



CITY OF MCKINNEY, TEXAS

Legislation Text

File #: 18-969, **Version:** 1

Consider/Discuss/Act on a Resolution Revising the Lease Agreement for the Downtown Parking Garage, Generally Located on the Northeast Corner of Chestnut Street and Virginia Street

COUNCIL GOAL: Direction for Strategic and Economic Growth (1B: Continue to develop a retail strategy for key areas of the community to further diversify revenue sources and expand entertainment, dining and shopping options and tourism)

MEETING DATE: November 19, 2018

DEPARTMENT: City Manager's Office

CONTACT: Barry Shelton, AICP, Assistant City Manager

RECOMMENDED CITY COUNCIL ACTION:

- Staff recommends approval of the resolution revising the lease agreement.

ITEM SUMMARY:

- This item is a request to amend certain provisions of the parking garage lease agreement between the City of McKinney and SP2 301 E Virginia, LLC.
- The proposed amendment will require the owner to obtain a Temporary Certificate of Occupancy (TCO) and deliver possession of the property to the City by January 1, 2019.
- The permanent certificate of occupancy will be required by February 1, 2019.
 - The previously approved lease agreement has a completion date of December 1, 2018.

BACKGROUND INFORMATION:

- On November 15, 2016 the City Council approved a development agreement with the owners of the property on the northeast corner of Chestnut Street and Virginia Street for the design, construction and lease of a parking garage.
- On April 4, 2017, the City Council approved a Resolution authorizing the City Manager to execute a lease agreement with the property owners, Virginia@5, LLC and SP2 301 E Virginia, LLC.
- On January 16, 2018 the City Council approved a resolution revising the lease agreement for the downtown parking garage to extend the completion date until December 1, 2018.
- The project completion has been delayed by the relocation of Oncor power poles adjacent to

the site and the unusual amount of rain over the past couple of months.

- The Oncor pole relocation was necessary in order to proceed with the construction of the garage. The previously approved lease agreement assigned the task of coordinating Oncor's pole relocation to the City.

FINANCIAL SUMMARY:

- The previously approved lease agreement proposes an initial payment of \$3,000,000 upon completion of construction, with the remaining cost being paid over 60 monthly payments.
 - Under the amended lease agreement, the City will pay an initial \$2,000,000 upon issuance of a TCO and withhold \$1,000,000 until issuance of the permanent certificate of occupancy.
 - The 60 monthly payments will commence upon issuance of the permanent certificate of occupancy.
- The City will take ownership of the parking structure upon completion of the 60 monthly payments. At that time, the City will have made all base rent payments required by the lease.
- The City will have an early option to purchase. Such early purchase will be in the amount of the remaining loan balance at the time of purchase.

BOARD OR COMMISSION RECOMMENDATION:

- N/A