



## Waynesboro City Council Agenda Briefing

<b>Meeting Date:</b>	<b>September 26, 2022</b>	<b>Staff/Council Member(s): Michael G. Hamp II, City Manager; Gregory Hitchin, Director of Economic Development and Tourism</b>
<b>Agenda Item #</b>	<b>9</b>	
<b>Resolution#</b>		
<b>Department:</b>	<b>Economic Development and Tourism</b>	
<b>Subject:</b>	<b>Amend Performance Agreement</b>	

**Background:** In early 2016 City Staff was contacted by KM Hotels to discuss the possibilities of construction of a mid-price chain hotel with approximately 90 rooms, and future development on remaining acreage, on Chicurel Lane, off Windigrove Drive. To facilitate development of these parcels, Chicurel Lane will need to be upgraded to a public road and to accommodate future development and potential increased traffic, a public road will need be constructed perpendicularly to Chicurel Lane towards Rosser Ave.

Subsequently KM Hotels has purchased 3.1 acres more or less, known as 101, 104, 105, 108, and 109 Chicurel Lane.

In November 2016 a performance agreement between KM Hotels, the EDA, and City was executed outlining responsibilities for road construction and reimbursement of taxes paid in consideration of KM Hotels building the public road. Receipt of the reimbursement was predicated on, among other items, a certificate of occupancy being issued for the hotel by January 1, 2020.

In June 2019, an amendment to the performance agreement was executed which adjusted the certificate of occupancy issue date to no later than January 1, 2022 (section 2-C).

In February 2020, the city initiated a second amendment to the performance agreement (sections 3 and 4) which modified the city and contractor obligations for the road construction.

In late 2020, when it became evident that the pandemic would last longer than predicted and that the hotel industry would be severely impacted, KM Hotels reached out to staff indicating that new construction was on hold.

In late 2021 / early 2022, KM Hotels began site work and construction of hotel.

**Current Status of the Project:** The ongoing pandemic caused construction to be delayed for approximately 18 months and current supply chain issues are severely impacting its completion. KM Hotels began construction as soon as practical after the worst of the pandemic was over and the lodging industry began to recover. The hotel is under construction with an estimated 2Q 2023 completion date.

KM Hotels has requested that the performance agreement be amended to extend the rebate period beginning date. Section 2-C would be modified to read: Rebate Period: The rebate period will begin the year following the year that the HOTEL certificate of occupancy is issued, but no later than January 1, 2024 and end December 31 of the eighth year following the first year or until the maximum rebate as defined below has been reimbursed, whichever comes earlier. For illustrative purposes only, should the hotel receive its certificate of occupancy in September of 2022, year one would be 2023 and the rebate period would end December 31, 2030.

At its regularly scheduled meeting, September 12, 2022, the EDA unanimously approved the amendment.

**Staff Recommendation:** Introduce resolution authorizing City Manager to execute amendment to performance agreement.

**City Manager's Recommendation:**

**Suggested Motion(s):**

**Attachments:** Third Amendment to Performance Agreement