



**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date:

District H

Item Creation Date: 11/8/2023

MYR – Barbara Jordan Post Office Qualified Hotel Project and Administration Agreement

Agenda Item#:

**Background:**

SUBJECT: ORDINANCE approving and authorizing a Qualified Hotel Project and Administration Agreement between the City of Houston (City) and 401 Franklin Street, LTD., (Developer).

**Recommendation:**

City Council adopt an ordinance authorizing the execution of a Qualified Hotel Project and Administration Agreement between the City of Houston (City) and 401 Franklin Street, LTD., (Developer). This Qualified Hotel Project and Administration Agreement is at no cost to the City.

**Specific Explanation:**

The Mayor's Office recommends that City Council approves an ordinance allowing the development of a multi-phase, mixed-use development located within an enterprise zone and on a 16-acre parcel of land commonly known as 401 Franklin Street in downtown Houston, Texas (the "Project"), focused on the adaptive reuse of the former Barbara Jordan Post Office facility.

The Developer plans to create a condominium for the Project with several units. One condominium unit will be an approximate 21,000 square foot convention center facility (Convention Center). Another condominium unit will be a hotel with approximately 90-200 rooms, which will be constructed by the Developer (Hotel). Both the Convention Center and Hotel will be in the same building, and the Hotel will be within 1000 feet of the Convention Center.

At no cost to the City, the Developer will convey the Convention Center to the City after it is constructed but before it is placed in use. The City will own the Convention Center in fee simple absolute. The Developer will grant a room block agreement in favor of the City providing the City certain priority and other rights to obtain rooms for conventions. The Developer will retain an option to purchase the Convention Center from City after the 10-year entitlement period for rebates for fair market value, less a credit for the costs to construct the Convention Center and the value of the room block agreement being granted by the Developer to the City. The Developer cannot exercise the option to purchase the Convention Center before the expiration of the 10-year period.

The City will lease the Convention Center to Houston First Corporation (HFC). HFC will execute a Management Service Agreement with an affiliate of Developer (Manager). The Manager will manage the Convention Center and be solely responsible for all costs to operate, repair, and maintain the facility, and have the right to all revenues generated by the Convention Center. The City will have no responsibility for any costs to operate, repair or maintain the Convention Center. HFC will monitor the conduct of operations and exercise the rights under the room block agreement. The Convention Center will be used to hold public conferences, meetings, and exhibitions to attract conventions and tourists.

As a qualified hotel project, the Developer will be entitled to rebates of the State's portion of hotel occupancy and sales and use taxes paid or collected at the Hotel during the first 10 years after the Hotel opens for initial occupancy. The Texas Comptroller of Public Accounts has issued a private ruling to the Developer confirming that the hotel will qualify as a "qualified hotel project" based on the structure of the transaction

outlined above.

**Fiscal Note:**

There is no impact to the fiscal budget or no additional spending authority. Therefore, no Fiscal Note is required as stated in the Financial Policies.

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Mayor's Office**

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