

McKINNEY COMMUNITY DEVELOPMENT CORPORATION
Project Grant Application
Fiscal Year 2023

Applications must be completed in full, using this form, and received by MCDC, via email or on a thumb drive. Contact us to discuss your plans and schedule a meeting with the Projects Subcommittee prior to completing the application.

Please submit application, including all supporting documentation, via email or on a thumb drive for consideration by the MCDC to:

McKinney Community Development Corporation
7300 SH 121, SB, Suite 200
McKinney, TX 75070

Attn: Cindy Schneible (cschneible@mckinneycdc.org)

2022 Project Grant Application Schedule

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: December 30, 2022	January 26, 2023	February 23, 2023
Cycle II: March 31, 2023	April 27, 2023	May 25, 2023
Cycle III: June 30, 2023	July 27, 2023	August 24, 2023

APPLICATION

Project Grants support for projects eligible for consideration under Sections 501 and 505 of the Texas Local Government Code. These include:

- Projects Related to the Creation or Retention of Primary Jobs
- Infrastructure Improvement Projects Necessary to Develop New or Expanded Business Enterprises
- Public Parks and Open Space Improvements
- Projects Related to Recreational or Community (city/public access) Facilities
- Professional and Amateur Sports and Athletic Facilities, including Children's Sports
- Destination Entertainment, Tourist and Convention Facilities
- Projects Related to Low Income Housing
- Airport Facilities

McKinney Community Development Corporation – Overview

In 1996 McKinney voters approved the creation of an economic development sales tax corporation (Type B Corporation) to support community and economic development projects and initiatives to enhance quality of life improvements and economic growth for McKinney residents. MCDC receives revenue from a half-cent sales tax and awards grant funds for projects, promotional activities and community events that showcase the City of McKinney and support business development and tourism.

Guided by a City Council-appointed board of seven McKinney residents, the impact of investments made by MCDC can be seen throughout the community.

Projects grants are considered only if eligible for funding authorized under The Development Corporation Act and Chapters 501 to 505 of the Texas Local Government Code.

McKinney Community Development Corporation – Mission

To proactively work, in partnership with others, to promote and fund community, cultural and economic development projects that maintain and enhance the quality of life in McKinney and contribute to business development.

Guiding Principles:

- Serve ethically and with integrity
- Provide responsible stewardship
- Embrace our role and responsibility
- Honor the past – provide innovative leadership for the future
- Make strategic and transparent decisions that best serve the community

McKinney Community Development Corporation – Goals

- Ensure application/project eligibility for MCDC consideration under Sections 501 to 505 of the Texas Local Government Code (see information below)
- Meet citizen needs for quality-of-life improvements, business development and sustainable economic growth for residents in the City of McKinney that are authorized in the Texas Local Government Code
- Provide support for cultural, sports, fitness, entertainment, community projects and events that attract resident and visitor participation and contribute to quality of life, business development and increased McKinney sales tax revenue
- Highlight and promote McKinney as a unique destination for residents and visitors alike
- Demonstrate informed financial planning – addressing long-term costs, budget consequences and sustainability of projects for which funding is requested
- Educate the community about the impact that local dining and shopping has on investment in quality of life improvements in McKinney

General Guidelines

- Applications must be **completed in full, and provide all information requested**, to be considered by the MCDC board.
- Applicant must have been in business (preferably within the City of McKinney) **for a minimum of two (2) years**. The MCDC board may waive this requirement for economic development projects.

General Guidelines - continued

- The land, building or facility where the proposed project will be located should be owned by the Applicant. However, if the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed use of the property or facility; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- **Preference may be given** to Applicants who have **not** received funding from MCDC within the previous 12-month period.
- Performance agreements are required for all approved grants.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board, unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding for ten (10) years.
- Grant recipients must maintain financial books and records of the funded project and of their operations as a whole for at least two years, should MCDC or the City of McKinney require an audit. The books and records must be available upon request, and create a clear audit trail documenting revenues and expenses of the funded project.
- Within 30 days of completion of the funded project, the grant recipient is required to submit a final report that includes detailed information on the activity; visual documentation of pre and post-project completion; and any outstanding receipts for expenditures included under the scope of the grant.
- Grant recipient must recognize McKinney Community Development Corporation as a sponsor/funder of the project improvements. MCDC will provide a logo for grant recipient use.

Process

The McKinney Community Development Corporation Board of Directors are responsible for reviewing and voting on applications for grant funding, in accordance with requirements of the Texas Local Government Code.

- A **completed** application form must be submitted to MCDC in accordance with the schedule outlined above.
- The application will be evaluated to determine eligibility for MCDC funding under State law.
- Once eligibility for consideration is confirmed, a public hearing will be conducted, during a regularly scheduled MCDC board meeting, on the grant application submitted.
- Prior to the public hearing, notice will be published and posted in accordance with the requirements of the Open Meetings Act and the Texas Local Government Code. **The application, along with all documents/attachments will become public information once submitted to MCDC.**
- Following the public hearing, grant requests will be referred to a subcommittee of the MCDC board for evaluation and recommendation of approval or denial to the full board.
- Board action on the grant application will be scheduled for the board meeting the month following the public hearing.

- If a grant is approved, a performance agreement will be drafted for execution between MCDC and applicant.
- Funds awarded for approved applications are provided on a reimbursement basis, following submission of receipts and documentation of payment for qualified expenditures.
- The final 20% of the award may be withheld until a final project report is submitted to MCDC and compliance with all requirements of the executed performance agreement are confirmed.

APPLICANT INFORMATION

Name: [Michael Mueller](#)

Company: [Archstreet McKinney LLC](#)

Federal Tax I.D.: [EIN: 88-0723864](#)

Incorporation Date: [2/2/2022](#)

Mailing Address: [5700 Templin Way](#)

City [Plano](#)

ST: [Texas](#)

Zip: [75093](#)

Phone: [972-378-6560](#)

Fax: [N/A](#)

Email: mmueller@archtower.com

Cell: [404-502-8382](#)

Website: www.archstreet.net

Check One:

- ☐ Corporation
 ☐ Partnership
 ☐ Sole Proprietorship
☐ Governmental entity
☐ Nonprofit – 501(c) Attach a copy of IRS Determination Letter
☒ Other Limited [Liability Company](#)

PROJECT INFORMATION:

Project/Business Name: [District 121 Hotel](#)

Location of Project: [District 121 \(northeast corner of Alma and SH 121\)](#)

Physical Address: [7200 State Hwy. 121 S](#)

City: [McKinney](#)

ST: [Texas](#)

Zip: [75070](#)

Property Size: [1.788 acres](#)

Collin CAD Property ID: [2856759](#)

Please provide the information requested below:

- An expansion/improvement
- A replacement/repair
- A multi-phase project
- A new project

☐ Yes
☐ Yes
☐ Yes
☒ Yes

☒ No
☒ No
☒ No
☐ No

PROPERTY OWNER INFORMATION *(if different from Applicant info above):*

Name: SAME AS ABOVE

Company:

Mailing Address:

City:

ST:

Zip:

Phone

Fax:

Email:

Cell:

DETAILED PROJECT INFORMATION:

Project Details and Proposed Use: 102 room Hotel

Estimated Date of Project Completion: 1/1/2025

Days/Hours of Business Operation: The hotel will be operated 24 hours per day, 365 days per year.

Estimated Annual Taxable Sales: \$4.2 million (2025) increasing to \$6.5M (2034) in gross revenues which is subject to hotel occupancy tax or sales tax.

Current Appraised Value of Property: N/A the property was purchased by applicant in 2022 and CCAD has not yet assessed the parcel for 2023.

Estimated Appraised Value (*Post-Improvement*): \$6,752,393 (2025) – See Exhibit B for Economic Impact.

Estimated Construction Cost for Total Project: \$21,845,000

Total Estimated Cost for Project Improvements included in grant request: \$1,245,000

Total Grant Amount Requested: \$400,000

Will funding be requested from any other City of McKinney entity (e.g. TIRZ Grant, City of McKinney 380, CDBG Grant)?

☐ Yes

☒ No

If yes, please provide details and funding requested: N/A

Has a request for grant funding been submitted to MCDC in the past?

☒ Yes

☐ No

Date(s): March 2022. The grant funding was approved however, applicant had to withdraw its application because it had project timing delays.

Will the project be competitively bid?

☒ Yes

☐ No

If yes, please attach bids for the project. N/A – the project will not be bid out until Summer of 2023.

Has a feasibility study or market analysis been completed for this proposed project? *If so, please attach a copy of the Executive Summary.*

Yes – HVS did a feasibility study dated 1/13/2023- See Exhibit D.

Additional Information – please attach the following

- Business plan

See Exhibit A.

- Current financial report

N/A – the applicant was formed in February 2022 and has limited activity other than site acquisition and certain pre-development expenses incurred in connection with the project.

- Audited financials for previous two years (if not available, please indicate why)

N/A – the applicant was formed in February 2022 and had limited activity in 2022 other than site acquisition and certain pre-development expenses incurred in connection with the project.

- Plat/map of property extending 200' beyond property in all directions (if applicable to your project)

See Exhibit C.

- Detailed budget for the project

Hard Costs	\$13,200,000
Soft Costs	\$2,325,000
FFE, OSE, IT, POB	\$3,200,000
Financing	\$860,000
<u>Land</u>	<u>\$2,260,000</u>
Total	\$21,845,000

- Describe planned support activities; use; admission fees if applicable

In addition to the 102 guestrooms, the hotel will include a fitness center and guest laundry which are for the use of hotel guests. The hotel will also include some public areas accessible to everyone that include a lobby, lobby bar, pantry (grand and go food and drink), and a public patio at grade with a water feature/fountain and an elevated terrace overlooking the new park at District 121. There are no admission fees applicable to the public areas.

- Timeline and schedule – from design to completion

Design Development Documents completed in December 2022. CD's to be completed by April 2023. Bidding and Permitting May-July 2023. Construction commences in August 2023. Construction completion in Q4 2024. Hotel Opening in January 2025.

- Plans for future expansion/growth

N/A

Acknowledgements

If funding is approved by the MCDC board of directors, Applicant acknowledges the following:

- The Project for which financial assistance is sought will be administered by or under the supervision of the applying individual/company.
- All funds awarded will be used exclusively for the purpose described in this application.
- Applicant owns the land, building or facility where the proposed infrastructure improvements will be made. If the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed improvements and use of the property or building; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- MCDC will be recognized as a funder of the Project. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.
- Individual/company representative who has signed the application is authorized to submit the application.
- Applicant will comply with the Grant Guidelines in executing the Project for which funds were awarded.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding from Grant for ten (10) years.

