



AGENDA MEMORANDUM

First Reading for the City Council Meeting of February 20, 2024
Second Reading for the City Council Meeting of April 23, 2024

DATE: March 11, 2024

TO: Peter Zaroni, City Manager

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Homewood Suites by Hilton

CAPTION:

Ordinance authorizing an agreement between the Type B Corporation and Elevate QOF LLC, for a total incentive amount not to exceed \$2,000,000 for Homewood Suites by Hilton at the corner of N Chaparral Street and Lomax Street; for costs associated with the street level retail, public space, and outdoor dining area activation including gray box and finish out including necessary floodwall and dry flood proofing to allow for consistent street level access; authorizing the expenditure of up to \$2,000,000 from the Type B unreserved fund balance; and amending the fiscal year 2023-24 budget to increase expenditures by \$2,000,000.00.

SUMMARY:

This ordinance authorizes an agreement with Elevate QOF LLC, in the amount of \$2,000,000 for Homewood Suites by Hilton for costs associated with the development of street level retail, public space, and outdoor dining activation. The costs include gray box and finish out of the spaces to include the necessary floodwall and dry flood proofing of the bottom floor which allows for street level activation which is consistent with other structures adjacent to the new hotel. This hotel project serves as a catalytic project in the heart of downtown that will activate almost an entire city block in the heart of downtown, transforming the entire area and having a positive impact on future development.

BACKGROUND AND FINDINGS:

On September 27, 2023 Elevate QOF LLC submitted an application for funding from the Type B Corporation for costs associated with the development of street level retail, restaurant, and public spaces to be built along with the Homewood Suites project. The costs included floodwall and dry flood proofing the street level structures to maintain consistency with adjacent buildings across downtown along with gray box and finish out of the spaces. While the updated FEMA`

flood maps were adopted by City Council in October 2022, the ordinance language provide general guidelines but the application of these guidelines is still being worked through. The developer was made aware of the need to modify the design to accommodate the new flood requirements in an Early Assistance Meeting with the Development Services Department in February 2023. The developer worked to modify the design to maintain the street level activation while meeting the FEMA requirements and develop a cost estimate for these modifications. Per Type B Corporation policies, the application was submitted prior to the start of construction. Best practices for economic development incentives generally do not consider demolition as the commencement of construction but rather the commencement of site work or vertical construction marks the beginning of construction activities. The site-work and building construction permits for this project were issued in November 2023 which was after the date of application acceptance.

The request was presented at the November 9, 2023, CCREDC Board of Directors meeting as required by the Type B policies and procedures. The CCREDC Board recommended a funding amount of \$1,043,433 based on an economic impact report that was conducted by CCREDC staff, and the analysis generated a total incentive amount of \$1,043,433 with a payback period of five years at a rate of return of 19.7%. This amount was calculated using the assumptions of a total capital investment of \$30,000,000 and 70 jobs created with an average salary of \$30,000.

On November 13, 2023 CCREDC staff presented the project to the Type B Corporation board for consideration. The project was discussed in executive session and the Board directed CCREDC staff to return in December with additional information based on the questions posed during the discussion. On December 11, 2023, the requested information was provided and the Type B Corporation approved the original amount requested of \$2,000,000, instead of the amount recommended by the CCRED Board, due to the catalytic nature of the project along with the street level activation of retail and restaurant spaces consistent with adjacent structures. The Type B programs do not require the requestor to prove a project funding gap and but rather are awarded on the project meeting the Type B eligibility including job creation and the overall merit of the project. The Type B Board recommended amending the budget for Homewood Suites Hotel and requested the development agreement be brought back to the Type B Board at the next meeting in January 2024.

On February 20, 2024 the first reading of the ordinance was presented to City Council for consideration. The ordinance caption primarily focused on the project to comply with FEMA flood requirements. The focus of the project should have instead focused on maintaining the street level retail activation consistent with the surrounding area by incorporating flood control aspects and the build out of the retail spaces. The caption presented for consideration today has been updated to properly reflect the aspects of the project that the Type B Corporation board based their recommendation for approval. The total incentive amount of \$2,000,000 has not changed since the first reading of the ordinance.

The Hilton – Homewood Suites project will be a five story, 127-room dual hotel (overnight and extended stay) at the corner of N. Chapparral Street and Lomax Street, across from the Executive Surf Club. The hotel will include a rooftop bar, retail space, Top Golf Swing Suites, outdoor patio, and other amenities.

The grant request will be utilized for costs associated with the development of street level retail, restaurant, and public spaces to be built along with the Homewood Suites project. The costs included floodwall and dry flood proofing the street level structures to maintain consistency with adjacent buildings across downtown along with gray box and finish out of the spaces.

To maintain the consistent street level activation and meet FEMA requirements, the site will be raised two feet, a two foot flood wall will be incorporated into the ground flood, and the entire

ground floor will be dry flood proofed. The costs associated with this totals an estimated \$1,510,088. The estimated costs for the remaining street level build out are as follows:

- Glazing, facing Chaparral & Outdoor Dining Area - \$210,000
- Concrete for outdoor dining patio - \$50,000
- Covered Seating & Shade Canopies at Retail Frontage - \$35,000
- Grease Trap & Utilities to Lease Spaces - \$45,000
- Gray Box Finish-out for 3 Lease Spaces - \$150,000 (7,500sf @ \$20/sf).

In addition to the requested Type B funding, this project was approved for reimbursement from TIRZ #3-Downtown in March 2023 for an amount not to exceed \$1.55 million for the improvements listed below. The development agreement was approved in June 2023. The developer worked with the Downtown Management District to explore the option to request additional reimbursement for the increased costs to maintain the street level activation but there was not a TIRZ program that the costs were eligible under.

Qualifying Item	Estimated Cost
Exterior and Roof-5 th Floor Full Service Bar	\$ 225,000.00
Steel Structural Upgrades in support of the 5 th Floor Bar	\$ 600,000.00
Landscaping and Amenities for the Rear Seating Patio	\$ 25,000.00
Flood Mitigation related to site utilities	\$ 150,000.00
Urban Design on exterior and roof	\$ 550,000.00
Total Reimbursement Cap	\$ 1,550,000.00

ALTERNATIVES:

The City Council has several alternatives:

- Approve as presented
- Approve funding of a lesser amount or not approve any funding
- Approve funding of \$1,043,433 based on the economic impact report that was conducted by CCREDC staff based on an investment of \$30,000,000, creation of 70 jobs, and a payback period of five years at a rate of return of 19.7%
- Send back to the Type B board for further clarification and justification
- Table the item pending additional information as requested by City Council. The item would be considered by City Council at a future date.

FISCAL IMPACT:

The financial impact is an amount not to exceed \$2,000,000 to be funded with the Type B Economic Development Fund in FY 2024.

Funding Detail:

Fund:	1146	Economic Development Fund
Organization/Activity:	15020	Large Business Projects
Mission Element:		
Project # (CIP Only):		
Account:	530000	Professional Services Expense

RECOMMENDATION:

Staff recommends City Council consider this agreement on second reading in an amount not to exceed \$2,000,000 with funding available from the Type B Sales Tax Venue.

LIST OF SUPPORTING DOCUMENTS:

Ordinance

Agreement

PowerPoint Presentation