

**AZLE MUNICIPAL DEVELOPMENT DISTRICT  
REGULAR MEETING**

**CITY COUNCIL CHAMBERS  
613 S.E. PARKWAY  
AZLE, TEXAS 76020**

**TUESDAY  
July 12, 2016**

**AGENDA**

**President Ray Ivey  
Vice President Kevin Ingle  
Secretary Joe McCormick**

**Director Jack Stevens  
Director Justin Berg  
Council Member Paul Crabtree  
Council Member David McClure**

**REGULAR SESSION  
CALL TO ORDER**

**6:30 p.m.**

**PRESENTATION**

1. Presentation and discussion regarding Hotel Feasibility Study  
**Economic Development Director Karen Dickson**
2. Monthly Report from Economic Development Director Karen Dickson  
**Economic Development Director Karen Dickson**

**ACTION ITEMS**

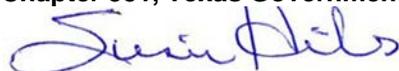
3. Consider approving the Minutes of the June 14, 2016 Azle MDD regular meeting  
**Secretary Joe McCormick**

**DISCUSSION ITEMS**

4. Consider any action on providing for amendments to the FY 2015-2016 MDD Budget  
**Executive Director Tom Muir**
5. Consider any action on the proposed FY 2016-2017 MDD Budget  
**Executive Director Tom Muir**
6. Discussion regarding Azle Municipal Development District plans/procedures/policies  
**President Ray Ivey**

**ADJOURNMENT**

I, the undersigned authority, do hereby certify the above Agenda was posted at City Hall on July 8, 2016 at the City's official bulletin board and is readily accessible to the public at all times in accordance with V.T.C.A. Chapter 551, Texas Government Code.



Susie Hiles, Assistant to the City Manager

Date Agenda Removed from Posting

*This facility is wheelchair accessible and handicapped parking spaces are available. Auxiliary aids and services are available to a person when necessary to afford an equal opportunity to participate in city functions and activities. Auxiliary aids and services or accommodations should be requested forty-eight hours prior to the scheduled starting time by calling the City Secretary's Office at 817-444-7101.*

Complete MDD Agenda packet and background information are available for review at the City Secretary's Office and on our website [www.cityofazle.org](http://www.cityofazle.org).

# Municipal Development District Communication

Item # 1

<b>Submitted By:</b> Karen Dickson – Economic Dev Director	<b>Date:</b> July 8, 2016
<b>Subject:</b> Hotel Feasibility Study	

<b>Agenda Item:</b> Presentation and discussion regarding results of the Hotel Feasibility Study
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<b>Purpose (Outline – Who, What, Where, Why &amp; How).</b> David Parker, President of DP Consulting, will present an overview of the results from the Hotel Feasibility Study and answer questions from the MDD Board.
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<b>Checklist of Attachments</b>			
<input type="checkbox"/> Contract	<input type="checkbox"/> Agreement	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution
<input type="checkbox"/> Policy	<input type="checkbox"/> Applications	<input type="checkbox"/> Legal Opinion	<input type="checkbox"/> Minute Order
<input type="checkbox"/> Letter/ Memo From	<input type="checkbox"/> P&Z Minutes	<input type="checkbox"/> Board Minutes	<input type="checkbox"/> Other Minutes
<input type="checkbox"/> Applicant	<input type="checkbox"/> Checklist	<input type="checkbox"/> Federal Law	<input type="checkbox"/> Plans / Drawings
<input type="checkbox"/> Staff	<input type="checkbox"/> State Law	<input type="checkbox"/> Bid Tabulations	<input type="checkbox"/> Maps
<input type="checkbox"/> <b>Other</b>	<input type="checkbox"/> Attachments	<input type="checkbox"/> Notices	<input type="checkbox"/> Charter



June 27, 2016

Karen Dickson, CEcD  
Economic Development Director  
City of Azle  
613 SE Parkway  
Azle, TX 76020

Dear Mrs. Dickson

We have completed our analysis of the hotel market in Azle, Texas, and the proposed development of a Best Western Hotel. The conclusions reached are based upon our present knowledge of the competitive market area resulting from our fieldwork completed May 3, 2016.

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive position of the hotels from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise this report to reflect events or conditions that occur subsequent to the date of the completion of our fieldwork.

The estimates of property performance are based on an evaluation of the present general level of the area's economy and make no provision for the effect of any sharp rise or decline in local or general economic conditions.

In summary, it is our opinion that there is market justification for developing the subject hotel as a Best Western with 65 guestrooms as described in this report. Our conclusions are summarized as follows:

<b>Performance Summary</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Units	65	65	65
Stabilized Occupancy	62%	66%	68%
Average Daily Rate	\$99.75	\$104.75	\$110.00
Rooms Revenue	\$1,467,000	\$1,640,000	\$1,774,000
Net Operating Income	\$427,000	\$514,000	\$575,000

### **Economic Summary of Market**

Azle, Texas, is located 16 miles northwest of downtown Fort Worth, and lies in both northwest of Tarrant County and northeast Parker County. As of 2013, the city population was 11,334. The leading economic driver for Azle is greater Fort Worth, which serves as the county seat for Tarrant County. In 2015, Tarrant County had a population of 1,929,034 with a median household income of \$56,178, which is more than the state average of \$50,920.

**Downtown Fort Worth** is recognized as one of the cleanest, safest, and more walkable urban areas in the nation and is known for its historic buildings that co-exist with towering modern skyscrapers. The center of downtown, known as Sundance Square, comprises 35 square blocks of entertainment, restaurants, bars, shops, art galleries, and performance venues. City leaders have won numerous national awards for its successful revitalization.

Also located in downtown is the **Fort Worth Convention Center**, which offers 250,000 square feet of exhibit space, 60,000 square feet of meeting space and a 28,160-square foot ballroom. There is also an 11,200-seat multi-purpose arena. The facility hosts approximately 100 major events each year, which include association meetings with trade shows, consumer exhibitions, concerts, and graduations.

