



July 20, 2022

Ms. Rebecca Gleason – Assistant City Manger
Mr. Trey Job – Assistant City Manger
City of Bastrop
1311 Chestnut Street
Bastrop, Texas 78602

Letter of Intent

Rebecca and Trey,

This Letter of Intent sets forth the terms and conditions of a long-term ground lease between Developer and City for the construction of a nationally branded hotel connected to the Bastrop Convention & Exhibit Center.

A. Proposed Project:

1. Premises, as shown in current survey (Exhibit A), shall include +/- 9.1 acres of land containing the 26,000-square foot Bastrop Convention & Exhibit Center (BCEC) and +/- 300 parking spaces.
2. Added facilities shall include a Hilton Tapestry Hotel (or similar brand) having between 130 and 150 guestrooms with an associated commercial kitchen as well as brand standard amenities to include:
 - 2a. A restaurant and bar, possible coffee shop, and possible temporary or permanent retail space with connection to the public realm.
 - 2b. Event Lawn suitable for community gatherings and group events.
 - 2c. Hotel tower will connect to the BCEC. The commercial kitchen shall be sized to accommodate professional catering services for the BCEC.
3. The project is anticipated to be developed consistent with the budget included in the developer's attached proposal.

B. Proposed Terms:

1. **Property Holder:** City of Bastrop
2. **Developer:** A single purpose entity (SPE) controlled by David Scott Parker, CEO of Sunway Hospitality, Inc.
3. **Length:** Minimum 60 Years up to a maximum of 75 years, subject to terms negotiated with lender and defined in lender's inter-creditor agreement, which will not include any credit guarantees from the City.
4. **Rate:** 1% of Rooms Revenue, paid monthly. Subject to audit of revenue receipts, which are also shared with the franchise, and the State of Texas.
5. Developer will cover the operating losses of the BCEC in exchange for marketing the BCEC as the official meeting space for the hotel.
6. Property Holder, any City Department, or City Partner will not determine the setting of rental rates.
7. The Parties and/or their designees, such as the DMO and the Hotel's management company, will hold periodic meetings to coordinate community events and groups accommodated in the hotel to ensure the greatest impact to the City and operating profit of the Hotel.
8. The Developer will be responsible for the maintenance of the hotel and BCEC during the lease.
9. Both the City and the developer will have input and approval of the hotel flag and design of the hotel including but not limited to the building, lot occupation, and site development plan.
10. Both the City and developer will have input and approval of the design and upgrades to the BCEC.
11. The Developer will be required to fund and maintain a renewal and replacement account for the hotel and BCEC to ensure the property is maintained.
12. The City will and developer will agree on a limited number of days each year for the City to use the BCEC for City business free of charge.

C. Proposed Terms of the Transaction:

1. A rebate of the City's portion of the Hotel Occupancy Taxes (HOT) generated by the Hotel, presently set at 7% of Rooms Revenue.
 - 1a. **Term:** 20 Years
 - 1b. **Maximum Amount:** Not to exceed the total cost of the hard construction costs of constructing the hotel tower, the renovations to the BCEC, and any other site improvements deemed necessary to accommodate the project.
 - 1c. **Periodic Reporting:** Developer will be responsible for all periodic reporting to the City and DMO regarding marketing goals.
 2. City to pursue the creation of a "Quiet Zone" from the Union Pacific Railroad line for those intersections impacting the hotel.
 3. **Joint Funding:** The estimated cost to get to a binding agreement to proceed with the project is approximately \$400,000 which is 2/3rds of the \$600,000 soft costs in the development budget. Of that \$400,000 the costs will be incurred equally by both parties for preliminary design and documentation necessary to reasonably establish the scope of construction cost. Both Parties will have input on the design process. The maximum amount of shared funding will be determined prior to Lease execution.
- D. For a period of 90 days, the Parties agree to work exclusively with each other on definitive documents that establish the agreements necessary for the transaction.

This Term Sheet is non-binding on the parties and is neither a commitment nor an offer to commit to any transaction. Any commitment by the parties listed herein is subject to the negotiation and preparation of a final, definitive Lease Agreement.

City of Bastrop

Sunway Hospitality, Inc.

By: _____

By: _____

Name: Paul A. Hofmann

Name: David S. Parker

Title: _____

Title: _____