

Hotel Santa Rita Master Development Agreement Q & A:

Question: What is the \$60 million cost to the taxpayers? How do you justify this type of spending?

Answer: The hotel development will monetize the Bush Convention Center, Centennial Park, and the Tax Increment Reinvestment Zone (TIRZ) by drawing conventions to the city and continuing the growth and vitality of downtown. The TIRZ was unanimously approved by our other taxing entities, including Midland College, Hospital District, and Midland County, showing a long-term commitment to Downtown Midland. This project is a \$60M investment on the MDC and city sides, including some tax incentives, an incentive rate of 35.6% of the total project cost. This number is in line with, or lower, than best practices for similar developments across the state. The return on investment (ROI) for all taxing entities is over \$67M over a 20-year period. This would also benefit MISD, as they stand to receive \$24.8M in tax revenue from this project, which is not tax revenue received today.

Question: During the RFP process, the developers showed the city they would develop two downtown city blocks. The agreement now indicates that there are two possible site locations, one of which is on a single block. The two-block transformation factored into the council scoring the four original submissions. Shouldn't Midland leaders know what they are voting on from a location standpoint before moving forward on this project?

Answer: The location site is broadened for maximum flexibility for site development. Regardless of location, the quality (of a four- or five-star hotel) and economic impact will remain the same.

Question: Will wealthy Midlanders receive benefits? Why do they need any public money?

Answer: This group of Midland investors is dedicated to enhancing Midland and its Quality of Life and Place. These investors are committed to completing a project that is currently estimated to cost \$170M. The City's only portion of the incentives, which are tax rebates, are performance-based. This hotel project reflects and aligns with the City of Midland Strategic Plan.

Question: If premium hotels are losing money (Odessa?) and previous attempts to bring a four-star hotel to Midland failed because of economics, why are we putting public funding – so much public funding -- into this project?

Answer: Downtown must thrive to continue to grow; downtowns are economic drivers for the whole city. Our downtown must fully develop the \$64M investments with the Bush Convention Center, totaling almost \$42M, and Centennial Park, funded mostly by private donors of an investment of over \$22M. We risk these investments becoming “stranded” if we do not anchor them to a significant economic catalyst, such as a premium hotel.

Question: There has been some comparison to numbers from a prior hotel project that did not come to fruition in 2014-2016. Is this an accurate comparison to make?

Answer: No, comparing this RFP process and selection of the MDR group to any previous hotel projects that may have been before the City Council would be like comparing apples to oranges. Of course, inflation plays a role in this, but this project is also of a completely different scope than other projects in the past. This council, alongside MDC board members, went through the RFP selection process in 2023 and chose the Midland Downtown Renaissance group to advance with their plans.

Question: Paul Foster – the El Paso developer – was involved initially in this project, and there are comments that he may be out of the picture. This leads some to believe there isn't experience to handle this project. What assurances are there that the Midland delegation of investors can take care of this project?

Answer: Paul Foster provided this project with his experience and intellectual human resources. When Foster began the work to renovate the Plaza Hotel in El Paso, he did not have the expertise to build or operate a four-star hotel. However, as do most developers and hoteliers, he outsourced that expertise and know-how.

Question: There is a concern that this deal will tie up a significant chunk of the Midland Development Corporation dollars for the foreseeable future. Is this project what people expect of economic development corporation dollars?

Answer: The Midland Development Corporation is designed to create jobs and help build our city's infrastructure so that we can continue to attract jobs

to our city. Our city must be willing to invest in a live, work, and play environment. The city council unanimously approved the city's strategic plan, which focuses on improving our quality of life and place. This focus is on the city's mission statement as well: "Deliver exceptional services and promote a high quality of life and place for ALL our citizens." The MDC is aligned with the city's strategic plan and the goals and objectives laid out in the plan. The MDC has stewarded its budget to allow this project to move forward without impacting other services and projects in the works and on the horizon. Based on the current MDC cash flow analysis, even after the capital contribution to the hotel, there will be a healthy fund balance based on conservative numbers (not accounting for record sales tax numbers in the past three years) to contribute to other economic development projects.

Question: Why do we need to spend MDC money and provide city incentives on this project?

Answer: Convention center hotels are partnerships with the private sector. When conducting a best practice review with other cities and benchmarking those cities with what we do here in Midland, we have determined that this agreement is within the parameters of what other cities have done in partnership with the private sector. Our incentive participation is at 35.6%. Most other cities are considerably above that percentage of participation with public dollars. As Midlanders, we deserve to have an anchor in the heart of the city that we are proud to show our visitors without them having to drive down the road. The proposed incentive package, including MDC participation, does not require debt issuance or a raise in taxes.

Question: There is a concern that the agreement does not have a "hotel flag" name brand associated with the project. What does this mean for the hotel?

Answer: In comparing the Hotel Santa Rita to other hotels of its caliber, such as Hotel Drover (Ft. Worth), Hotel Emma (San Antonio), The Plaza (El Paso), and Hotel Vin (Grapevine), many of these hotels fly independent flags under a specialty portfolio within a larger hotel brand, or act as a completely independent hotel. These specialty flags allow independent hotels to have the resources and visibility awarded to sizeable national name brands but be able to maintain their individual and unique characteristics that are fitting of a four or five-star hotel. These flags or being independent will allow the hotel to have a distinct character reflective of our community and heritage, befitting West Texas.

Question: What about the hotel proposed during the RFP process that we could have gotten without incentives?

Answer: The capital that would have been committed for this project scope would have been less than a third of the current agreement with the MDR group. Additionally, a parking garage for the downtown area would have been an extra cost to the city, not included in the capital project of any other proposal brought forth to the sub-committees during the RFP process. Building and maintaining a parking garage owned by the city would be a significant cost.