### **Greater Fort Worth**

**Meacham International Airport** is the hub for corporate business and general aviation, located five miles from downtown Fort Worth and 11 miles from Azle. The airport offers high-quality facilities, such as three full-service fixed based operators (FBOs), aircraft maintenance facilities, flight schools, and on-site car rental facilities.

**Texas Motor Speedway** (TMS) is located in Fort Worth, 30 miles northeast of Azle. It is a 1.5-mile tri-oval track and is one of NASCAR's largest facilities. Texas Motor Speedway hosts two events each year, which are routinely the largest sporting events in Texas with an average attendance of approximately 138,000. Many of the hotels in the competitive set receive overflow from event held at TMS.

**Fort Worth Alliance Airport** is a global hub for cargo, corporate, and military aviation, and is the cornerstone for one of the nation's faster-growing industrial complexes. The Alliance Airport is located 14 miles north of downtown Fort Worth and 22 miles northeast of Azle.

**AT&T Stadium** is 16 miles southeast of downtown Fort Worth and serves as the home of the National Football League's Dallas Cowboys. The Cowboys football games draw more than 85,000 fans to each home game.

**Major Employers**

Fort Worth area has many companies in the aeronautics industry, such as American Airlines, Lockheed Martin, and Bell Helicopter. One of the largest employers in Fort Worth is American Airlines, owned by AMR Corporation, which employs approximately 22,170. Fort Worth’s largest employers are listed in the following table.

While population drives the development of restaurants and retail establishments that are excellent amenities for hotels, employment drives a significant portion of the demand for hotels. The following list contains the 10 largest private sector employers for the Fort Worth area, each of which drives hotel demand in varying degrees.

<b>Top 10 Employers - Fort Worth, TX</b>		
<b>Company</b>	<b>Industry / Product</b>	<b>Employees</b>
AMR/American Airlines	Air Carrier	22,169
Lockheed Martin	Aerospace Services	14,988
NAS Fort Worth JRB	Navy Reserve	11,350
JPS Health Network	Healthcare Service Provider	4,872
Cook Children’s Health Care System	Acute-care Hospital Operator	4,826
Texas Health Harris Methodist Hospital	Hospital	3,968
Bell Helicopter Textron	Rotorcraft Manufacturer	3,820
Fidelity	Investment Service	3,700
Alcon Laboratories	Pharmaceutical Research	3,346
Genco ATC	Logistics Provider	3,315

Source: Chamber of Commerce Fort Worth

While mostly seasonal jobs, the entertainment industry represents a significant source of employment for Tarrant County. Examples include, Six Flags Over Texas, which also operates Hurricane Harbor. The Texas Rangers Baseball Stadium and the Dallas Cowboys Stadium also employ a significant number of people. While these facilities generate significant amounts of hotel demand, it is more the result of their attendance than their total employment.

While much has been said about the high rates of unemployment nationally, it is important to note that the unemployment rates are lower in the Dallas Fort worth MSA than the national average as seen in the following table. Many economists believe Texas and the Dallas Fort Worth MSA will continue to lead the country with lower unemployment and in-migration from other states.

<b>Unemployment Rate</b>			
	2013	2014	2015
USA	7.5	6.3	5.5
Texas	6.4	5.1	4.3
DFW MSA	6.2	4.7	3.8

Source: Bureau of Labor Statistics

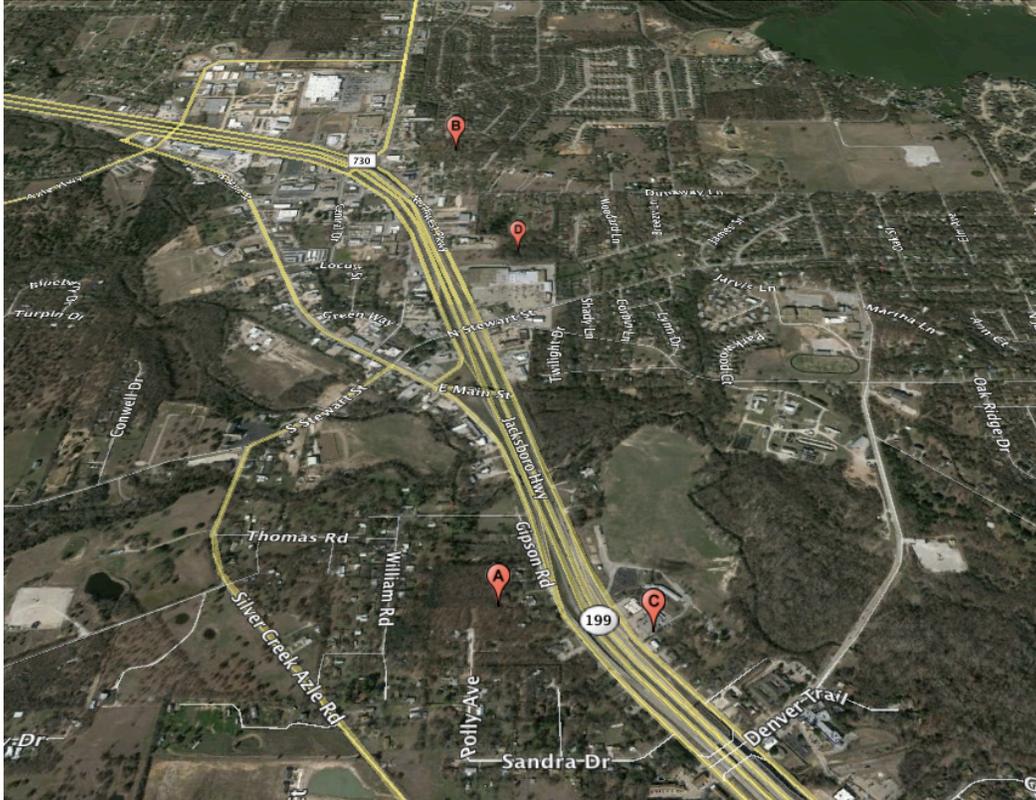
**Project Description**  
**Site**

We inspected several sites that could potentially be developed with a hotel. They are listed in the following table and identified on the following locator map. It has been our observation that good hotel sites meet the following criteria:

1. Have good visibility from routes frequently traveled by those from out of town. In the case of Azle, freeway visibility is very important.
2. Not only do travelers need to be able to see the site, they must also be able to access it with minimal effort.
3. The site must also have the necessary infrastructure to support the hotel such as water supply, sanitary sewer, 3-phase electricity, and Internet access. If these are not available to the site, additional costs will be incurred by the developer.
4. Zoned for intended use.
5. Have stable soil.
6. Have complimentary developments such as food service and entertainment.
7. Have sufficient developable area, in this case +/- 2.0 acres, so as to allow for parking commercial trucks, recreational vehicles, and trucks pulling equipment trailers.

<b>Perspective Hotel Sites</b>				
<b>Site</b>	<b>Description</b>	<b>Assesed Value</b>		
		<b>Acres</b>	<b>Per Acre</b>	<b>Total</b>
A	512 Southeast Pkwy	2.58	\$58,140	\$150,000
B	Boyd Ct & Inwood Rd	8.86	\$76,185	\$675,000
C	City Hall	N/A	N/A	N/A
D	Northwest Pkwy	8.36	\$108,900	\$910,404

All the perspective hotel sites have good freeway visibility, city water and sewer, however, Site B does not have a freeway frontage although it has good retail and good restaurant amenity support.



### The Project

Our recommendation is a three-story Best Western hotel with 65 rooms and interior corridors. The hotel should have contemporary finishes that will be attractive to today's business and leisure travelers. There should be a balanced mix of room types including single kings and double queens. Consistent with the brand's standards, the guestrooms should have quality bedding and décor.

The hotel should offer a complimentary continental breakfast, free local calls, and free Internet access with enough bandwidth to drive as many as four devices per guestroom. As leisure demand will represent a significant source of demand in this market, we also recommend the hotel have an outdoor pool and splash pad, and separate fire pit gathering area for adults.

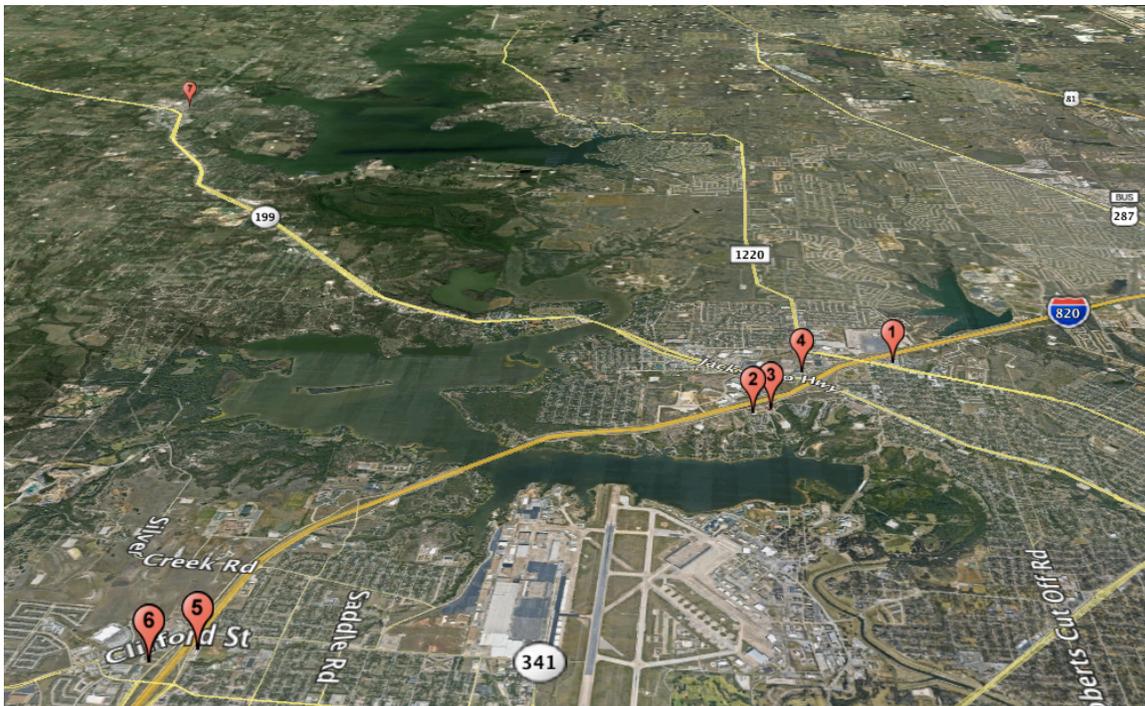
We recommend the hotel have a reception facility that is large enough to hold approximately 100 people for a banquet reception. As this appears to be the only meeting space in Azle, this meeting room will likely be used for midweek business meetings seating as many as 80 people in a classroom configuration. The meeting facility therefore should be divisible in half for greater flexibility. The facility should also have a pre-function area, restrooms, and a catering prep kitchen. We anticipate local caterers will contract with the hotel for food and beverage service.

**Competitive Supply**

The northwest Fort Worth hotel market contains 38 hotels with 3,336 guestrooms of varying quality. Of those hotels, we defined the competitive set as nationally branded hotels that generally achieved an ADR above \$80, which is consistent with CBRE Hotels’ description of the upper-priced segment. By using this criterion, we excluded all budget branded and low quality independent hotels (lower-priced segment) as the guests they attract seek lower prices than what will likely be offered at the subject hotel.