Acknowledgements - *continued*

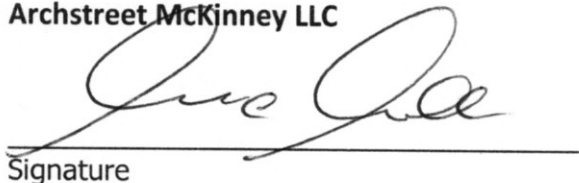
- A final report detailing the successful completion of the Project will be provided to MCDC no later than 30 days following completion of the Project.
- Grant funding is provided on a reimbursement basis subsequent to submission of a reimbursement request, with copies of invoices and paid receipts for qualified expenses.
- Up to 20% of the grant funds awarded may be withheld until a final report on completion of the Project is provided to MCDC.
- A performance agreement will be required that may outline requirements for acknowledging MCDC funding support for the project. Additionally, it will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the MCDC notifies the applicant of the violation.

[The Remainder of this Page Intentionally Left Blank]

BY SIGNING THIS APPLICATION, I CERTIFY THAT I AM THE LEGAL OWNER OF THE ABOVE REFERENCED PROPERTY OR THAT I AM AUTHORIZED TO REPRESENT AND ACT ON THE BEHALF OF THE OWNER OF THE ABOVE REFERENCED PROPERTY. I ALSO CERTIFY THAT ALL OF THE INFORMATION PROVIDED HEREON IS ACCURATE AND TRUE SO FAR AS I AM AWARE AND UNDERSTAND THAT I AM LEGALLY RESPONSIBLE FOR THE ACCURACY OF THIS APPLICATION. I FURTHER UNDERSTAND THAT I AM NOT GUARANTEED A GRANT.

Applicant's Signature

Archstreet McKinney LLC



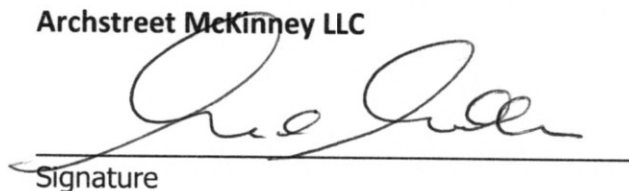
Signature

Michael Mueller, Managing Member
Printed Name

1/19/2023
Date

Property Owner's Signature

Archstreet McKinney LLC



Signature

Michael Mueller, Managing Member
Printed Name

1/19/2023
Date

INCOMPLETE APPLICATIONS, OR THOSE RECEIVED AFTER THE DEADLINE, WILL NOT BE CONSIDERED.

A FINAL REPORT IS TO BE PROVIDED TO MCDC WITHIN 30 DAYS OF THE COMPLETION OF THE PROJECT. FINAL PAYMENT OF FUNDING AWARDED WILL BE MADE UPON RECEIPT OF FINAL REPORT.

District 121 Hotel - Summary

- Project Overview
 - 102 Rooms
 - 4-story, ~50,000 S.F. structure
 - Upscale, Select Service Hotel with several spacious signature suites
 - Fitness Center
 - Public Areas include; lobby, lobby bar, outdoor patio and elevated terrace over-looking the District 121 park
- The Hotel Is A **Vital and Complimentary Component of District 121** that will support the office, retail and park.
- The District 121 Hotel will provide a **New Hotel Offering for McKinney** which will be different than the other hotels in the market in several ways and will provide a product that McKinney does not currently offer visitors. Visitors seeking such accommodations are currently staying in adjacent cities such as Plano, Frisco and Allen and McKinney is losing the tax revenues generated by such visitors. Specifically, the unique aspects that this project provides are:
 - A highly **Walkable Location**.
 - An **Independent Boutique** hotel that will be unique to McKinney
 - An **Upscale Hotel with Unique Design**.
 - A unique **Lobby/Patio/Terrace Experience**.
- The District 121 Hotel will support the **Byron Nelson Golf Tournament**.
- **Unprecedented Economic Conditions** have created unique challenges for this project.



Project Overview – Room Mix

Each guestroom hotel room will feature upscale finishes, a deluxe bathroom with walk in showers, luxury bedding and linens, closet, safe, moveable desk, large televisions and free WIFI. The rooms will also have microwaves and refrigerators to further empower the guest and provide more “home-like” convenience.

The Hotel will have a good mix of rooms including 59 King Bed suites, 36 Double Queen bed suites, and 7 premium/deluxe suites which is not typical in a select service hotel. There will be several connecting rooms for families.

The hotel will feature 4 very spacious signature specialty suites with balconies that overlook the park at District 121.

Room Type	Size (s.f.)	Number
King	300	59
Double Queen	350	36
Double Queen Delux	500	3
Specialty Suite	550	4
Total	333	102



Project Overview - Elevations



B1 SOUTH ELEVATION
3/32" = 1'-0"



A1 NORTH ELEVATION
3/32" = 1'-0"

Project Overview - Elevations



A2

WEST ELEVATION

3/32\" = 1'-0"

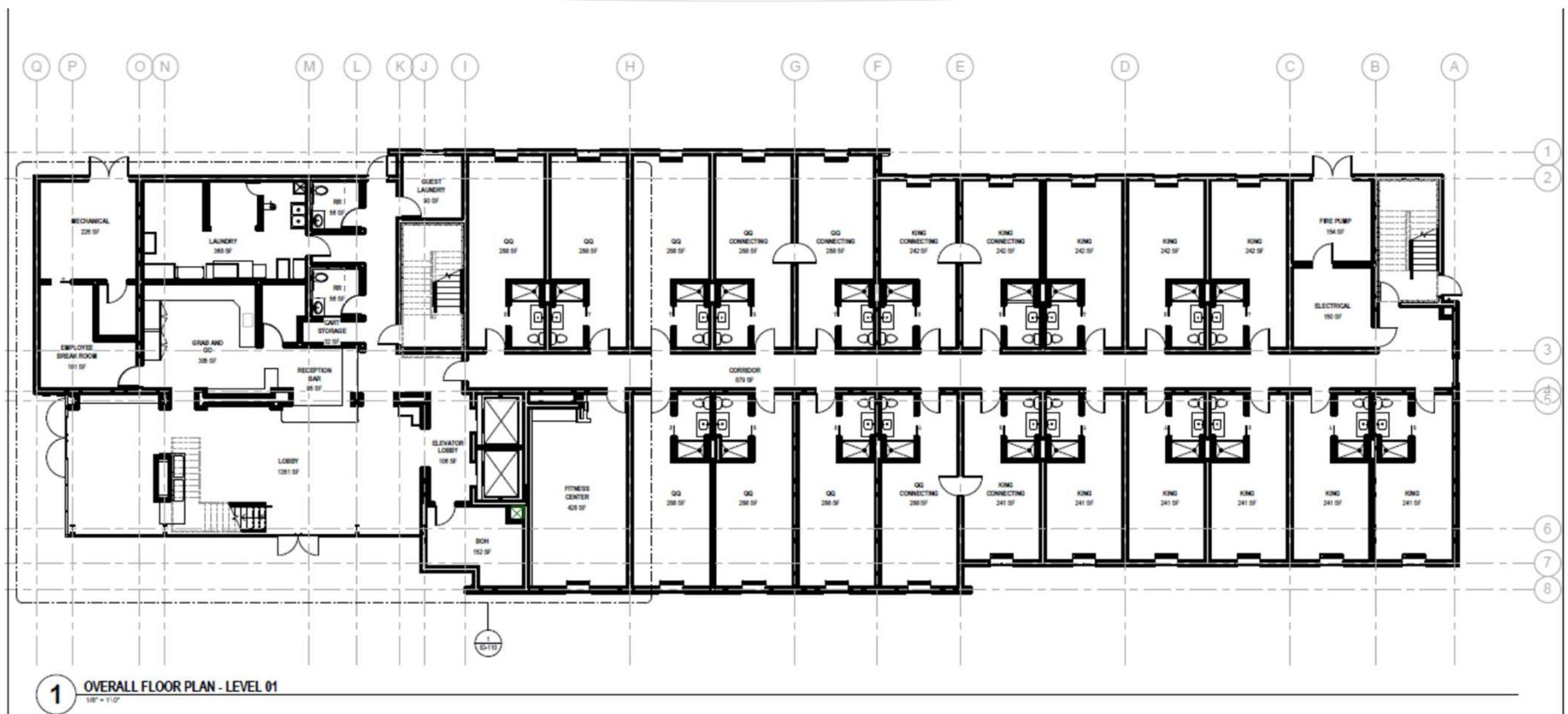


A1

EAST ELEVATION

3/32\" = 1'-0"

