

MONTEVALLO DEVELOPMENT COOPERATIVE DISTRICT
BOARD OF DIRECTORS MEETING
Montevallo City Hall
Minutes
Special Called Meeting
January 26, 2022
9:00 a.m.

Members Present: Reed Prince (Zoom), Sonya Swords, Mark Richard
Staff Present: Susan Hayes (Zoom), Regina Ashmore (Zoom), Trey Gauntt (Zoom)
Others Present: Steve Gilbert, Lisa Shapiro, City of Montevallo; Chad Scroggins, County Manager (Zoom); Melody Whitten, 58-Inc.; Facebook live-stream

The meeting was called to order at 9:08 am by Chairman Prince. Ms. Swords, Mr. Richard and Chairman Prince were in attendance creating a quorum. A notice for this meeting was posted on January 17, 2022.

Chairman Prince introduced Ms. Melody Whitten the Director of Development for 58-Inc., Shelby County's economic development organization. Ms. Whitten thanked the Board for taking time to allow her the opportunity to speak with them. She wanted to discuss a hotel project that the Board had been considering for several years which has recently become a viable project. She has been in discussions with Cobblestone Hotels who develops, constructs and operates all their hotels themselves. Cobblestone has a big presence in the Midwest and is looking at multiple sites across Alabama including Montevallo.

The proposal is for a 55 room multi-story hotel. There is a site on Middle Street currently listed for \$750,000 with an appraised value of \$695,000. She reminded the Board that government entities cannot pay above appraised value for any land purchase. She requested the Board consider utilizing proceeds from the recent sale, \$625,000 and an additional \$70,000 to make an offer on the Middle Street property for the appraised value \$695,000. The economic impact from lodging taxes as shown on the proforma attached would increase over time. The city should consider a tax abatement of lodging tax of 5% for year 1-3; 3% for year 4; 2% for year 5, etc. as the county has agreed to 2.5% for years 1-3, 1.5% year 4, and 1% for year 5 as an incentive. The lodging tax could provide a conservative estimated income of \$430,000 by the end of year 10. Sales tax at the hotel will have a minute impact at the hotel itself as there will not be an in-house restaurant, however, it will contain a small incidental shop that is estimated to produce \$9,000 in sales tax income by year 10.

The largest impact the city will see comes from sales tax where guest spend locally. Models indicate that for every \$100 hotel room a guest spends an average of \$222 locally. Local expenditures include dining out, entertainment, sporting events, incidentals, and fuel. For this presentation, we felt this model did not represent the city accurately, so we cut this in half to \$111 for an estimated sales tax increase of \$817,000 by year 10. Revenue during the construction phase is estimated at \$5.8 million and the first year of operation at \$1.4 million.

Mr. Richard asked if the normal year occupancy rate is expected to be 65 or 70 percent? He could see the impact on occupancy based on certain events held by the university. Ms. Whitten stated the report showed estimated occupancy rate at 70% with the majority of room nights were based on university events and corporate travel. She further stated the hotel would not have event space as the cost to construct and maintain was too extravagant. Mr. Scroggins stated the goal would be to allow the hotel to do what they do best and push events to existing UM venue spaces.

Ms. Swords asked what the average nightly rate would be for a room at the hotel. Ms. Whitten stated the rates vary and would increase over time, however, the estimated average room rate is \$105 to \$110. She will provide the proforma and construction package to all stakeholders.

Ms. Whitten has spoken to all members of the Board separately to discuss this project. The University of Montevallo has committed their portion of the proceeds from the Main Street Tavern building to the purchase of land for this project. The County has committed their portion of the proceeds, as well, but she will allow the county manager to speak for himself. She would like the Board to consider funding the \$70,000 difference in appraised value and the sale prices of the land. The city and county are offering lodging tax rebates as incentives.

Mr. Scroggins stated the county would very much like to reinvest the proceeds of the sale for any economic development project. He had every confidence in the Board to make that decision to reinvest the funds. He approves of the hotel project and suggested the Board take ownership of the land not one of the partners individually. The partners can offer incentives similar to other projects.

Ms. Whitten suggested the partners come together and engage an attorney specializing in economic development work. There had been discussions with Mr. Rod Canter, who is ready to assist the Board with the project and navigating through the Amendment 772 process. He is the only attorney who has taken this type of proceeding to the Alabama Supreme Court. The first step would be the development of an agreement between the partners.

Mr. Richard asked if Ms. Whitten had any idea of hidden costs in the projects future. Ms. Whitten did not know the cost for the attorney as they charge per hour rates. She suggested the Board consider having attorney fees become part of the agreement with the developer to cover the cost of the validation process.

Ms. Swords stated the city council went into executive session to discuss this project and they asked if any of the partners would be willing to split the \$70,000 required. Mr. Prince stated that all funds currently on the books is city excess funds. Mr. Scroggins stated he could not set a precedent by providing more than the significant tax incentives already invested in the city.

Mr. Prince asked what the Board needed to do as all partners have already agreed to earmark the Tavern sale proceeds to this project. Ms. Swords stated the city had not officially voted as actions are forbidden during or following executive session. Mr. Gilbert reminded the Board the city would gain 90% of lodging tax once the hotel was in operation thereby replenishing this initial \$70,000 investment. The Board discussed the proposal wording to meet all partners concerns.

Minutes of Meeting

Page 3 of 3

Ms. Swords made a motion to approve the purchase a parcel of land for the hotel project with all proceeds of the Tavern sale and an additional \$70,000 of city excess funds to reach appraised land value pending city council approval. The motion was seconded by Mr. Richard. The motion passed with a three to zero vote (3-0) with Chairman Prince, Ms. Swords, and Mr. Richard voting in favor.

Mr. Scroggins stated that if the property owner does not agree to the Board's offer, the project will move forward with locating another parcel. The county will continue to support the city and the university in economic development efforts.

Ms. Whitten said the timeline for the project could not be accurately outlined due to the impact COVID has had on business practices. Public hearings that took 30 to 45 days have recently taken 1 ½ years. Mr. Gilbert stated he and the mayor had met with Mr. Canter and he is very well versed in this type of law.

The next regularly scheduled meeting will be on Monday, February 14, 2022 at 1:00 pm in the Council Chambers at Montevallo City Hall. The meeting will be streamed on Facebook live and the Zoom login will be provided for the meeting.

There being no further business, Mr. Richard made a motion to adjourn. The motion was seconded by Ms. Swords. The motion was approved by a unanimous vote of three (3-0), with Ms. Swords, Mr. Richard and Chairman Prince voting in favor, the special called meeting of January 26, 2022 was adjourned at 9:48 am.

Regina Ashmore

Recording Secretary

Reed Prince, Chairman

Montevallo Development Cooperative District