Based on location, the subject hotel will compete primarily with the hotels on Loop 820. The primary competitors are listed in the following table, followed by a satellite locator map.

SUMMARY OF COMPETITIVE HOTELS Azle, Texas				
Properties	Rooms	Year Opened	Corridors	Miles from Subject
<b>Competitive Set Hotels</b>				
1 Holiday Inn Express & Suites Lake Worth NW Loop 820	69	2005	Limited-Service	11.0
2 Comfort Suites at Lake Worth	68	2012	Limited-Service	11.0
3 La Quinta Inn & Suites Fort Worth - Lake Worth	71	2009	Limited-Service	11.0
4 Best Western Plus Lake Worth Inn & Suites	50	2002	Limited-Service	10.5
5 Candlewood Suites Fort Worth/West	80	2011	Extended-Stay	15.3
6 Staybridge Suites Fort Worth/West	86	2009	Extended-Stay	15.3
7 Econo Lodge	39	2006	Economy	0.2
<b>Total Hotel Rooms - 2015</b>	<b>463</b>			
<b>New Hotels</b>				
A Subject - Best Western	65	2018	Limited-Service	--
<b>Total Hotel Rooms</b>	<b>528</b>			



The primary competitors along Loop 820 include four limited-service hotels and two extended-stays with 424 guestrooms. This is a fairly young market where 30% of the guestrooms are less than 5 years old. The oldest hotel is the 14-year old Best Western Plus Lake Worth Inn & Suites, but it appears to have received a significant renovation.

The **Holiday Inn Express & Suites Lake Worth NW Loop 820** is the first hotel travelers would see when they travel to the area. This property opened in 2005 with 69 guestrooms. It appears dated by today's standard, and will likely need a renovation.



The 68-room **Comfort Suites Lake Worth** is the newest hotel in the competitive set, which opened in 2012. Across the street from the Comfort Suites, it is the 71-room **La Quinta Inn and Suites Fort Worth-Lake Worth**. Both hotels have several restaurants and retail options nearby, and they both offer free Internet and complimentary breakfast to their guests. The ADR in Comfort Suites is higher due to its newer condition.



Same as the Holiday Inn Express, the 80-unit **Candlewood Suites Fort Worth/West** and the **Staybridge Suites Fort Worth/West** share the same reservation system with InterContinental Hotel Group. The Staybridge is the largest hotel in the competitive set, which has 86 units. This hotel is the market leader in terms of ADR and Occupancy. Some of its success in the market is attributable to its being the extended-stay hotel in the market. Guests staying more than one week are staying on the weekends, which are slower in this market on average. Unlike the Staybridge Suites, the Candlewood Suites does not offer complimentary breakfast, but guests could check out DVDs at the front desk.



The 50-room **Best Western Plus Lake Worth Inn & Suites** is the oldest hotel in the competitive set, which opened in 2002. The hotel has been renovated with a modern look décor. The **Econo Lodge** is the only hotel in Azle, and it is the smallest hotel in the competitive set with 36 guestrooms. The hotel is a two-story exterior corridor building, and it looks dated. This hotel performs below the market average in terms of ADR (below \$50) and Occupancy (below 60%) due to its economy orientation.



### **Sources of Market Demand**

Through our research of the competitive set and interviews of hotel operators in the market, we were able to develop the following analysis that quantifies the primary sources of demand for the competitive hotels.

<b>Market Mix - Annual Room Nights of Demand</b>		
<b>Demand Segments</b>	<b>Room Nights</b>	<b>% Mix</b>
IBT	70,400	62%
Group	3,700	3%
Leisure	39,700	35%
Total Occupied Room Nights	113,800	100%

The hotels we analyzed classified most of their demand as **Individual Business Travelers (IBT)**, representing approximately 62% of the market demand for the competitive hotels. As mentioned previously, IBT demand is generated when corporate employees and engineers, sales people and consultants, visit area companies, or when area companies bring employees in for meetings.

**Leisure** demand for the competitive set represents approximately 35% of competitive hotels. Leisure demand is strongest during the summer, and weekends during the spring and fall, including all other reasons for travel such as visiting friends and family or attending a social function.

**Group and Convention** demand in this market consists primarily of small corporate meetings during the week and social events on the weekends. Corporate meetings primarily consist of training and planning. Most of the hotels only have a small amount of meeting space. Therefore, the hotels with little meeting space typically host social groups that will also use other meeting venues such as area churches. We estimate Group demand to comprise only 3% of the overall demand.

### **Competitive Set Historical Performance**

DPC assembled occupancy and ADR information for each competitor for year-end 2011 through year-end 2015 and derived estimated levels of total supply and demand expressed as room nights per year.

The following table summarizes the historical performance of the Competitive Set. The additions to supply during the five-year study period have been the opening of the Candlewood Suites in 2011 and the Comfort Suites in 2012. When expressed as a compound average over five years, supply increased at 5.2% per year. By comparison, demand increased at a rate of 8.1% per year. Much of this increase can be attributed to the ongoing recovery from the national recession of 2008, but it is also indicative of the strength of the Texas economy. Demand outpacing supply has caused occupancy to increase from a low of 60.1% in 2011 to a high of 67.2% in 2015.

