



City of Olathe

COUNCIL AGENDA ITEM

MEETING DATE: 1/22/2019

DEPARTMENT: Legal

STAFF CONTACT: Ron Shaver

SUBJECT: Consideration of a First Amendment to Development Agreement with Holmes 111, LLC pertaining to the Olathe Station redevelopment project.

ITEM DESCRIPTION:

Consideration of a First Amendment to Development Agreement with Holmes 111, LLC pertaining to the Olathe Station redevelopment project.

SUMMARY:

On August 11, 2017, the City entered into a Development Agreement (Attachment A) with Holmes 111, LLC (the "Developer") pertaining to the Olathe Station redevelopment project located at the southeast corner of Strang Line Road and Strang Line Court (north of the AMC Theater) (the "Project"). The Development Agreement set forth the terms under which the Developer would construct the Project. The Agreement included creation of a Community Improvement District (CID) and imposition of a 1% CID sales tax to reimburse the Developer up to \$2,416,000 of CID-eligible Project costs out of an anticipated project budget of \$26,160,842 (9.2% of total project costs). The Agreement also called for issuance of industrial revenue bonds for the Project to obtain a sales tax exemption certificate on the Developer's costs of building materials and equipment.

The Development Agreement, including the preliminary site development plan depicted therein, contemplated that one hotel would be constructed within the Project along with two new restaurants (4,000 SF and 10,000 SF, respectively). That hotel (a 4-story, 72,352 SF, 119 room Courtyard by Marriott) is currently under construction. The Developer has also completed several other site improvements within the Project, including façade and parking lot improvements.

Based on market considerations, the Developer has submitted a revised preliminary site development plan which includes a second hotel within the Project along with one new 7,000 SF restaurant. The proposed second hotel would be a 4-story, 64,756 SF, 112 room Marriott TownePlace Suites. The revised project budget is now \$33,766,170, an increase of \$7,605,328. The Developer is not requesting an increase in the CID reimbursement cap. Thus, the total revised amount of CID-eligible Project costs would represent 7.1% of total project costs (a 2.1% reduction).

The First Amendment to Development Agreement (Attachment B) would allow for more than one hotel to be constructed within the project based on the aforementioned revised preliminary site development plan. The flag of any hotels constructed within the Project must be approved by the City, which consent will not be unreasonably withheld, conditioned or delayed. Any change in hotel flag for any hotels during the CID term must be approved by the City, whose consent will not be unreasonably withheld, conditioned or delayed.

The Developer presented an update on the current status of the Project and the proposed Marriott TownePlace Suites project on January 8, 2019. The revised preliminary site development plan is scheduled to go before the Planning Commission on January 28, 2019.

FINANCIAL IMPACT:

The Developer's increased investment would result in increased tax revenues to the City.

ACTION NEEDED:

Approve the First Amendment to Development Agreement with Holmes 111, LLC pertaining to the Olathe Station redevelopment project.

ATTACHMENT(S):

A: Development Agreement

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B: 1st Amendment to Development Agreement