



CITY COUNCIL AGENDA ITEMS

To: Mayor and City Council
From: Dean Rich, Director of Finance
Walter Denton, City Administrator
Date: June 18, 2007
Subject: Resolution authorizing purchase of Conference Center Property and agreement with D & D Lodging to build and lease

List of committees that have reviewed: Finance and Administration and 2 Executive Sessions

Background : After working 2 years with the original developer of the Shoppes at Green Mount, the only proposed business was a fast food restaurant and a dollar discount store. D & D Lodging came forward and proposed purchasing the development and redirecting it. They proposed a business campus with hotels, restaurants and offices centered by a Conference Center. D & D would build the Conference Center and sell it to the City for \$6,000,000 and lease it back. Council was briefed and voted to press forward with the new proposal and pass a 1% Food and Beverage tax to pay for the Center.

One year later, we are ready to break ground for the first hotel and formalize the purchase and lease agreement. The Planned Development Zoning for the project has been approved by Council (Ordinance No. 3525) and ground breaking for the Hilton Garden Hotel is set for this month with the ground breaking for the Conference Center to follow. Attached to the Resolution are the 3 agreement documents and a proposal review from 3rd party consultant Peckham Guyton Albers & Viets (PGAV).

While some details have evolved with time, the agreement is virtually unchanged from the original briefing in July 2006. A 120 room Hilton Garden Hotel, a 30,000 SF/\$6,000,000 Conference Center funded by a 1% Food & Beverage Tax, a proposed 97 room Hampton Inn, 4 upscale restaurants, and a complex of office buildings. D & D will hire a professional management company to operate the conference center, and the 2 hotels, set aside 2.5% of revenue in an auditable account for capital improvements, comply with all state and local laws, regulations and code and pay property tax on the Center. When the bond is paid, the City will own the property free and clear. To this point, no money has been paid to D&D Lodging. The City will not close on the property until the conference center is ready for construction.

Legal Considerations, if any: The agreement was drawn between City Attorney Dale Funk and D & D Counsel Linda Kniepkamp of Greensfelder, Hemker and Gale

Budget Impact: The City sold a \$6,000,000 bond and the payments are covered by a 1% Food and Beverage Tax. The development should add \$1,000,000 a year in property tax to the taxing bodies, \$400,000 in new food and beverage tax and \$250,000 in additional Hotel and Motel Tax. As a conservative minimum, the \$6,000,000 investment should generate over \$30,000,000 in return over the first 20 years.

Staff recommendation: Pass the resolution with all three agreements. The development agreement and lease agreement will be effective immediately and the sales agreement upon closing on the property.