HISTORICAL MARKET CONDITIONS - ANNUAL ROOM NIGHTS						
Lake Worth, White Oak, Azle						
	2011	2012	2013	2014	2015	CAC*
Supply - Guestrooms	382	410	467	467	467	
Supply - Annual Rooms Nights (x 365)	139,430	149,650	170,455	170,455	170,455	5.2%
Demand						
I B T	52,000	59,900	68,900	71,500	70,900	8.1%
Group	2,700	2,900	3,600	3,900	3,700	8.2%
Leisure	29,100	33,700	38,900	40,000	40,000	8.3%
Total Occupied Room Nights	83,800	96,500	111,400	115,400	114,600	8.1%
Occupancy	60.1%	64.5%	65.4%	67.7%	67.2%	
Average Daily Rate	\$81.40	\$81.15	\$80.39	\$85.80	\$88.82	2.2%
Revenue per Available Room	\$48.92	\$52.33	\$52.54	\$58.09	\$59.72	5.1%
Change in Supply	--	7.3%	13.9%	0.0%	0.0%	
Change in Demand	--	15.2%	15.4%	3.6%	-0.7%	

\*Compounded annual change

ADR increased from a low of \$81.40 in 2011 to a high of \$88.82 in 2015, for a total increase of 9.1%. As the market occupancy reached the high 60's in 2015, hotels were filling mid-week and allowing hotel managers to push rate increases above \$88, which represents a growth rate of 2.2% per year since 2011. Future increases are anticipated as the economy continues to expand.

#### **Future Estimated Market Supply and Demand**

Our analysis of future supply is based on the addition of the subject hotel with 65 rooms opening in 2018. After the new hotel open, the market will grow to a total of 532 rooms. Expressed as a five-year average, the market will grow at 2.6% per year.

We estimated the future growth rates for demand with the following analysis. Increases to base demand are stated in compound average growth rates and reflect the external changes in the market if no other hotels were built. Conversely, increases to created demand are derived by whole numbers and account for the room nights that are sold to guests that are no longer displaced from the market. In addition, created demand includes new groups that come to the market because of the meeting space being built within the subject hotels.

In terms of changes to the level of base demand, we have accounted for continued recovery from the national recession by applying a 2.0% per year increase in demand for IBT, Leisure and Group. With respect to created demand, we see 25% of the room night inventory as being created by the new supply when they accommodate guests that no longer have to leave the market during peak periods. Most of the created demand will come from IBT (40%) and Leisure (20%), and the rest will be Group. These assumptions calculate a combined growth rate of 3.0% per year from 2015 to 2020. The resulting analysis shows occupancy growing to the higher 60%'s until the new supply opens in 2018 and decreases as a result of the new supply. Thereafter, occupancy will grow and will once again stabilize in the higher 60%'s.

FUTURE MARKET CONDITIONS - ANNUAL ROOM NIGHTS Lake Worth, White Oak, Azle							
	2015	2016	2017	2018	2019	2020	CAC*
Supply - Guestrooms	467	467	467	532	532	532	
Supply - Annual Rooms Nights (x 365)	170,455	170,455	170,455	194,180	194,180	194,180	2.6%
<b>Demand</b>							
Individual Business Traveler - Base	70,900	72,300	73,800	75,300	76,800	78,300	2.0%
Individual Business Traveler - Created	--	-	-	2,400	2,400	2,400	--
	70,900	72,300	73,800	77,700	79,200	80,700	2.6%
Group/Convention - Base	3,700	3,800	3,900	3,900	4,000	4,100	2.1%
Group/Convention - Created	--	-	-	1,200	1,200	1,200	--
	3,700	3,800	3,900	5,100	5,200	5,300	7.5%
Leisure - Base	40,000	40,800	41,600	42,400	43,300	44,200	2.0%
Leisure - Created	--	-	-	2,400	2,400	2,400	--
	40,000	40,800	41,600	44,800	45,700	46,600	3.1%
<b>Total Occupied Room Nights</b>	<b>114,600</b>	<b>116,900</b>	<b>119,300</b>	<b>127,600</b>	<b>130,100</b>	<b>132,600</b>	<b>3.0%</b>
Occupancy	67.2%	68.6%	70.0%	65.7%	67.0%	68.3%	--
Change in Supply	0.0%	0.0%	0.0%	13.9%	0.0%	0.0%	--
Change in Demand	-0.7%	2.0%	2.1%	7.0%	2.0%	1.9%	--

\*Compounded annual change

### Estimated Penetration of the Proposed Hotel

Penetration analysis compares the occupied rooms from each competitor by market segment and overall. A market penetration above 100% indicates a property is getting more than its fair share. Likewise, penetration below 100% indicates below average performance. A property can perform poorly in one segment, but achieve high penetrations overall. We have performed this analysis on the market competitors and identified some important trends in the following table. This is a fairly competitive market where most competitors achieved similar occupancies and penetration rates of 100%. The market leaders tend to be the newer hotels that have reputations for providing good service and a clean product.

Penetration Rates of Competitive Set - 2015				
	Leisure	Group	IBT	Overall
<b>Primary Competitive Set</b>				
Holiday Inn Express & Suites Lake Worth NW Loop 820	90%	160%	110%	105%
Comfort Suites at Lake Worth	95%	145%	90%	95%
La Quinta Inn & Suites Fort Worth - Lake Worth	100%	155%	100%	100%
Best Western Plus Lake Worth Inn & Suites	115%	0%	95%	100%
Candlewood Suites Fort Worth/West	100%	0%	105%	100%
Staybridge Suites Fort Worth/West	90%	160%	110%	105%
Econo Lodge	125%	0%	70%	85%

Note: Percentages are rounded to nearest 5% to protect confidential information.

The proposed Best Western will have the following competitive advantages: the first limited-service hotel in Azle, strong brand, and a good location. Because a portion of its guests will be staying for social or family events, we estimate this hotel will achieve slightly above its fair share overall, particularly in Leisure and group demand. Conversely, the subject hotel will likely achieve less than its fair share in IBT because its competitors are closer to the employment centers. The resulting

overall penetration of the proposed hotel in the stabilized year is calculated to be 99%, as shown in the following table.