Question: Will the project add to the transportation issues leading into downtown and the parking issues downtown?

Answer: The project calls for the closure of Colorado Street from Wall Street to Texas Avenue. The city supports closing this portion of Colorado Street to enhance pedestrian circulation and allow other uses, such as food truck vendors, for downtown functions throughout the year. The city has also invested in a \$100 million bond that has improved our roadways throughout the city. We plan on investing more in our roads. Increasing the number of users will bring even more attention to the need to keep our streets in tip-top shape and allow us to leverage more state dollars for infrastructure. As to parking, the city is engaged with the private sector to identify existing private parking spaces to provide more organized offerings of parking spaces for our residents and visitors. Additionally, the hotel is accompanied by an 800-space parking garage with a minimum of 200 spaces dedicated to the public for event parking.

Question: Why do we need this hotel when we already have the DoubleTree?

Answer: We need a quality convention center hotel downtown that can block rooms for conventions in conjunction with the Bush Convention Center. We need a convention-grade hotel that costs millions of dollars if we want to upgrade existing hotels. We also need participation from the private sector to make these upgrades. In this case, we provide 35.6% of the incentives through a performance-based partnership. This means it takes a significant investment from the private sector before an incentive comes into play. The fact is Midland does not have a hotel on par with what is in place in Odessa and other neighboring cities. This project is also incredibly historic, visionary, and transformative. It will play a part in “activating” our

downtown, including more programming and activity. In partnership with Hotel Santa Rita, we will expand the Christmas Celebration and the Star-Spangled Salute, to name a few.

Question: Will the average Midlander and their guests be priced out of being able to use the hotel or its amenities?

Answer: Hotels in other cities have provided opportunities to bring conventions and increase the number of visitors coming into their respective communities. Also, others use it as a staycation of sorts. Midlanders will not have to travel to experience a hotel like this, as it will be in their own backyard. Not traveling and saving on those costs will make this hotel more affordable to most who would otherwise take advantage of a staycation opportunity elsewhere. Weekend night rates tend to be historically lower than week-night rates (as business meetings and conventions are typically held during the weekdays), allowing locals the opportunity to take advantage of the hotel experience downtown. Other amenities, such as the hotel restaurants, café, bar and rooftop bar, meeting space, ballroom space (for weddings, gatherings, parties, etc.), and planned local retail area on the first floor of the parking garage, will be a draw for citizens and visitors alike to take advantage of the hotel space and downtown area.

Question: Will we have the people to staff the hotel at four-star levels?

Answer: There will be partnerships with educational institutions ahead of the hotel opening and extensive recruitment efforts for our local talent and talent in the region. As our economy and population continue to grow, the opportunities that will present themselves will draw in qualified professionals to operate the hotel and its amenities. This hotel will directly impact Midlanders' ability to live, work, and play in their own community. If we take a more holistic approach to that aspect, we will be able to get more jobs and more residents to stay in Midland long term.

Question: It's hard to think a nice hotel will make Midland a destination city. Are there any metrics showing the benefit Odessa has received?

Answer: Building a convention center hotel has demonstrated in cities across Texas that it helps you compete for conventions and other business meetings and events. Midland is the headquarters of multiple energy companies with local addresses but with global access, of which board

members and clients are in and out weekly. We prefer to keep their hotel nights here in Midland instead of hopping on a return flight the same day. We are the “hub” and heart of West Texas. We are also the home to the closest airport to Big Bend National Park and a jumping-off point for White Sands National Park, Carlsbad Caverns, Marfa, and other sightseeing opportunities and landmarks along the way.

Question: Sports Complex? MISD purchasing the sports complex? City building an additional sports facility downtown?

Answer: The city has no plans to build, own, or operate another field or sports complex downtown (baseball or otherwise). There may be talks of a strictly private investment in some field downtown, but no city funds are involved in any of those talks. MISD and the City of Midland have no intention of transferring ownership of the Astound Stadium or Momentum Bank Ballpark. The city has repeatedly stated it intends to make the Scharbauer Sports Complex the preeminent sports complex in West Texas. The City of Midland looks forward to adding facilities, such as the privately funded Midland Athletic Syndicate, to the sports complex area and making that area of Midland the central location for sports opportunities and tourism in West Texas.

Question: Where does the \$45M the MDC would use as an incentive for this project come from?

Answer: The \$45M incentive comes from sales tax. 55-60% comes from visitors and business-to-business sales. So, only 40-45% comes from consumer sales from people who live in Midland. \$22M of the \$45M MDC incentive would come from visitor sales tax. This is a fiscally prudent method of leveraging other people’s money to partner on a project that will bring even more visitors (as well as tax receipts) to Midland. The hotel is an excellent way to build something in our community that our residents can enjoy and do not have to travel to enjoy elsewhere.

Question: What is the actual breakdown of incentives on the city side of the agreement (not including the \$45M performance-based incentive from the MDC)?

Answer:

Entity	Incentive Description	Years	Amount	Percent of Project Cost*
City	Hotel Occupancy Tax Rebate	10	\$ 9,346,050.00	5.51%
City	Property Tax Rebate	10	\$ 5,015,579.50	2.96%
City	Development/Permitting Fee Waiver	one-time	\$ 280,030.00	0.17%
City	Construction Materials Sales Tax Rebate	one-time	\$ 200,000.00	0.12%
City	Removal of Energas Improvements	one-time	\$ 250,000.00	0.15%
City	Vacation of Colorado Street	one-time	\$ 250,000.00	0.15%
City	Vacation of Alley on Midland Land	one-time	\$ 70,160.00	0.04%
City	Total		\$ 15,411,819.50	9.09%

***Total Project Cost is estimated to be \$169.5M+**