

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Claire Powell, Assistant City Manager

DATE: August 16, 2021

SUBJECT: **Approval of the First Amendment to the Economic Development Agreement Between Vista Ridge Lodging, LLC and the City of Lewisville; and Authorization for the City Manager to Execute the Agreements.**

BACKGROUND

On January 27, 2020, the City entered into an Economic Development Agreement with Vista Ridge Lodging, LLC (the “Company”) for an Aloft Hotel development on the southeast corner of E. Vista Ridge Mall Drive and Lake Vista Drive. The \$14,000,000 Aloft Hotel by Marriott includes 120 guest rooms, a bar, and a full-service restaurant. The proposed hotel is located within the City of Lewisville Neighborhood Empowerment Zone #1 (NEZ #1) which provides development and impact fee waivers on projects developed within its designated boundary, as shown below.

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A Neighborhood Empowerment Zone is a financial vehicle that provides cities with greater flexibility to use economic development incentives in designated areas. Pursuant to Texas Local Government Code Section 378, cities can designate an area within the city that meets certain statutory criteria. The City can then offer incentives in that area that are different than other areas within the City. For example, in 2019, the City Council approved the establishment of NEZ #1. Under the NEZ #1 incentive program, for capital investments over \$5,000,001, the City Council can offer a 100% fee waiver, including impact fees. Elsewhere in the City, impact fees cannot legally be waived and can only be reimbursed if part of an incentive package. A copy of the NEZ #1 program is attached.

Because ALOFT met the requirements under the NEZ #1 program, the economic development agreement executed in 2020 provided for the following incentives:

- Development Fee Waiver: Waive 100% of the total planning, engineering, and building permit-related fees. Public Works, Fire, and Sanitation fees are not included in the development fee waiver.
- Impact Fee Waiver: Waive 100% of the water and wastewater impact fees owed to the City not to exceed \$328,000.

ANALYSIS:

The City's original agreement with the Company required that they begin construction by December 31, 2021 and reach substantial completion no later than December 31, 2024. Unfortunately, the Company and the hospitality industry in general have been negatively impacted by the COVID-19 pandemic due to decrease in travel, tourism, and availability of construction materials during 2020. Accordingly, the Company requested a 24-month extension of the construction commencement date to December 31, 2023 and a 24-month extension of the construction completion date to December 31, 2026.

In July 2021, City Staff presented the Company's request during Council's executive session, and subsequently negotiated the attached amendment extending the construction deadlines.

RECOMMENDATION:

It is City Staff's recommendation that the City Council approve the first amendment to the economic development agreement and authorize the City Manager to execute the agreement.