Proposed Best Western - City of Azle - 65 Units									
Year	Market Segment	Estimated Market Demand	Fair Market Share <sup>1</sup>		Estimated Market Penetration <sup>2</sup>		Occupancy		Average Room Rate Constant \$
			Percent	Demand	Percent	Demand	Market	Subject	
2018	IB T	77,700	12.2%	9,500	90%	8,600			110.00
	Group	5,100	12.2%	600	120%	700			95.00
	Leisure	44,800	12.2%	5,500	100%	5,500			85.00
	Total	127,600		15,600	95%	14,800	66%	62%	100.00
2019	IB T	79,200	12.2%	9,700	95%	9,200			110.00
	Group	5,200	12.2%	600	120%	700			95.00
	Leisure	45,700	12.2%	5,600	105%	5,900			85.00
	Total	130,100		15,900	99%	15,800	67%	66%	100.00
2020	IB T	80,700	12.2%	9,800	95%	9,300			110.00
	Group	5,300	12.2%	600	120%	700			95.00
	Leisure	46,600	12.2%	5,700	105%	6,000			85.00
	Total	132,600		16,100	99%	16,000	68%	68%	99.97

<sup>1</sup> Fair Market Share = 65 Units (Subject) divided by 528 Rooms (in the Market in 2018) = 12.2%  
<sup>2</sup> Subject penetration into Market above 100% indicates Subject has competitive advantages.

In estimating Average Daily Rate (ADR), we gathered rack rates for each property of the competitive sets, as shown in **Exhibit A**. We also collected individual ADR's and compared them to the market average for 2015. Based on our observations of the market, we estimated the average rate anticipated for each demand segment. Individual business travelers, for example, will pay the highest rate because they tend to travel during peak periods and are reimbursed for their travel. Leisure travelers will pay the least because they book during the slower periods. The following table displays the weighted average (rounded) and applies a 3.0% inflation rate in order to estimate the future ADR and resulting rooms revenue for the proposed hotel.

Average Daily Rate and Rooms Revenues				
Fiscal Year	Occupancy	Average Daily Rate		Rooms Revenue
		2016 Dollars	Inflated Dollars	
2018	62%	\$100.00	\$99.75	\$1,467,323
2019	66%	\$100.00	\$104.75	\$1,640,385
2020	68%	\$100.00	\$110.00	\$1,774,300

**Financial Pro Forma**

**Exhibit B** located in the Addendum summarizes our departmental revenue and operating expenses for the subject hotel. In preparing this analysis, we consulted income and expense ratios for comparable hotels published by CBRE Hotels (formerly PKF Consulting) in their *2015 USA Trends in the Hotel Industry*. The data presented by CBRE Hotels is expressed in ratios to total revenue as well as dollars per available room. Exhibit B is expressed in 2016 dollars for the stabilized year of operation (2020).

While most of the budget line items in Exhibits B and C are based on national averages, further adjustments were made to reflect local insurance costs and property tax assessments.

**Exhibit C** restates the stabilized estimates of Exhibit B into stated year dollars for calendar years 2018 to 2027 making assumptions for operational inefficiencies that result from the early years that the hotel operates below the stabilized occupancy. The following table summarizes the resulting analysis using inflated dollars for the hotel’s pro forma income statement.

<b>Summary Income Statement *</b>					
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Occupancy	62%	66%	68%	68%	68%
Average Daily Rate *	\$99.75	\$104.75	\$110.00	\$115.75	\$119.00
Rooms Revenue	1,467,000	1,640,000	1,774,000	1,867,000	1,919,000
Other Income	23,000	26,000	27,000	28,000	29,000
Total Revenues	1,490,000	1,666,000	1,801,000	1,895,000	1,948,000
Departmental Expenses	427,000	453,000	474,000	489,000	504,000
Undistributed Expenses	426,000	453,000	476,000	495,000	510,000
Other Fixed Expenses	180,000	196,000	204,000	210,000	216,000
Reserve for Replacement	30,000	50,000	72,000	76,000	78,000
Net Operating Income	427,000	514,000	575,000	625,000	640,000

\* Inflated Dollars.

**Return on Investment**

A project is said to be feasible if investment objectives can be met using reasonable financing assumptions. In **Exhibit D**, we summarize the cost of developing and financing the hotel and derive the equity requirement from which the return will be based. By comparing the Project’s equity requirement to the potential operating results after debt service, we can calculate the potential return on the equity investment. As summarized in Exhibit D, the proposed hotel has a total of 65 keys and current estimates show the total cost to develop the project will be \$6,175,000, inclusive of land.

We based the amount of the construction loan on 80% of cost, or \$4.9 million (rounded) and the loan terms based on a 25-year amortization schedule at 5.0% per annum. The resulting equity requirement is approximately \$1,275,000.

Because an Internal Rate of Return (IRR) is an expression of equity return over the life of the investment, our analysis shows an assumed sale of the hotel in the fifth year based on a reversion analysis. The sales value is based on a theoretical terminal cap rate of 10%. From the projected sales price for the Project, we deducted a real estate commission and the outstanding debt at the time of sale. The resulting proceeds of the sale are added to the distributable cash flow for that year for potential distribution.

The IRR is then calculated over the life of the investment showing cash being invested in 2016 prior to the start of construction and dividends being paid starting in 2018. Our analysis is based on inflated dollars (at 3% per year) and the occupancy estimates derived in our report. Using these assumptions, the IRR for the Project is calculated to be 17.2%.

As the hotel development community seeks projects that achieve well above a 20% levered IRR, a variety of incentives will be required to make this project attractive to developers.

### **Limiting Conditions**

The conclusions in this report are based upon review of published information and information provided by the general managers and/or owners at the competing hotels, and an analysis of historical market area data. The report is based on estimates, assumptions, and other information developed from our analysis of the local hotel market area and characteristics of the proposed property. Since the projections in this letter are based upon estimates and assumptions, which inherently are subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

This report has been prepared primarily for your use and guidance in determining the risk in developing the proposed property. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, in newspaper publicity, or as part of any printed material; or used in offerings or representations in connection with the sale of securities or participation interests to the public.

