act on Project #17-04, Submitted by the City of McKinney for an MCDC Loan to Aimbridge Hospitality in the Amount of Five Million Dollars (\$5,000,000) and an MCDC Grant to Aimbridge Hospitality in the Amount of Three Million Dollars (\$3,000,000) for Partial Funding for the Construction of a Resort Hotel; Estimated Project Construction Cost is \$98,500,000; the Amount Requested Represents 8.12% of the Total Estimated Construction Cost

COUNCIL GOAL: Enhance the Quality of Life in McKinney
Direction for Strategic and Economic Growth

MEETING DATE: August 24, 2017

DEPARTMENT: McKinney Community Development Corporation

CONTACT: Cindy Schneible, President

ITEM SUMMARY:

- This item was tabled from the July meeting.
- The City of McKinney is requesting MCDC funding participation in the construction costs associated with a resort hotel at the intersection of Collin McKinney Parkway and Van Tuij Parkway.
- The funding being requested is in the form of a \$5,000,000 loan at commencement of construction and a \$3,000,000 grant upon issuance of a certificate of occupancy.
 - The loan will be secured by a subordinate lien on the facility.
 - The loan will bear interest at a rate of 3% per year as simple, not compounded, interest on the loan amount.
 - The loan will not be payable periodically, but will be payable in full, including accrued interest upon the earlier of (i) eight (8) years from the issuance of the certificate of occupancy or (ii) a sale or refinancing event that occurs after the initial refinancing of any interim construction loan (including extensions thereof) into a permanent loan (a "Repayment Event").

BACKGROUND INFORMATION:

- The proposed hotel will consist of the following:
 - A minimum of 285 guest rooms
 - A minimum of 33,000 square feet of conference space consisting of:
 - At least a 6,000 square foot main ballroom
 - At least a 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
- On-site amenities shall include a resort style pool with “lazy river”, fitness center, concierge, three-meal restaurant, lounge with terrace/pool seating and food/beverage service, coffee/bakery kiosk, structured parking, valet and self-parking, gift/sundries shop, business center and Facility-wide high speed internet.
- Access to off-site amenities shall include guest access to the TPC golf course and Cooper Aerobics Center fitness facility, together with at least 3,000 square feet of conference meeting space.
- 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.

FINANCIAL SUMMARY:

- Total project cost for the hotel is estimated to be \$98,500,000.
- In addition to the proposed \$5 million loan and \$3 million grant from the CDC, the City of McKinney is proposing the following incentives:
 - Tax Incentives - Will not exceed 10 years or \$10 million
 - 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
- 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 in 7 to 8 years after issuance of a certificate of occupancy.