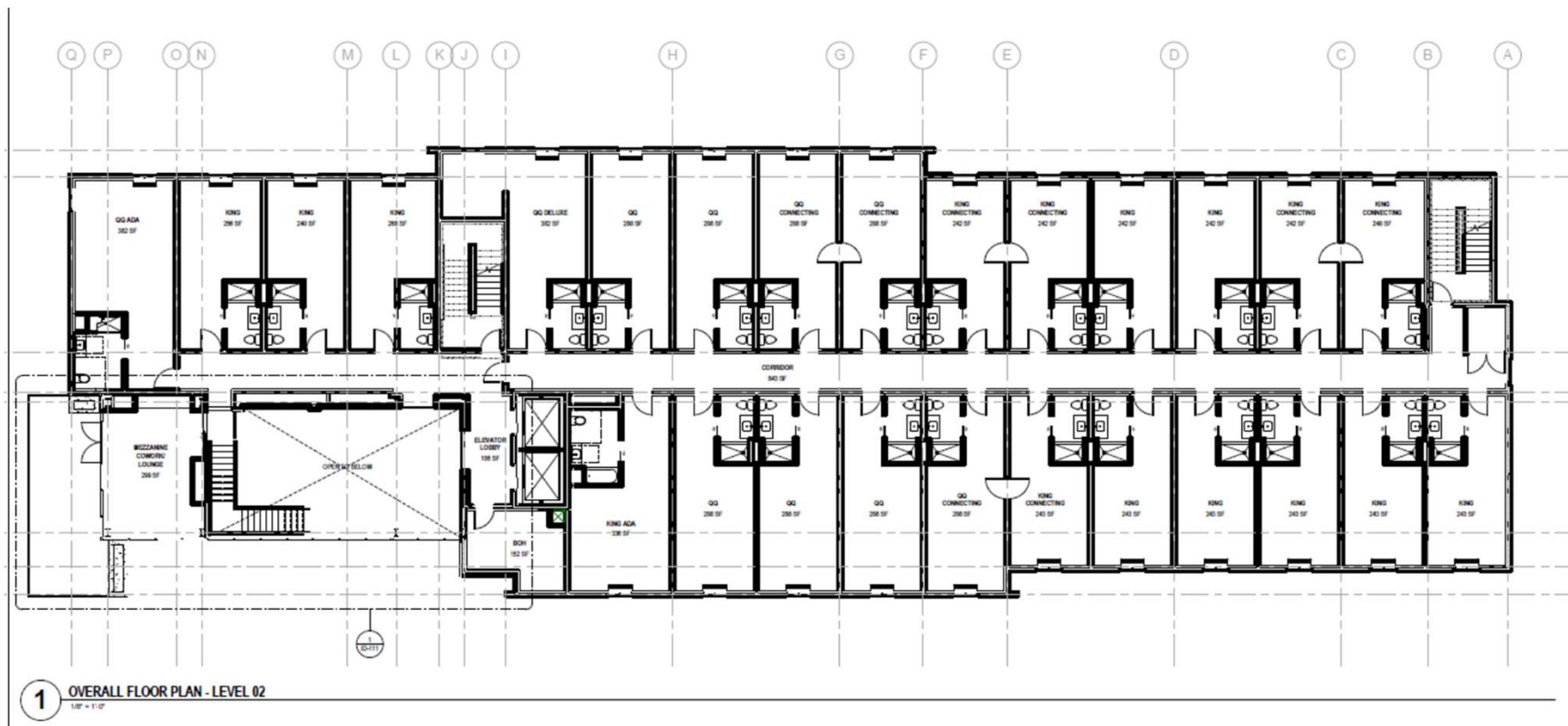
Project Overview – Floor Plan, Level 1



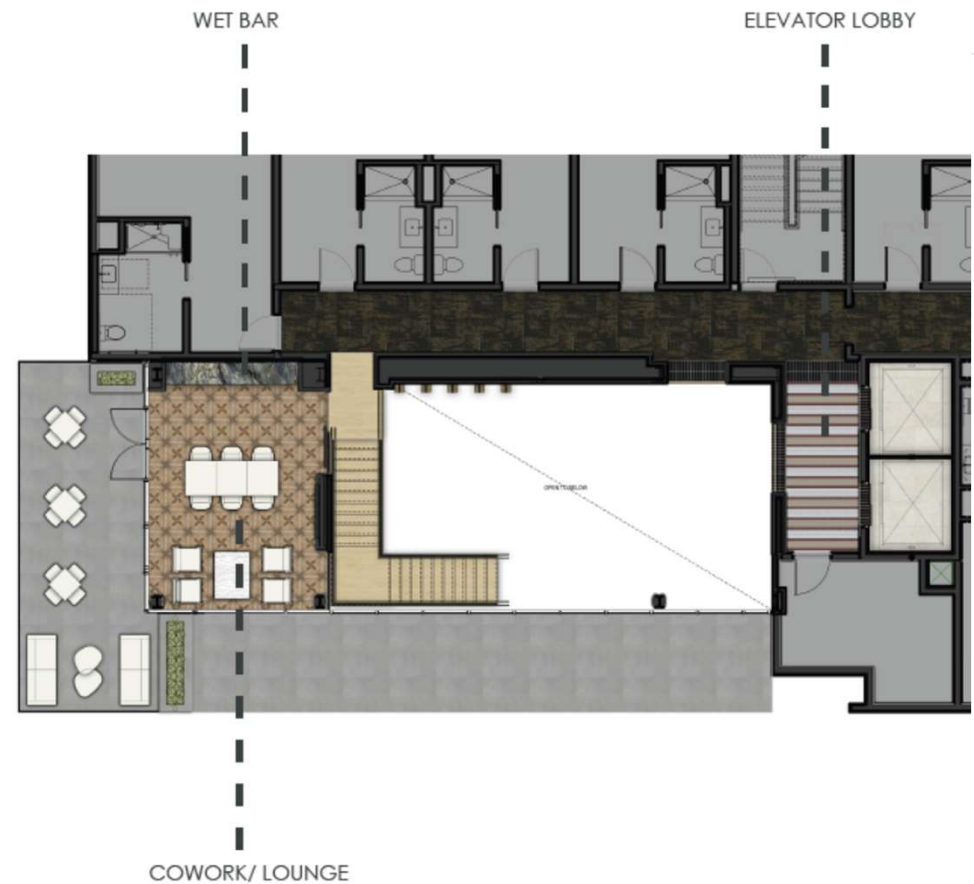
Project Overview – Floor Plan, Level 1



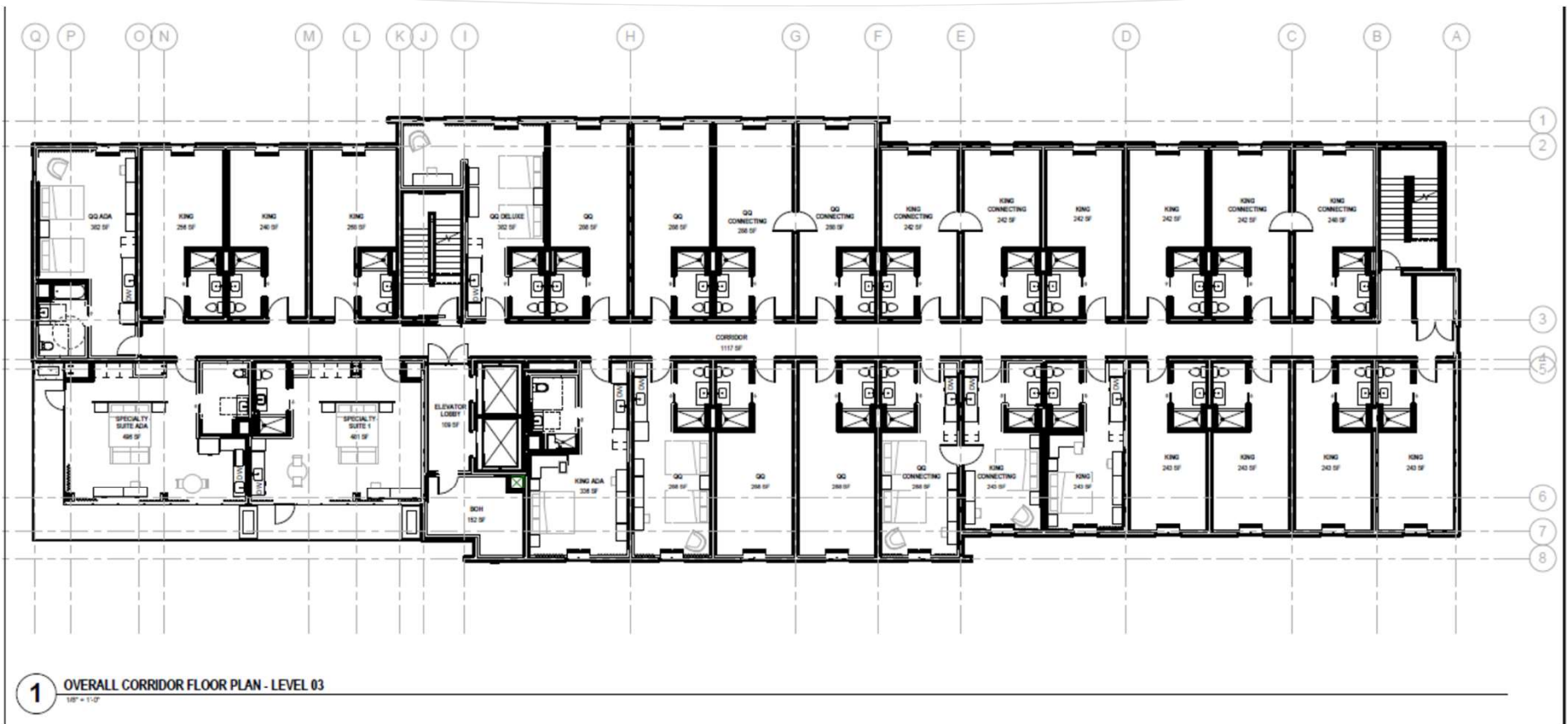
Project Overview – Floor Plan, Level 2



Project Overview – Floor Plan, Level 2



Project Overview – Floor Plan, Level 3 & 4



Project Overview – Floor Plan, Level 3 & 4



Vital and Complimentary Component of District 121

The District 121 is technically a select service hotel as it stands on its own. However, i) this was done by design to best fit in and support District 121, and ii) this hotel is not simply a “stand-alone” hotel project. It will be a vital element of District 121 and will help establish District 121 as a vibrant destination.

The hotel has been specifically designed not to include a restaurant and thus be a “select” rather than “full” service hotel. This is because there is a deed restriction that prevents the operation of a full-service restaurant within the hotel. This was done to ensure that the hotel would compliment and support and not compete with the retail and restaurants within District 121. Therefore, a select-service hotel was in the best interest of District 121 as a whole.

The hotel will support the retail, park and office. The hotel guest will be patrons of the restaurants and financially support those establishments and help to ensure that they are vibrant and financially successful.

The hotel will provide convenient upscale lodging for the guests of the tenants in the office building. Having a hotel adjacent to the office building will be a competitive advantage for the office building and will help it attract and compete for tenants in the office building.