WE MADE NO ATTEMPT TO VERIFY THE ESTIMATES OF PROJECT COSTS PROVIDED BY THE DEVELOPER AND HAVE NO OPINION ON THEIR VALIDITY. IN ORDER TO RELY ON THE RESULTING ESTIMATES OF CASH ON CASH RETURN AND INTERNAL RATE OF RETURN, POTENTIAL INVESTORS MUST CONDUCT THEIR OWN INVESTIGATION AS TO THE RELIABILITY AND COMPLETENESS OF THE COSTS OF DEVELOPING THIS HOTEL. FURTHERMORE, THE TERMINAL CAP RATE WAS NOT DERIVED BY AN APPRAISAL OF RECENT MARKET SALES. A MARKET DERIVATION OF CAP RATES BY A CERTIFIED APPRAISER IS NEEDED IN ORDER TO ACCURATELY EXPRESS POTENTIAL RETURNS.

### **DP Consulting – Qualifications**

DP Consulting is a hospitality, tourism, and real estate oriented consulting and brokerage firm. We have developed a particular expertise that includes public/private ventures involving public assembly facilities. DPC has also worked extensively on every type of hotel to include limited-service, full-service, conference centers, and resorts with golf.

The principal of DP Consulting, David Parker, has over 25 years experience in the hotel industry, to include operations, consulting, and development. Prior to forming DP Consulting, Mr. Parker was employed by PKF Consulting for nearly a decade where he developed numerous methodologies for collecting market information on hotels and meeting facilities, and developed multiple modeling techniques for projecting utilization, income and expense. Examples included using fax software and e-mail to disseminate meeting planner surveys and a database to aggregate survey results. DPC is also experienced with economic impact analysis.

In conjunction with hotel research, Mr. Parker developed the system through which occupancy data was collected from individual hotels and reported in aggregate on a monthly basis, known as *Trends in the Hotel Industry*. In addition, Mr. Parker developed a database based on Hotel Occupancy Tax receipts collected by the State of Texas in order to develop a census of hotel performance for various market areas. Mr. Parker has directed a variety of projects, a summary of which are listed in **Exhibit E** in the Addendum.

We would be pleased to hear from you if we may be of further assistance in the interpretation and application of our findings and conclusions. We express our appreciation to you and your associates for the cooperation extended to us during the course of this assignment.

Sincerely,

 DP Consulting

David S. Parker

## **Addendum**

<b>Competitive Set Table</b>	<b>Exhibit A</b>
<b>Financial Pro Forma – Stabilized Year</b>	<b>Exhibit B</b>
<b>Financial Pro Forma – 2018 to 2027</b>	<b>Exhibit C</b>
<b>Return on Investment</b>	<b>Exhibit D</b>
<b>Projects Completed by David Parker</b>	<b>Exhibit E</b>

**SUMMARY OF COMPETITIVE HOTELS**  
Azle, Texas

**Exhibit A-1**

Properties	Rooms	Year Opened	2016 Rack Rates <sup>1</sup>		Property Type	Miles from Subject	Amenities <sup>2</sup>
			Weekday	Weekend			
<b>Competitive Set Hotels</b>							
<b>1</b> Holiday Inn Express & Suites Lake Worth NW Loop 820 3541 NW Loop 820	69	2005	\$120 - \$130	\$125 - \$135	Limited-Service	11.0	HB, SP, FC, LF, MR
<b>2</b> Comfort Suites at Lake Worth 5825 Quebec Street	68	2012	\$99 - \$179	\$109 - \$179	Limited-Service	11.0	HB, SP, FC, LF, MR
<b>3</b> La Quinta Inn & Suites Fort Worth - Lake Worth 5800 Quebec Street	71	2009	\$105 - \$125	\$105 - \$125	Limited-Service	11.0	HB, SP, FC, LF, MR
<b>4</b> Best Western Plus Lake Worth Inn & Suites 3920 Boat Club Road	50	2002	\$89 - \$149	\$103 - \$156	Limited-Service	10.5	HB, SP, FC, LF, MR
<b>5</b> Candlewood Suites Fort Worth/West 402 Jim Wright Freeway	80	2011	\$110 - \$135	\$120 - \$150	Extended-Stay	15.25	FK, FC, LF
<b>6</b> Staybridge Suites Fort Worth/West 229 Clifford Center Dr.	86	2009	\$150 - \$210	\$145 - \$215	Extended-Stay	15.25	FK, HB, SP, FC, LF, MR
<b>7</b> Econo Lodge 624 Boyd Road	39	2006	\$78 - \$88	\$78 - \$88	Economy	0.20	CCB, SP
<b>Total Hotel Rooms - 2015</b>	<b>463</b>		<b>2015 Market ADR: \$88.76 / Market Occupancy: 67.3%</b>				
<b>New Hotels</b>							
<b>A</b> Subject - Best Western Azle, TX	65	2018	n/a	n/a	Limited-Service	--	HB, SP, FC, LF, MR
<b>Total Hotel Rooms</b>	<b>528</b>						

<sup>1</sup> Ranged of Published Rates. n/s - Not Shown on Map.

<sup>2</sup> Amenity Codes: FB - Food and Beverage Outlets, FHB Full Hot Breakfast, CB - Continental Breakfast, FK - Full Kitchen, WB - Wet Bar, SP - Swimming Pool, FC - Fitness Center, LF - Laundry Facility, MMS Major Meeting Space, MR - Meeting Room.

