



Legislation Text

File #: 22-331, **Version:** 1

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

Presenter:

Bob Cope, Economic Development Officer

Summary:

The City of Colorado Springs entered into an Economic Development Agreement (EDA) with Mining Exchange Group, LLC, (MEG) under the authority of City Council-approved Resolution No. 59-10, dated April 27, 2010. MEG and KWHP Mining Exchange Group, LLC (KWHP) have entered into a Purchase and Sale Agreement to convey the Mining Exchange Hotel property to KWHP. MEG desires to assign the MEG interest in and to the EDA to KWHP. KWHP desires to accept the MEG interest in and to the EDA. MEG and KWHP request that the City consent to an Assignment and Assumption Agreement thereby assigning the MEG interest in and to the EDA to KWHP.

Background:

The Mining Exchange is a 117-room boutique hotel located at 8 South Nevada in Colorado Springs. It opened in May 2012. In 2010, the Mining Exchange Hotel project required the renovation of four historic buildings, three of which were originally constructed by Winfield Scott Stratton, who was one of America's richest men at the time and who made his fortune in gold. The Mining Exchange Building opened in 1901 and was the location where miners brought in precious metals in exchange for currency. Adjacent to the Mining Exchange Building is the Independence Building, which was home to the first post office in Colorado Springs. The Freeman Telegraph Building adjoins the Independence Building. All three buildings feature vaults used for storing gold and other precious materials. The safes, ornate staircase, granite arches, and other elaborate details of the buildings remain after the hotel conversion to educate visitors of their historic significance while restoring the buildings to their past glory.

The Mining Exchange Group undertook a major renovation project to convert the property to a full service, boutique hotel. At the time of renovation, Colorado Springs had not recovered from the 2008 recession and downtown was not attracting new investment. As an inducement to make this investment, The City of Colorado Springs entered into an Economic Development Agreement (EDA) with Mining Exchange Group, LLC. The EDA provides for sales tax sharing whereby the City contributes 1% of its 2% general fund sales tax until approximately \$3,000,000 has been generated, for a period not to exceed 17years.

The project resulted in the successful rehabilitation of a historic landmark property, creation of approximately 400 jobs, increased sales tax revenue, sidewalk - streetscape improvements to Nevada and Pikes Peak, and alley improvements including lighting, seating, and public entrances.

The project created significant investment and economic stimulus, and was the initial catalytic spark for our revitalized downtown.

MEG and KWHP Mining Exchange Group, LLC (KWHP) have entered into a Purchase and Sale Agreement to convey the Mining Exchange Hotel property to KWHP. KWHP principals have significant background and experience in hospitality ownership and operation.

Previous Council Action:

The City of Colorado Springs entered into an Economic Development Agreement (EDA) with Mining Exchange Group, LLC, (MEG) under the authority of City Council-approved Resolution No. 59-10, dated April 27, 2010.

Financial Implications:

At the time of the original approval of the EDA in 2010, it was projected that revenue to the City over the 17-year term would be \$9,678,543, including \$3,450,432 in general fund sales tax. The proposed assignment of the EDA does not modify the terms of the agreement or alter the financial implications.

City Council Appointed Board/Commission/Committee Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

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

N/A