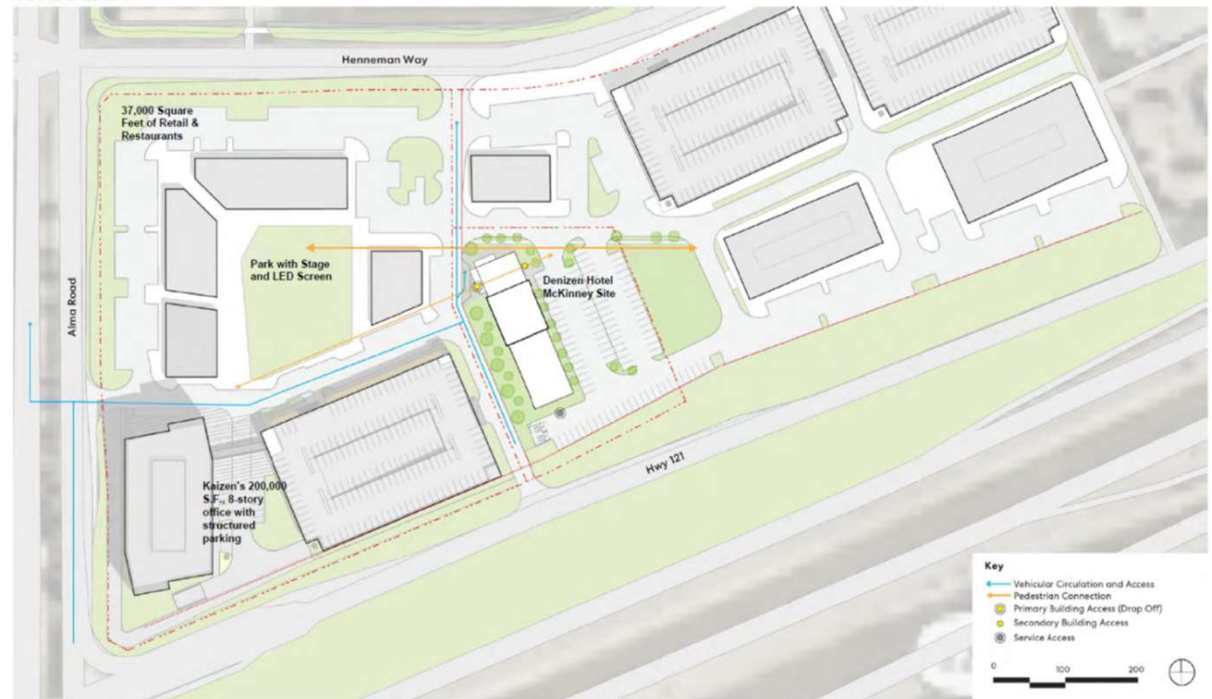


Walkable Location

The Hotel will provide highly desired walkability and proximity to premium/destination dining, entertainment, and park space.

Walkability is highly sought after by hotel guests and at present there are limited options in McKinney for highly walkable lodging and those guests are having to stay in Plano, Frisco, or Allen and McKinney is losing out on the sales tax, hotel occupancy tax and ancillary revenues that those guests generate.

SITE PLAN



Independent Boutique

The District 121 Hotel will be an independent hotel. The flexibility that comes with being independent provides us the freedom to; incorporate unique design, embrace the local community and localize the hotel, and adopt new technology that enhances the guest experience, allows guests more control over their experience, and provides for easier and faster service.

As an independent, we have the opportunity to create a “Local” hotel with a uniquely “McKinney” experience. Wherever possible, local touches and vendor relationships will be established. For example, we intend to use local artists for the hotel’s artwork and feature TUPPS beer in the hotel bar.

Independence allows us to differentiate the District 121 Hotel from other hotels so that we can offer a totally unique, authentic and enhanced experience for our guests.





Upscale Hotel with Unique Design

The District 121 Hotel will be an upscale hotel which is not typical of select service hotels. The Hotel will have a higher level and quality of finishes, furniture and fixtures than is typical in a select service hotel. Distinctive design and finishes will differentiate the hotel from the bland and repetitive design of the “cookie cutter” chain hotels.

The District 121 Hotel will provide a higher quality of finish and ambiance than the existing hotels provide within our competitive area. There is a lack of high quality, upscale hotels within the immediate vicinity of District 121 and guests currently must go to Interstate 75 or Dallas North Tollway for an upscale hotel experience. Oftentimes this results in McKinney losing those guests and the hotel occupancy tax revenue and sales tax on ancillary revenues to neighboring communities.

Lobby/Patio/Terrace Experience

The Hotel's lobby will feature a public lobby and lobby bar with both indoor and outdoor/patio space at grade and an elevated terrace overlooking the new park at District 121.

The bar, lobby, patio, and terrace will be furnished with comfortable seating conducive to working, eating, socializing and is being designed as a gathering place for locals and visitors alike to use as a meeting and jumping off point within District 121.

The patio will provide a soothing water feature, lush landscaping, and a variety of seating for lounging, eating/drinking, or socializing.

The terrace will provide excellent views of District 121 (and the park) and the surrounding area including Craig Ranch and TPC Craig Ranch.

In addition to the lobby/patio/terrace the hotel will also include a fitness center and guest laundry facilities. All other amenities typical of a full-service hotel are available within District 121 such as food and beverage and even meeting space at WorkSuites co-working space within the office building at District 121.



Byron Nelson Golf Tournament

The District 121 Hotel will be the closest hotel to the tournament and will help serve the needs of the tournament and its guests. It is our hope that the District 121 Hotel will help play a part in ensuring that the tournament stays in McKinney for the long term.



Unprecedented Economic Conditions

Currently we are facing unprecedented economic conditions that have particularly negatively impacted the hospitality industry and are making it extremely difficult to realize new hotel construction.

Covid

The Covid pandemic has had a monumental and unprecedented negative impact on the hotel industry. Hotel revenues have declined faster and for a longer period of time than ever before. In the Dallas Metro area revenues declined 48% in 2020 vs. 2019. In McKinney hotel revenues were down 26% in 2020 vs. 2019.

Covid's impact on hospitality has created a very difficult debt financing market for new hotel construction making it very difficult to obtain construction financing increasing the cost of financing and decreasing the available leverage.

Inflation

Construction Costs for both labor and materials have recently spiked up as inflation is at a 40-year high. The cost to build this hotel has escalated by more than 40% since we started working on this project in 2020, increasing the total project costs from \$15M to \$22M. In the last year alone the costs have increased by 16%.

Supply Chain Issues

The supply chain issues have extended lead times for ordering construction materials, equipment, furniture and fixtures. This issue has extended the time and cost to build the hotel.

Rising Interest Rates

Interest Rates have increased dramatically the past year with Prime Rate doubling in the past year from 3.25% to 7.5% making debt financing more difficult and expensive to obtain.

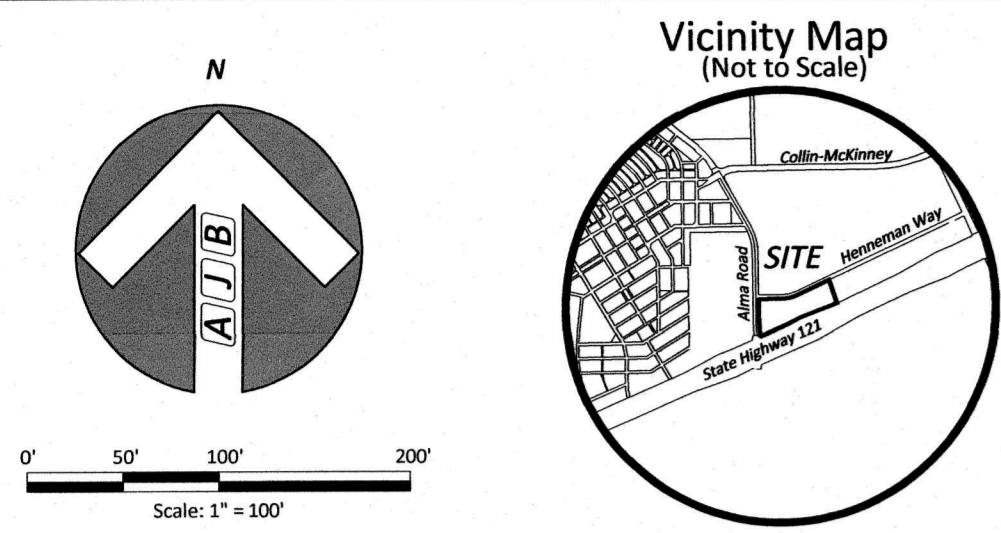
These economic conditions combined make this a very unusual and difficult time to develop a hotel and have negatively impacted the feasibility of the hotel project making the grant extremely important to the feasibility of the project.

Exhibit B

Economic Impact

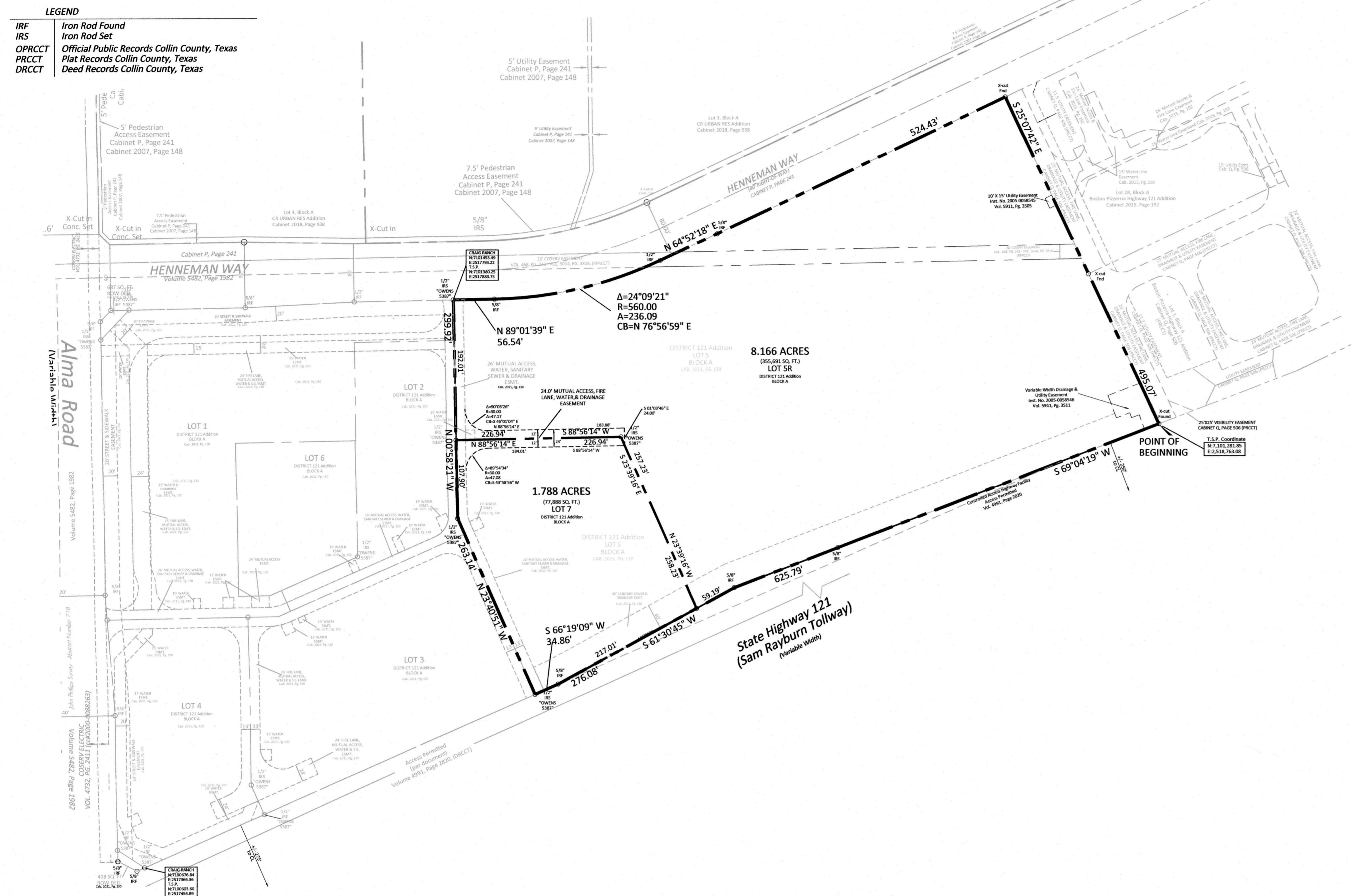
Projections of the estimated *Economic Impact* of the District 121 Hotel is shown on the next slide. In Summary it is anticipated that the hotel will generate \$4.0 million of revenues for the City of McKinney over the next 10 years and will generate about \$9.5 million of revenue for the City of McKinney over the next 20 years. These figures include only the direct revenues generated from the hotel in the form of hotel occupancy taxes, real estate taxes and sales taxes. They do not include the ancillary revenues that the guests will generate in sales taxes as they spend money outside of the hotel within the retail at District 121 and elsewhere within McKinney.

