

Mining Exchange Hotel Assignment of Economic Development Agreement

City Council Work Session
May 23, 2022

Bob Cope
Economic Development Officer



Background



Mining Exchange Hotel SWC Nevada & Pikes Peak



Background



- Boutique Hotel with 117 Rooms
- Opened May 2012
- Mining Exchange Group, LLC (MEG) undertook a major renovation in 2010
- In 2010 Colorado Springs had not recovered from the 2008 recession
- Downtown was not attracting private investment
- City of Colorado Springs entered into an Economic Development Agreement (EDA) as an inducement to MEG to make the investment in the renovation project

Background



- EDA provides for 1% sales tax sharing of the City's 2% General Fund Sales Tax collected from Hotel operations
- Sales Tax sharing is capped at \$3 million, or 17 years - whichever occurs first - December 31, 2027.
- Project resulted in:
 - Successful rehabilitation of the historic landmark property
 - New jobs
 - Increased City tax revenue
 - Streetscape improvements
 - Alley improvements, including lighting and seating
 - **Significant investment and economic stimulus that was the initial catalytic spark for our revitalized downtown**

Assignment



- MEG and KWHP Mining Exchange Group, LLC have entered into a Purchase and Sale Agreement to convey the Mining Exchange Hotel property to KWHP
- The parties have been conducting significant due diligence and have determined to move to closing – set for early June
- The sale of the property necessitates the assignment of the EDA from MEG (seller) to KWHP (purchaser)
- KWHP principals have significant background and experience in hospitality ownership and operation

Assignment



Background and Experience:

1. Kem Wilson III
 - a. Fund Operations, Investment Underwriting and Asset Management
 - b. Leads Business Development Practice
 - c. 18 years of Investing/Hotel Experience
- a. Webb Wilson, CFA
 - a. Portfolio Management
 - b. Investment Underwriting and Deal Structuring/Sourcing
 - c. 15 years of Finance/Investment Experience
- b. McLean Wilson
 - a. Investment Underwriting and Deal Structuring/Sourcing
 - b. Asset Operations Management
 - c. 16 Years Hospitality and Real Estate Investment Experience

Principals associated with Kemmons Wilson Companies

<http://kwilson.com/our-team/>

Assignment



- The assignment does not modify the terms of the EDA in any manner
- The City's consent to the Assignment is largely an administrative task
- At the time of execution of the EDA, it was estimated that the project would generate approximately \$9.7 million in net new revenue to the City over 17 years – the financial implications do not change
- The EDA is performance-based and does not impose any risk to the City

Staff Recommendation



Approve a Resolution approving consent to the assignment of an Economic Development Agreement between the City of Colorado Springs and Mining Exchange Group, LLC, to KWHP Mining Exchange Group, LLC

Questions?