

DRAFT DEAL POINTS
PROPOSED HOTEL MOHI BY APPELLATION
JUNE 12, 2024

CONSTRUCTION AND OPERATIONAL STANDARDS

1. A Scope of Development will be included in the City of Morgan Hill (City) assistance agreement. The “Project” will be required to consist of the following uses:
 - a. An approximately 76 room boutique hotel;
 - b. Food and beverage service areas totaling approximately 14,000 square feet of gross building area;
 - c. Event and meeting space totaling approximately 11,000 square feet of gross building area;
 - d. An approximately 2,100 square foot spa; and
 - e. A swimming pool and pool deck area.
2. The hotel must meet and maintain the quality standards associated with a four star or above lifestyle luxury hotel. A list of comparable hotel brands shall be identified as part of the agreement between the City and the development team.
3. One restaurant within the Project must meet and maintain the scope, construction quality, and operational standards associated with a Charlie Palmer restaurant. A list of comparable restaurant brands shall be identified as part of the agreement between the City and the development team.
4. The balance of the commercial and event space uses shall be developed and operated as typically provided within four star and above lifestyle luxury hotels.

FINANCIAL REQUIREMENTS

1. A Schedule of Performance will be included in the City assistance agreement that establishes a timeframe by which the development team must provide evidence of sufficient debt and equity contributions to fund 100% of the Project's estimated development costs.
2. To verify that the proposed assistance package is warranted, upon completion of construction, the City shall have the right to review the actual costs incurred to construct the Project.

PROPOSED PUBLIC ASSISTANCE PACKAGE

The fundamental terms of the proposed assistance package can be described as follows:

1. The City will provide assistance to the Project that is measured in terms of the transient occupancy tax (TOT) and sales tax revenues generated by the Project.
2. The City assistance will be provided over a maximum 15 year term, commencing in the first year of the Project's operation.
3. Prior to any funds being distributed to the Project, the City will receive the following share of the TOT and sales tax revenues generated by the Project:
 - a. A \$282,000 base will be applied in the first year of the Project's operation; and
 - b. The base will be increased by 3% annually.
4. During the 15-year term the City assistance will be structured as follows:
 - a. An amount equal to 100% of the TOT and sales tax revenue generated by the Project above the base level will be provided to the Project each year until the Project has received \$6 million measured in net present value terms.¹
 - b. In the event \$6 million in assistance is provided prior to the end of the 15th year of the Project's operation, the City assistance will be reduced to 50% of the TOT and sales tax revenue generated by the Project above the base level until the end of the 15th year of the Project's operation.

¹ The discount rate will be set at 6.5%.

DEFAULT

In the event the Project defaults on any of the development scope and/or operational standards imposed by the City assistance agreement, and that default is not cured within a defined time period, the City assistance payments to the Project will terminate.