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
				1	2	3	4	5	6	7	8	9	10
Rooms		pre-development and construction period		102	102	102	102	102	102	102	102	102	102
ADR				\$151	\$157	\$163	\$168	\$173	\$179	\$184	\$189	\$195	\$201
Occ%				66%	73%	77%	78%	78%	78%	78%	78%	78%	78%
Room Revenue				3,713,045	4,271,279	4,685,351	4,888,783	5,035,432	5,186,437	5,342,088	5,502,386	5,667,329	5,837,210
F&B Revenue				278,000	314,000	337,000	350,000	361,000	371,000	383,000	394,000	406,000	418,000
Other Revenue				150,000	162,000	169,000	175,000	180,000	186,000	191,000	197,000	203,000	209,000
Misc. Revenue				23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000	30,000	31,000
Total Revenue				4,164,045	4,771,279	5,216,351	5,439,783	5,603,432	5,771,437	5,945,088	6,123,386	6,306,329	6,495,210
RE Tax													
Est. of Assessed Value				6,752,393	6,954,965	7,163,614	7,378,522	7,599,878	7,827,874	8,062,710	8,304,592	8,553,729	8,810,341
City of McKinney	0.457485			30,891	31,818	32,772	33,756	34,768	35,811	36,886	37,992	39,132	40,306
Allen ISD	1.330400			89,834	92,529	95,305	98,164	101,109	104,142	107,266	110,484	113,799	117,213
Collin County	0.152443			10,294	10,602	10,920	11,248	11,585	11,933	12,291	12,660	13,040	13,431
Junior College	0.081222			5,484	5,649	5,818	5,993	6,173	6,358	6,549	6,745	6,948	7,156
TOTAL RE Tax (1)	2.021550			136,503	140,598	144,816	149,161	153,635	158,244	162,992	167,881	172,918	178,105
HOT Tax													
ADR				151	157	163	168	173	179	184	189	195	201
Occ				66.0%	73.0%	77.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%	78.0%
Room Revenue				3,713,045	4,271,279	4,685,351	4,888,783	5,035,432	5,186,437	5,342,088	5,502,386	5,667,329	5,837,210
City HOT Tax	7.0%			259,913	298,990	327,975	342,215	352,480	363,051	373,946	385,167	396,713	408,605
Sales Tax													
F&B Revenues				278,000	314,000	337,000	350,000	361,000	371,000	383,000	394,000	406,000	418,000
Other Revenue				150,000	162,000	169,000	175,000	180,000	186,000	191,000	197,000	203,000	209,000
Misc. Revenue				23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000	30,000	31,000
Est. Proj Cost Subj to Sales Tax		247,500	2,342,500	41,640	71,569	104,327	108,796	112,069	115,429	118,902	122,468	126,127	129,904
Total Taxable Items		247,500	2,342,500	492,640	571,569	635,327	659,796	680,069	700,429	721,902	743,468	765,127	787,904
City Tax Rate	1.0%	2,475	23,425	4,926	5,716	6,353	6,598	6,801	7,004	7,219	7,435	7,651	7,879
MEDC Tax Rate	0.5%	1,238	11,713	2,463	2,858	3,177	3,299	3,400	3,502	3,610	3,717	3,826	3,940
MCDC Tax Rate	0.5%	1,238	11,713	2,463	2,858	3,177	3,299	3,400	3,502	3,610	3,717	3,826	3,940
Total City Sales Tax	2.0%	4,950	46,850	9,853	11,431	12,707	13,196	13,601	14,009	14,438	14,869	15,303	15,758
Total Taxes (2)		4,950	46,850	406,269	451,019	485,497	504,571	519,717	535,304	551,376	567,918	584,933	602,468
Cummulative Taxes		4,950	51,800	458,069	909,088	1,394,585	1,899,156	2,418,873	2,954,177	3,505,553	4,073,471	4,658,404	5,260,872
McKinney Taxes		4,950	46,850	300,657	342,239	373,454	389,166	400,850	412,871	425,270	438,029	451,148	464,669
Cummulative Taxes		4,950	51,800	352,457	694,696	1,068,149	1,457,316	1,858,166	2,271,036	2,696,306	3,134,335	3,585,482	4,050,151
(1) 2021 Tax Rates													
(2) Local taxes only, excludes State HOT and Sales Taxes													



CONVEYANCE PLAT ONLY: NOT FOR DEVELOPMENT:
A conveyance plat is a map of property approved by the city for the purpose of sale or conveyance in its entirety or interests thereon defined. Lots created by a conveyance plat may not have all necessary public utilities available for immediate use. No certificate of occupancy shall be issued nor permanent public utility service provided to any lot(s) created by a conveyance plat until all required public improvements have been constructed and accepted and a record plat is filed for record with the county clerk. Selling a portion of property by metes and bounds, except as shown on an approved, filed and accepted conveyance plat, record plat, minor plat or minor replat is a violation of the city's Code of Ordinances and State Law.

Lot 1R2, Block A
North Texas Athletic Center Addition
Cabinet 2017, Page 719
(PRCCT)



OWNER'S DEDICATION

STATE OF TEXAS §
COUNTY OF COLLIN §

NOW THEREFORE KNOW ALL MEN BY THESE PRESENTS:

THAT, DISTRICT 121 LLC, does hereby adopt this conveyance plat designating the hereon described property as DISTRICT 121 ADDITION, LOTS 5R & 7, BLOCK A, an addition to the City of McKinney, Collin County, Texas and do hereby dedicate to the public use forever, their streets, alleys and public use areas shown hereon, the easements, as shown, for mutual use and accommodation of the City of McKinney and all public utilities desiring to use or using same. All and any public utility and the City of McKinney shall have the right to remove and keep removed all or parts of any building, fences, shrubs, trees or other improvements or growths, which in any way endanger or interfere with the construction, maintenance or efficiency of its respective systems on said Easements, and the City of McKinney and all public utilities constructing, reconstructing, inspecting, patrolling, maintaining and adding to or removing all or parts of its respective systems, without the necessity, at anytime, of procuring the permission of anyone. This plat approved subject to all platting ordinances, rules, regulations and resolutions of the City of McKinney, Texas.

This plat approved subject to all platting ordinances, rules, regulations, and resolutions of the City of McKinney, Texas.

DISTRICT 121, LLC
a Texas limited liability company

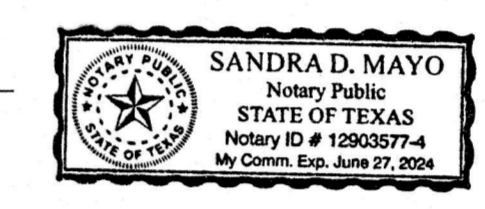
By: *David Craig*
Title: Manager

COUNTY OF COLLIN §
STATE OF TEXAS §

BEFORE ME, the undersigned authority, on this day personally appeared David Craig, Manager known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the 14th day of FEBRUARY, 2022.

Sandra D. Mayo
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS



OWNER'S CERTIFICATE

STATE OF TEXAS §
COUNTY OF COLLIN §

WHEREAS, DISTRICT 121 LLC is the owner of a 9.954 acre tract of land situated in the John Phillips Survey Abstract No. 718, City of McKinney, Collin County, Texas and being all of Lot 5, Block A of District 121 Addition an addition to the City of McKinney according to the plat recorded in Cabinet 2021, Page 130, Plat Records, Collin County, Texas (PRCCT) and being more particularly described as follows:

BEGINNING at a x-cut in concrete found in the north line of State Highway No. 121 (Sam Rayburn Tollway) a variable width right of way and being the southwest corner of Lot 1, Block A of Boston Pizzeria-Highway 121 Addition an addition to the City of McKinney according to the plat recorded in Cabinet Q, Page 506, Plat Records, Collin County, Texas (PRCCT) and the southeast corner of said Lot 5;

THENCE along the north line of said State Highway No. 121 and the south line of said Lot 5 as follows:

SOUTH 69°19' WEST a distance of 625.79 feet to a ½ inch iron rod found for corner;

SOUTH 61°30'45" WEST a distance of 217.01 feet to a ½ inch iron rod stamped "OWENS 5387" set for corner and being the most easterly corner of Lot 3 of said District 121 Addition;

THENCE departing the north line of said State Highway No. 121 and continuing along the common line of said Lot 5 and said Lot 3, **NORTH 23°40'51" WEST** a distance of 263.14 feet to a ½ inch iron rod stamped "OWENS 5387" set for corner and being located in the east line of Lot 2 of said District 121 Addition;

THENCE along the common line of said Lot 5 and said Lot 2, **NORTH 00°58'21" WEST** a distance of 299.92 feet to a ½ inch iron rod stamped "OWENS 5387" set for corner and being the northeast corner of Lot 1 of said District 121 addition and being located in the south line of Henneuman Way an 90' wide right of way at this point;

THENCE along the south line of said Henneuman Way as follows:

NORTH 89°01'39" EAST a distance of 56.54 feet to a ½ inch iron rod found for corner and being the beginning of a curve to the left having a radius of 560.00 feet and a chord bearing of NORTH 76°56'59" EAST;

ALONG said curve to the left through a central angle of 24°09'21" for an arc length of 236.09 feet to a ½ inch iron rod found for corner;

NORTH 64°52'18" EAST a distance of 524.43 feet to a x-cut in concrete found for corner at the northwest corner of Lot 2R, Block A of Boston Pizzeria-Highway 121 Addition an addition to the City of McKinney according to the plat recorded in Cabinet 2015, Page 192, Plat Records, Collin County, Texas;

THENCE along the west line of said Lot 2 and Lot 1 of Boston Pizzeria-Highway 121 Addition, **SOUTH 25°07'42" EAST** a distance of 495.07 feet to the **POINT OF BEGINNING**;

CONTAINING within these metes and bounds 9.954 acres or 433,578 square feet of land more or less.

