

# GENERAL

## Ordinance Fact Sheet

150357

### Ordinance Number

**Brief Title:** Authorizing the execution of an MOU and related agreements.  
**Approval Deadline:**

**Reason:** To provide for the development of a downtown convention center headquarters hotel.

**Details**

**Positions / Recommendations**

<p><b>Reason for Legislation</b>          Authorizing the City Manager to execute a Memorandum of Understanding with Burke Swerdling &amp; Associates, LLC, (“BSA”) for the purposes of advancing the development a new downtown convention center headquarters hotel; authorizing the City Manager to execute such further agreements as may be necessary for the purposes of developing, financing, constructing and operating the convention hotel in the manner contemplated by the Memorandum of Understanding; and recognizing this ordinance as having an accelerated effective date.</p>	<p><b>Sponsor(s)</b> Mayor James</p>						
<p><b>Discussion</b> <i>(including relationship to other Council actions)</i>           Approval of the ordinance will authorize the City to execute an MOU and related agreements with respect to the development of a new downtown convention center headquarters hotel to be owned and operated by a major global hotel brand. The MOU would establish the framework for the various development/financing agreements to be executed within the next 4 to 13 month period. Those agreements would provide for the following:</p> <ul style="list-style-type: none"> <li>• A cash contribution by City of \$35,000,000. Funds to be derived from a bond issuance and the debt serviced by the City’s convention &amp; tourism taxes. City’s obligation is contingent on BSA’s securing the balance of the financing needed to construct the project.</li> </ul>	<p><b>Programs, Departments, or Groups Affected</b></p>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"><b>Applicants/Proponents</b></td> <td style="width: 50%; padding: 5px;"><b>Applicant</b></td> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%; padding: 5px;">City Department</td> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%; padding: 5px;">Other</td> </tr> </table>	<b>Applicants/Proponents</b>	<b>Applicant</b>		City Department		Other
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- Approval of a Tax Increment Financing (“TIF”) plan/project continuing for 23 years. City to redirect, subject to appropriation, its economic activity taxes (as defined by the TIF Act) for the duration. Jackson County and Kanas City Zoological District to redirect their portion of the economic activity taxes for the duration.
  
- Approval of a Super TIF continuing for 30 years. City to redirect, subject to appropriation, a defined portion of the incremental economic activity taxes not otherwise redirected under the TIF Act. Commitment of the C&T-hotel/motel sales tax revenues will require the consent of VisitKC.
  
- PIEA/LCRA to approve sales tax exemption on construction materials and 100% real/personal property tax exemption pursuant to a sale/leaseback structure under which it would own all real/personal property and lease the same to an entity for 30 years. Property to be conveyed to lessee at lease’s termination.
  
- Transfer of existing project land owned by City and assistance with acquisition of additional project parcels, as needed. Property to be held by PIEA/LCRA.
  
- Approval of a community improvement district that is anticipated to impose a 1% sales tax and special assessment.
  
- City to provide standard City services with respect to zoning, permits, inspections, and reviews. City’s fees for such services will be capped at \$800,000.
  
- City will not, for a period 30 years, construct or provide financial assistance for the construction of any conference facility that would have a material adverse impact on this project.
  
- City will maintain the existing Convention Center to its current standards, will continue to designate it as the City’s principal convention center, and will not transfer ownership or management functions without the hotel owner’s consent. These obligations have no fixed duration; to be negotiated in final documents.
  
- City will not, for a period of 10 years after the hotel’s opening, provide subsidies for any competing hotel as defined by the MOU, unless such hotel would not have a material adverse impact as defined by the MOU. Certain existing buildings/projects are exempted from the exclusion.

- Committee Substitute**
- No Recommendation**
- Hold**
- Do Not Pass**

**Details****Policy / Program Impact**

<ul style="list-style-type: none"> <li>• City will grant the hotel owner exclusive catering rights in the Grand Ballroom for a period of 15 years pursuant to a QMA so long as the hotel continues to be operated by a major global hotel brand approved by City. Catering rights may be competitively bid afterwards, provided that no one other than the hotel owner will be given exclusivity for not less than 50 years. Management fee payable to hotel owner will be fixed pursuant to an agreed-upon schedule. Management fees equal \$62,363,816 over 15-year period (present value of \$47.3M). City will retain 4% of the gross revenues for FF&amp;E replacement, and 14% of the gross revenues (starting at \$800,000 plus inflation) as its share. (City will have the right to retain a defined portion of the Super TIF revenues generated by the hotel project in any given year if gross catering revenues less expenses are insufficient to fully pay the management fee payable to hotel owner.)</li> <li>• City will not be held responsible for funding any cost overruns or closing any financing gaps except to the extent intentionally caused by City without good cause. BSA exclusively responsible for securing private capital/debt needed to finance the project.</li> <li>• City and BSA will perform pursuant to an agreed-upon timetable for approval of the public incentives and execution of any documents required in conjunction with the project. Both parties have certain rights to terminate the MOU if certain timeframes are not satisfied. In the event any portion of the project financing provided by the public sector or the agreements contemplated to be executed by them are not approved, or, in the event BSA is not selected as the developer by the TIF Commission and PIEA/LCRA, the City will be precluded from negotiating with any other developer of a competing project or providing financial assistance for 24 months. Depending on the nature of the failure, the City may additionally be obligated to pay BSA liquidated damages in the amount of \$250,000 or condition the approval of any competing project on the requirement that any future developer reimburse, as a project expense, all administrative fees, consultant expenses, and legal fees paid by BSA to the TIF Commission and PIEA/LCRA.</li> </ul>		<b>Policy or Program Change</b>	<input type="checkbox"/> No <input type="checkbox"/> Yes	
		<b>Operational Impact Assessment</b>		
		<b>Finances</b>		
		<b>Cost and Revenue Projections</b>	<b>Cost of Legislation</b>	<b>Increase/Decrease in Revenue Expected Annually</b>
	<b>Fund Sources</b>			

**Applicable Dates:****Fact Sheet Prepared By:**

Brian T. Rabineau, Assistant City Attorney

**Reviewed By:**

## Reference Numbers