SURVEYOR CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

THAT I, FRANK R. OWENS, do hereby certify that I prepared this plat from an actual survey of the land and that the corner monuments shown hereon were properly placed under my personal supervision in accordance with the Platting Rules and Regulations of the City of McKinney, Collin County, Texas.

Frank R. Owens
Frank R. Owens
Registered Professional Land Surveyor No. 5387
AJ Bedford Group, Inc.
301 North Alamo Road
Rockwall, Texas 75087

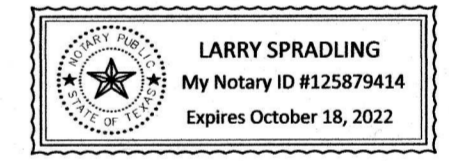


COUNTY OF ROCKWALL §
STATE OF TEXAS §

BEFORE ME, the undersigned authority, on this day personally appeared FRANK R. OWENS, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that of executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the 14th day of February, 2022.

Larry Spradling
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS



Approved

David Craig
City of McKinney Mayor
City of McKinney, Texas

March 8, 2022
Date

Attest

Larry Spradling
City Secretary
City of McKinney, Texas

March 8, 2022
Date

Filed and Recorded
Official Public Records
Stacey Kemp, County Clerk
Collin County, TEXAS
03/09/2022 10:04:00 AM
\$31.00 DKTZMILLER
20220309010000950



2022-154
David Craig

GENERAL NOTES:

All proposed lots situated in whole or in part within the city's corporate limits comply with the minimum size requirements of the governing zoning district and the requirements of the subdivision ordinance.

Basis of Bearings: Bearings are based on the Conveyance Plat of Lot 1, 2, 3, 4, 5 & 6, Block A, DISTRICT 121 Addition recorded in Cabinet 2021, Page 130, Plat Records, Collin County, Texas.

FLOOD STATEMENT: According to Community Panel No. 48085C0285.1, dated June 2, 2009 of the Federal Emergency Management Agency, National Flood Insurance Program map this property is within Flood Zone "X", which is not a special flood hazard area. If this site is not within an identified special flood hazard area, this flood statement does not imply that the property and/or the structures thereon will be free from flooding or flood damage.

CONVEYANCE PLAT DISTRICT 121 ADDITION LOTS 5R & 7, BLOCK A 9.954 ACRES

BEING A REPLAT OF DISTRICT 121 ADDITION, LOT 5,
BLOCK A, CABINET 2021, PAGE 130
(O.P.R.C.C.T.)
& 9.954 ACRES OUT OF THE
JOHN PHILLIPS SURVEY, ABSTRACT NO. 718
CITY OF MCKINNEY, COLLIN COUNTY, TEXAS

OWNER(S): David Craig, Manager District 121 LLC 6850 Tpc Dr, Ste 104 McKinney, TX 75070	
Engineer: Cross Engineering Consultants, Inc. 1720 W. Virginia Street McKinney, Texas 75069 (972) 562-4409	Checked By: F.R. Owens P.C.: Cryer/Spradling File: DISTRICT 121 2021-10-15 LOT 5 Job No. 596-001 GF No. N/A
Scale: 1" = 100' Date: October 25, 2021 Technician: Bedford/Spradling Drawn By: Bedford/Spradling	
301 N. Alamo Rd. * Rockwall, Texas 75087 (972) 722-0225, www.ajbedfordgroup.com, ajb@ajbedfordgroup.com	

Sheet:
1
Of: 1



TBPE&LS REG#10118200

1. Executive Summary

Subject of the Feasibility Study

The subject of the feasibility study is a site measuring 77,885 square feet (1.79 acres) that is planned to be improved with a select-service lodging facility; the hotel is anticipated to be associated with the Independent brand. The property, which is expected to open on January 1, 2025, will feature 102 rooms, a lobby bar, 299 square feet of meeting space, a fitness center, an outdoor terrace, a lobby workstation, a market pantry, and a guest laundry room. The hotel will also contain the appropriate parking capacity and all necessary back-of-the-house space.

RENDERING OF PROJECT



The proposed subject property will be located within the larger District 121 mixed-use development, a \$250-million project that spans nearly 18 acres and is located adjacent to Craig Ranch, an existing 2,200-acre master-planned, mixed-use development. Anchored by an eight-story office tower for Kaizen Development, District 121 will also offer The Commons, a green space that will be surrounded by 30,000 square feet of retail and patio restaurants, and an 800-space parking garage. The office building includes the tenant WorkSuites with 30,000 square feet of coworking space. Restaurants are anticipated to include Bob's Steakhouse, Mi Cocina (with a Monkey Bar), Gradi 400, and Common Table; the restaurants are expected to open in the summer of 2023. The subject site's location is 7250 State Highway 121, McKinney, Texas 75070.

Pertinent Dates

The effective date of the report is January 13, 2023. The subject site was inspected by Kathleen D. Donahue on January 11, 2023.

Global Considerations

The hospitality industry has been, and continues to be, affected by a variety of external factors that influence both the lodging and the investment markets. The following paragraphs outline the global factors that are the most impactful to the lodging industry as of the effective date of this report.

The COVID-19 pandemic began in early 2020 and had a significant impact throughout the world and on the respective economies. The onset of the pandemic resulted in decreased business activity, causing widespread economic hardships, including increases in unemployment. The hospitality industry was severely affected, as travel declined sharply and as restrictions on group sizes resulted in the cancellations of meetings, conventions, and events. The depth and duration of this impact was influenced by the course of the pandemic and the nature and extent of restrictions on business and travel activity; the period of greatest impact was 2020. With the availability of vaccines and lifting of restrictions, conditions generally improved in 2021, although the Omicron variant slowed the recovery in the latter part of the year. The peak impact of the pandemic on the travel industry is well behind us. While group meetings and events have resumed, business travel remains below pre-pandemic levels given that office occupancy and work-related travel have been affected by more widespread remote work options. Travel patterns have shifted to include more leisure demand, anticipated to comprise a greater proportion of lodging demand in the future. While ADR and RevPAR have surpassed 2019 levels in most markets, our research reflects a general expectation that lagging occupancy levels will recover by 2024; the timing and pace of recovery for individual markets will vary based on market-specific characteristics and conditions.

Exacerbated by rising oil and gas prices in the wake of the Russia-Ukraine conflict, the inflationary trends that first emerged during the pandemic have continued. Driven by supply-chain disruptions and pent-up consumer demand during the pandemic, prices for most goods and services increased substantially. The Federal Reserve is combating inflation through successive interest rate hikes (seven in 2022), with some initial success, as the pace of inflation and job growth have decelerated. However, further increases are possible through the first part of this year. The risk of a recession has emerged as a concern, as well, affecting the stock market, debt availability, and consumer confidence. The ongoing international conflicts have also contributed to economic uncertainty, continued supply disruptions, and increased energy costs. As a result, the near-term outlook is unclear, and investors are taking an increasingly cautious approach, which, when combined with the recent increases in interest rates, has put downward pressure on real estate values. As of the first quarter of 2023, inflation levels are anticipated

to remain elevated in the near term, albeit below peak levels. Over the longer term, inflation is expected to moderate back to more normalized levels as the economy moves through the current cycle.

By its nature, the hospitality industry is a major employer and thus heavily reliant on the cost and availability of labor. Following the onset of the pandemic, roughly 33.0% of jobs were lost across the hotel industry between February 2020 and January 2021, according to Tourism Economics. While many of these jobs have returned, the workforce has not kept pace with the increased employment opportunities, and many hotels continue to report labor shortages. The industry has responded to this issue through wage increases, additional benefits, flexible schedules, and the implementation of cross-training and job sharing, as well as increased use of technology. In response to the pandemic, many hotels revised, downsized, or eliminated some services, particularly in the food and beverage (F&B) and housekeeping departments. Given the ongoing labor shortages, operators are retaining some aspects of these solutions, which should somewhat offset rising labor costs. Nevertheless, notable increases in labor costs are anticipated to continue in the near term.

In preparing this report, we have considered the impact of these factors on the lodging and investment markets to the best of our ability, inclusive of the subject of this report. However, our analysis only considers what is known at the time of the effective date of the report, and there is a high degree of uncertainty currently influencing the market and the economy.

Ownership of the Subject Site

The developer of the proposed subject hotel is Archstreet McKinney LLC. The subject site was purchased by Archstreet McKinney LLC in 2022 for an undisclosed sum.

Management and Franchise Assumptions

Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. Our projections reflect a total management fee of 3.0% of total revenues.

According to the developer, the hotel will be subject to a fee equaling 2.0% of gross revenues for use of the Denizen hotel name. Based on our review of the agreement's terms or expected terms, the Independent franchise is reflected in our forecasts with a royalty fee of 2% of rooms revenue. Any marketing assessments due are included in our forecast of the marketing expense line item.

Summary of Hotel Market Trends

Following the Great Recession, both occupancy and ADR generally followed a strengthening trend from 2011 through 2015. An influx of new supply that began in 2015 caused occupancy levels to fall from the mid-to-high 70s in 2013 and 2014 to roughly 65.0% in 2019. As a result of a wider competitive landscape, ADR began to weaken in 2017, and this trend continued through 2019. In March 2020, the COVID-19 pandemic began to affect the local market, similar to the rest of the nation, resulting in stay-at-home orders, group cancelations, and decreased business travel; thus, occupancy declined significantly in 2020. As much of the demand remaining was lower rated in nature, ADR declined in 2020, as well. General improvement has been registered since the low point that year, with both occupancy and ADR increasing in 2021 given the wide distribution of vaccines and strengthening economic conditions, resulting in higher demand levels. Year-to-date data through November 2022 illustrate continued improvement in both occupancy and ADR. While the pandemic will continue to affect business to some degree in the near term, particularly group business, the overall outlook is optimistic given the dynamics of this market, the return to office operations, and the increase in travel to the Metroplex.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by STR.

FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2015	899	328,251	—	243,328	—	74.1 %	\$115.47	—	\$85.60	—
2016	932	340,180	3.6 %	250,547	3.0 %	73.7	119.13	3.2 %	87.74	2.5 %
2017	961	350,758	3.1	256,663	2.4	73.2	119.93	0.7	87.76	0.0
2018	1,171	427,337	21.8	302,590	17.9	70.8	117.07	(2.4)	82.89	(5.5)
2019	1,383	504,693	18.1	345,946	14.3	68.5	116.63	(0.4)	79.95	(3.6)
2020	1,519	554,435	9.9	230,468	(33.4)	41.6	93.65	(19.7)	38.93	(51.3)
2021	1,519	554,435	0.0	384,721	66.9	69.4	98.66	5.3	68.46	75.9
<u>Year-to-Date Through November</u>										
2019	1,370	457,604	—	319,847	—	69.9 %	\$117.60	—	\$82.20	—
2020	1,519	507,346	10.9 %	212,241	(33.6) %	41.8	94.69	(19.5) %	39.61	(51.8) %
2021	1,519	507,346	0.0	352,737	66.2	69.5	98.59	4.1	68.55	73.0
2022	1,519	507,346	0.0	357,501	1.4	70.5	114.87	16.5	80.94	18.1
Average Annual Compounded Change:										
2015 – 2019			11.4 %	9.2 %			0.3 %			(1.7) %
2015 – 2020			11.1	(1.1)			(4.1)			(14.6)
Hotels Included in Sample				Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened		
NYLO Dallas Plano Hotel, Tapestry Collection by Hilton				Upscale Class	Secondary	176	Dec 2018	Dec 2007		
Homewood Suites by Hilton Dallas Frisco				Upscale Class	Secondary	117	Jan 2008	Jan 2008		
aloft Hotel Frisco				Upscale Class	Secondary	136	Dec 2008	Dec 2008		
Hilton Garden Inn Dallas Frisco				Upscale Class	Secondary	102	Dec 2008	Dec 2008		
Homewood Suites by Hilton Dallas Allen				Upscale Class	Primary	114	Feb 2010	Feb 2010		
La Quinta Inns & Suites McKinney				Upper Midscale Class	Secondary	79	May 2010	May 2010		
Cambria Hotels Plano Frisco				Upscale Class	Secondary	129	Nov 2014	Nov 2014		
Hampton by Hilton Inn & Suites McKinney				Upper Midscale Class	Primary	79	Jun 2015	Jun 2015		
Residence Inn Dallas Allen Fairview				Upscale Class	Secondary	117	Nov 2017	Nov 2017		
Home2 Suites by Hilton Fairview Allen				Upper Midscale Class	Primary	111	Dec 2017	Dec 2017		
Home2 Suites by Hilton Plano Legacy West				Upper Midscale Class	Secondary	127	Dec 2018	Dec 2018		
Home2 Suites by Hilton McKinney				Upper Midscale Class	Primary	107	Jul 2019	Jul 2019		
SpringHill Suites Dallas McKinney/Allen				Upscale Class	Primary	125	Sep 2019	Sep 2019		
Total						1,519				

Source: STR

The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation					Estimated 2021				Estimated 2022						
	Number of Rooms	Commercial	Group	Leisure	Extended-Stay	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration	
Home2 Suites by Hilton McKinney	107	35 %	15 %	20 %	30 %	107	75 - 80 %	\$105 - \$110	\$80 - \$85	107	70 - 75 %	\$105 - \$110	\$80 - \$85	100 - 110 %	100 - 110 %	
Home2 Suites by Hilton Fairview Allen	111	35	15	20	30	111	80 - 85	85 - 90	70 - 75	111	75 - 80	105 - 110	80 - 85	110 - 120	100 - 110	
SpringHill Suites by Marriott Dallas McKinney Allen	125	55	20	20	5	125	65 - 70	95 - 100	65 - 70	125	65 - 70	100 - 105	70 - 75	95 - 100	85 - 90	
Homewood Suites by Hilton Dallas Allen	114	30	10	15	45	114	85 - 90	100 - 105	85 - 90	114	80 - 85	110 - 115	90 - 95	110 - 120	110 - 120	
Hampton by Hilton McKinney	79	70	10	20	0	79	75 - 80	110 - 115	85 - 90	79	70 - 75	120 - 125	90 - 95	100 - 110	110 - 120	
Sub-Totals/Averages	536	43 %	14 %	19 %	24 %	536	78.9 %	\$99.88	\$78.85	536	77.0 %	\$108.28	\$83	108 %	103.2 %	
Secondary Competitors	983	43 %	18 %	22 %	17 %	737	64.2 %	\$97.84	\$62.86	737	67.1 %	\$117.54	\$79	94 %	97.7 %	
Totals/Averages	1,519	43 %	16 %	20 %	20 %	1,273	70.4 %	\$98.80	\$69.59	1,273	71.3 %	\$113.33	\$81	100 %	100.0 %	
* Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.																

FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation					Total Competitive Level	Estimated 2021				Estimated 2022			
		Commercial	Group	Leisure	Extended-Stay	Weighted Annual Room Count		Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	
La Quinta Inn & Suites by Wyndham McKinney	79	50 %	20 %	30 %	0 %	75 %	59	75 - 80 %	\$75 - \$80	\$60 - \$65	59	75 - 80 %	\$90 - \$95	\$70 - \$75	
Residence Inn Dallas Allen Fairview by Marriott	117	30	10	15	45	75	88	80 - 85	95 - 100	80 - 85	88	75 - 80	95 - 100	75 - 80	
Homewood Suites by Hilton Dallas Frisco	117	35	10	10	45	75	88	75 - 80	115 - 120	90 - 95	88	75 - 80	130 - 140	105 - 110	
Home2 Suites by Hilton Plano Legacy West	127	35	15	20	30	75	95	70 - 75	90 - 95	65 - 70	95	70 - 75	115 - 120	85 - 90	
Hilton Garden Inn Frisco	102	55	25	20	0	75	77	60 - 65	100 - 105	60 - 65	77	60 - 65	130 - 140	85 - 90	
Aloft Frisco	136	60	20	20	0	75	102	45 - 50	105 - 110	45 - 50	102	55 - 60	115 - 120	65 - 70	
Cambria Suites Plano Legacy	129	40	25	35	0	75	97	50 - 55	95 - 100	50 - 55	97	50 - 55	115 - 120	65 - 70	
NYLO Dallas Plano Hotel Tapestry Collection	176	45	25	30	0	75	132	45 - 50	90 - 95	45 - 50	132	50 - 55	125 - 130	65 - 70	
Totals/Averages	983	43 %	18 %	22 %	17 %	75 %	737	64.2 %	\$97.84	\$62.86	737	67.1 %	\$117.54	\$78.86	
* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.															

Summary of Forecast Occupancy and Average Rate

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 78% and a base-year rate position of for the proposed subject hotel. The following table reflects a summary of our proposed subject hotel occupancy and average rate projections.

FIGURE 1-4 FORECAST OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate
2025	66 %	\$151.11
2026	73	157.16
2027	77	163.44
2028	78	168.35
2029	78	173.40

Summary of Forecast Income and Expense Statement

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.

FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2025 (Calendar Year)					2026					2027					Stabilized					2029				
Number of Rooms:	102					102					102					102					102				
Occupancy:	66%					73%					77%					78%					78%				
Average Rate:	\$151.11					\$157.16					\$163.44					\$168.35					\$173.40				
RevPAR:	\$99.73					\$114.72					\$125.85					\$131.31					\$135.25				
Days Open:	365					365					365					365					365				
Occupied Rooms:	24,572	%Gross	PAR	POR		27,178	%Gross	PAR	POR		28,667	%Gross	PAR	POR		29,039	%Gross	PAR	POR		29,039	%Gross	PAR	POR	
OPERATING REVENUE																									
Rooms	\$3,713	89.2 %	\$36,402	\$151.11		\$4,271	89.5 %	\$41,873	\$157.15		\$4,685	89.8 %	\$45,931	\$163.43		\$4,889	89.9 %	\$47,931	\$168.36		\$5,035	89.9 %	\$49,363	\$173.39	
Food & Beverage	278	6.7	2,723	11.30		314	6.6	3,080	11.56		337	6.5	3,300	11.74		350	6.4	3,432	12.06		361	6.4	3,535	12.42	
Other Operated Departments	150	3.6	1,468	6.09		162	3.4	1,587	5.95		169	3.2	1,660	5.91		175	3.2	1,716	6.03		180	3.2	1,768	6.21	
Miscellaneous Income	23	0.6	225	0.93		24	0.5	238	0.89		25	0.5	249	0.89		26	0.5	257	0.90		27	0.5	265	0.93	
Total Operating Revenues	4,163	100.0	40,818	169.44		4,771	100.0	46,777	175.56		5,216	100.0	51,141	181.96		5,440	100.0	53,338	187.35		5,603	100.0	54,931	192.94	
DEPARTMENTAL EXPENSES *																									
Rooms	902	24.3	8,844	36.71		965	22.6	9,457	35.49		1,015	21.7	9,946	35.39		1,050	21.5	10,297	36.17		1,082	21.5	10,606	37.25	
Food & Beverage	211	75.9	2,067	8.58		226	71.9	2,216	8.32		237	70.4	2,323	8.26		245	70.0	2,403	8.44		252	70.0	2,475	8.69	
Other Operated Departments	71	47.2	693	2.88		74	45.6	724	2.72		76	45.1	749	2.66		79	45.0	772	2.71		81	45.0	795	2.79	
Total Expenses	1,184	28.4	11,604	48.17		1,264	26.5	12,397	46.53		1,328	25.5	13,018	46.32		1,374	25.3	13,472	47.32		1,415	25.3	13,877	48.74	
DEPARTMENTAL INCOME	2,980	71.6	29,214	121.27		3,507	73.5	34,380	129.03		3,889	74.5	38,123	135.64		4,066	74.7	39,865	140.02		4,188	74.7	41,054	144.20	
UNDISTRIBUTED OPERATING EXPENSES																									
Administrative & General	362	8.7	3,545	14.72		382	8.0	3,741	14.04		399	7.6	3,909	13.91		412	7.6	4,039	14.19		424	7.6	4,160	14.61	
Info & Telecom Systems	43	1.0	423	1.76		46	1.0	447	1.68		48	0.9	467	1.66		49	0.9	482	1.69		51	0.9	497	1.74	
Marketing	340	8.2	3,333	13.84		359	7.5	3,518	13.20		375	7.2	3,676	13.08		387	7.1	3,798	13.34		399	7.1	3,912	13.74	
Franchise Fee	83	2.0	816	3.39		95	2.0	936	3.51		104	2.0	1,023	3.64		109	2.0	1,067	3.75		112	2.0	1,099	3.86	
Prop. Operations & Maint.	106	2.5	1,037	4.30		136	2.8	1,329	4.99		167	3.2	1,634	5.81		172	3.2	1,688	5.93		177	3.2	1,739	6.11	
Utilities	146	3.5	1,429	5.93		154	3.2	1,508	5.66		161	3.1	1,575	5.61		166	3.1	1,628	5.72		171	3.1	1,676	5.89	
Total Expenses	1,080	25.9	10,583	43.93		1,171	24.5	11,477	43.07		1,253	24.0	12,283	43.71		1,296	23.9	12,701	44.61		1,334	23.9	13,082	45.95	
GROSS OPERATING PROFIT	1,900	45.7	18,631	77.34		2,336	49.0	22,903	85.96		2,636	50.5	25,839	91.94		2,771	50.8	27,164	95.41		2,853	50.8	27,973	98.25	
Management Fee	125	3.0	1,225	5.08		143	3.0	1,403	5.27		156	3.0	1,534	5.46		163	3.0	1,600	5.62		168	3.0	1,648	5.79	
INCOME BEFORE NON-OPR. INC. & EXP.	1,775	42.7	17,406	72.26		2,193	46.0	21,500	80.69		2,479	47.5	24,305	86.48		2,607	47.8	25,564	89.79		2,685	47.8	26,325	92.46	
NON-OPERATING INCOME & EXPENSE																									
Property Taxes	137	3.3	1,338	5.56		141	2.9	1,378	5.17		145	2.8	1,420	5.05		149	2.7	1,462	5.14		154	2.7	1,506	5.29	
Insurance	45	1.1	441	1.83		46	1.0	455	1.71		48	0.9	468	1.67		49	0.9	482	1.69		51	0.9	497	1.74	
Total Expenses	182	4.4	1,780	7.39		187	3.9	1,833	6.88		193	3.7	1,888	6.72		198	3.6	1,945	6.83		204	3.6	2,003	7.04	
EBITDA	1,594	38.3	15,627	64.87		2,006	42.1	19,667	73.81		2,287	43.8	22,417	79.76		2,409	44.2	23,619	82.96		2,481	44.2	24,322	85.43	
Reserve for Replacement	83	2.0	816	3.39		143	3.0	1,403	5.27		209	4.0	2,046	7.28		218	4.0	2,134	7.49		224	4.0	2,197	7.72	
EBITDA LESS RESERVE	\$1,511	36.3 %	\$14,810	\$61.48		\$1,863	39.1 %	\$18,263	\$68.54		\$2,078	39.8 %	\$20,371	\$72.48		\$2,192	40.2 %	\$21,485	\$75.47		\$2,257	40.2 %	\$22,124	\$77.71	

* Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 1-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2025		2026		2027		2028		2029		2030		2031		2032		2033		2034	
Number of Rooms:	102		102		102		102		102		102		102		102		102		102	
Occupied Rooms:	24,572		27,178		28,667		29,039		29,039		29,039		29,039		29,039		29,039		29,039	
Occupancy:	66%		73%		77%		78%		78%		78%		78%		78%		78%		78%	
Average Rate:	\$151.11	% of	\$157.16	% of	\$163.44	% of	\$168.35	% of	\$173.40	% of	\$178.60	% of	\$183.96	% of	\$189.48	% of	\$195.16	% of	\$201.01	% of
RevPAR:	\$99.73	Gross	\$114.72	Gross	\$125.85	Gross	\$131.31	Gross	\$135.25	Gross	\$139.31	Gross	\$143.49	Gross	\$147.79	Gross	\$152.22	Gross	\$156.79	Gross
OPERATING REVENUE																				
Rooms	\$3,713	89.2 %	\$4,271	89.5 %	\$4,685	89.8 %	\$4,889	89.9 %	\$5,035	89.9 %	\$5,186	89.9 %	\$5,342	89.9 %	\$5,502	89.9 %	\$5,667	89.9 %	\$5,837	89.9 %
Food & Beverage	278	6.7	314	6.6	337	6.5	350	6.4	361	6.4	371	6.4	383	6.4	394	6.4	406	6.4	418	6.4
Other Operated Departments	150	3.6	162	3.4	169	3.2	175	3.2	180	3.2	186	3.2	191	3.2	197	3.2	203	3.2	209	3.2
Miscellaneous Income	23	0.6	24	0.5	25	0.5	26	0.5	27	0.5	28	0.5	29	0.5	30	0.5	30	0.5	31	0.5
Total Operating Revenues	4,163	100.0	4,771	100.0	5,216	100.0	5,440	100.0	5,603	100.0	5,771	100.0	5,945	100.0	6,123	100.0	6,306	100.0	6,495	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	902	24.3	965	22.6	1,015	21.7	1,050	21.5	1,082	21.5	1,114	21.5	1,148	21.5	1,182	21.5	1,218	21.5	1,254	21.5
Food & Beverage	211	75.9	226	71.9	237	70.4	245	70.0	252	70.0	260	70.0	268	70.0	276	70.0	284	70.0	293	70.0
Other Operated Departments	71	47.2	74	45.6	76	45.1	79	45.0	81	45.0	84	45.0	86	45.0	89	45.0	91	45.0	94	45.0
Total Expenses	1,184	28.4	1,264	26.5	1,328	25.5	1,374	25.3	1,415	25.3	1,458	25.3	1,502	25.3	1,547	25.3	1,593	25.3	1,641	25.3
DEPARTMENTAL INCOME	2,980	71.6	3,507	73.5	3,889	74.5	4,066	74.7	4,188	74.7	4,313	74.7	4,443	74.7	4,576	74.7	4,713	74.7	4,855	74.7
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	362	8.7	382	8.0	399	7.6	412	7.6	424	7.6	437	7.6	450	7.6	464	7.6	478	7.6	492	7.6
Info & Telecom Systems	43	1.0	46	1.0	48	0.9	49	0.9	51	0.9	52	0.9	54	0.9	55	0.9	57	0.9	59	0.9
Marketing	340	8.2	359	7.5	375	7.2	387	7.1	399	7.1	411	7.1	423	7.1	436	7.1	449	7.1	463	7.1
Franchise Fee	83	2.0	95	2.0	104	2.0	109	2.0	112	2.0	115	2.0	119	2.0	122	2.0	126	2.0	130	2.0
Prop. Operations & Maint.	106	2.5	136	2.8	167	3.2	172	3.2	177	3.2	183	3.2	188	3.2	194	3.2	200	3.2	206	3.2
Utilities	146	3.5	154	3.2	161	3.1	166	3.1	171	3.1	176	3.1	181	3.1	187	3.1	192	3.1	198	3.1
Total Expenses	1,080	25.9	1,171	24.5	1,253	24.0	1,296	23.9	1,334	23.9	1,374	23.9	1,416	23.9	1,458	23.9	1,502	23.9	1,547	23.9
GROSS OPERATING PROFIT	1,900	45.7	2,336	49.0	2,636	50.5	2,771	50.8	2,853	50.8	2,999	50.8	3,027	50.8	3,118	50.8	3,211	50.8	3,308	50.8
Management Fee	125	3.0	143	3.0	156	3.0	163	3.0	168	3.0	173	3.0	178	3.0	184	3.0	189	3.0	195	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,775	42.7	2,193	46.0	2,479	47.5	2,607	47.8	2,685	47.8	2,766	47.8	2,849	47.8	2,934	47.8	3,022	47.8	3,113	47.8
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	137	3.3	141	2.9	145	2.8	149	2.7	154	2.7	158	2.7	163	2.7	168	2.7	173	2.7	178	2.7
Insurance	45	1.1	46	1.0	48	0.9	49	0.9	51	0.9	52	0.9	54	0.9	55	0.9	57	0.9	59	0.9
Total Expenses	182	4.4	187	3.9	193	3.7	198	3.6	204	3.6	210	3.6	217	3.6	223	3.6	230	3.6	237	3.6
EBITDA	1,594	38.3	2,006	42.1	2,287	43.8	2,409	44.2	2,481	44.2	2,555	44.2	2,632	44.2	2,711	44.2	2,792	44.2	2,876	44.2
Reserve for Replacement	83	2.0	143	3.0	209	4.0	218	4.0	224	4.0	231	4.0	238	4.0	245	4.0	252	4.0	260	4.0
EBITDA LESS RESERVE	\$1,511	36.3 %	\$1,863	39.1 %	\$2,078	39.8 %	\$2,192	40.2 %	\$2,257	40.2 %	\$2,324	40.2 %	\$2,394	40.2 %	\$2,466	40.2 %	\$2,540	40.2 %	\$2,616	40.2 %

As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

Feasibility Conclusion

The conclusion of this analysis indicates that the property would generate a 11.6% return on an initial investment of \$21,900,000. The proposed subject hotel has an opportunity to fill the void of an all-suite boutique hotel in this northern Dallas suburban area. The investor surveys indicate discount rates ranging from 7.6% to 15.0%; the averages of the surveys range from 9.3% to 12.1%. Based on these parameters, the calculated return of 11.6% on the project is within the range of returns. Return requirements vary based on an individual investor's circumstances, including the cost and availability of both debt and equity capital. This analysis is intended to provide information to assist the developer in evaluating the feasibility of the proposed project. We note that the return is based on the developer's cost estimate of approximately \$21,900,000.

Assignment Conditions

Per USPAP, an "Extraordinary Assumption" is defined as follows:

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.¹

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

¹The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2020–2021 ed.

Intended Use of the Feasibility Study

This feasibility report is being prepared for use in the development of the proposed subject hotel.

Identification of the Client and Intended User(s)

The client for this engagement is Archstreet McKinney LLC. This report is intended for the addressee firm and may not be distributed to or relied upon by other persons or entities.

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,² *Hotels, Motels and Restaurants: Valuations and Market Studies*,³ *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,⁴ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁵ and *Hotels and Motels – Valuations and Market Studies*.⁶

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hospitality-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit,

² Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

³ Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

⁴ Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

⁵ Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

⁶ Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies*. (Chicago: Appraisal Institute, 2001).

average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.

6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) sets forth the anticipated economic benefits of the proposed subject property.
9. A feasibility analysis is performed, in which the total property yield that the project would generate is compared to the total property yields indicated by market surveys.