**Proposed Best Western - Azle, Texas**  
Representative Year of Operation

**Exhibit C**

	Limited Service Hotels ADR Between \$75 and \$115			Stabilized Operating Year (2020) Stated in 2016 Dollars			
Number of Units:		104				65	
Number of Annual Rooms Available:		37,960				23,725	
Number of Rooms Occupied:		26,686				16,133	
Annual Occupancy:		70.3%				68.0%	
Average Daily Rate:		92.53				\$100.00	
Revenue Per Available Room:		\$65.05				\$68.00	
	<b>Ratio</b>	<b>Per Room</b>	<b>P.O.R.</b>	<b>Amount</b>	<b>Ratio</b>	<b>Per Room</b>	<b>P.O.R.</b>
<b>Revenues</b>							
Rooms	98.3%	23,743	\$92.53	\$1,613,000	98.5%	\$24,815	\$99.98
Other Operated Departments	1.7%	403	1.57	24,000	1.5%	369	1.49
<b>Total Revenues</b>	<b>100.0%</b>	<b>24,146</b>	<b>94.10</b>	<b>1,637,000</b>	<b>100.0%</b>	<b>25,185</b>	<b>101.47</b>
<b>Departmental Expenses</b>							
Rooms	26.9%	6,398	24.93	403,000	25.0%	6,200	24.98
Other Operated Departments	78.2%	315	1.23	18,000	75.0%	277	1.12
<b>Total Departmental Expenses</b>	<b>27.8%</b>	<b>6,713</b>	<b>26.16</b>	<b>421,000</b>	<b>25.7%</b>	<b>6,477</b>	<b>26.10</b>
<b>Departmental Profit</b>	<b>72.2%</b>	<b>17,433</b>	<b>67.94</b>	<b>1,216,000</b>	<b>74.3%</b>	<b>18,708</b>	<b>75.37</b>
<b>Undistributed Expenses</b>							
Administrative & General	9.2%	2,212	8.62	154,000	9.4%	2,369	9.55
Marketing & Franchise	10.3%	2,478	9.66	131,000	8.0%	2,015	8.12
Property Operation and Maintenance	5.4%	1,303	5.08	78,000	4.8%	1,200	4.83
Utility Costs	4.8%	1,154	4.50	65,000	4.0%	1,000	4.03
<b>Total Undistributed Operating Expenses</b>	<b>29.6%</b>	<b>7,147</b>	<b>27.85</b>	<b>428,000</b>	<b>26.1%</b>	<b>6,585</b>	<b>26.53</b>
<b>Gross Operating Profit</b>	<b>42.6%</b>	<b>10,286</b>	<b>40.09</b>	<b>788,000</b>	<b>48.1%</b>	<b>12,123</b>	<b>48.84</b>
<b>Fixed Expenses</b>							
Base Management Fee	3.0%	714	2.78	65,000	4.0%	1,000	4.03
Property Taxes	3.8%	925	3.60	96,000	5.9%	1,477	5.95
Insurance	1.5%	358	1.40	23,000	1.4%	354	1.43
<b>Total Fixed Expenses</b>	<b>8.3%</b>	<b>1,997</b>	<b>7.78</b>	<b>184,000</b>	<b>11.2%</b>	<b>2,831</b>	<b>11.41</b>
<b>Net Operating Income</b>	<b>34.3%</b>	<b>8,289</b>	<b>32.30</b>	<b>604,000</b>	<b>36.9%</b>	<b>9,292</b>	<b>37.44</b>
FF&E Reserve	4.0%	966	3.76	65,000	4.0%	1,000	4.03
<b>Net Operating Income After Reserve</b>	<b>30.3%</b>	<b>7,323</b>	<b>28.54</b>	<b>\$539,000</b>	<b>32.9%</b>	<b>\$8,292</b>	<b>\$33.41</b>
			Source: PKF Consulting				Estimated by DP Consulting

**Proposed Best Western - Azle, Texas**

Projected Operating Results  
Calendar Years

**Exhibit D-1**

	2018		2019		2020		2021		2022	
Number of Units:	65		65		65		65		65	
Number of Annual Rooms Available:	23,725		23,725		23,725		23,725		23,725	
Number of Rooms Occupied:	14,710		15,660		16,130		16,130		16,130	
Annual Occupancy:	62.0%		66.0%		68.0%		68.0%		68.0%	
Average Daily Rate:	\$99.75		\$104.75		\$110.00		\$115.75		\$119.00	
Revenue Per Available Room:	\$61.85		\$69.14		\$74.80		\$78.71		\$80.92	
	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>
<b>Revenues</b>										
Rooms	\$1,467,000	98.5%	\$1,640,000	98.4%	\$1,774,000	98.5%	\$1,867,000	98.5%	\$1,919,000	98.5%
Other Operated Departments	23,000	1.5%	26,000	1.6%	27,000	1.5%	28,000	1.5%	29,000	1.5%
<b>Total Revenues</b>	<b>1,490,000</b>	<b>100.0%</b>	<b>1,666,000</b>	<b>100.0%</b>	<b>1,801,000</b>	<b>100.0%</b>	<b>1,895,000</b>	<b>100.0%</b>	<b>1,948,000</b>	<b>100.0%</b>
<b>Departmental Expenses</b>										
Rooms	409,000	27.9%	434,000	26.5%	454,000	25.6%	468,000	25.1%	482,000	25.1%
Other Operated Departments	18,000	78.3%	19,000	73.1%	20,000	74.1%	21,000	75.0%	22,000	75.9%
<b>Total Departmental Expenses</b>	<b>427,000</b>	<b>28.7%</b>	<b>453,000</b>	<b>27.2%</b>	<b>474,000</b>	<b>26.3%</b>	<b>489,000</b>	<b>25.8%</b>	<b>504,000</b>	<b>25.9%</b>
<b>Departmental Profit</b>	<b>1,063,000</b>	<b>71.3%</b>	<b>1,213,000</b>	<b>72.8%</b>	<b>1,327,000</b>	<b>73.7%</b>	<b>1,406,000</b>	<b>74.2%</b>	<b>1,444,000</b>	<b>74.1%</b>
<b>Undistributed Expenses</b>										
Administrative & General	151,000	10.1%	162,000	9.7%	171,000	9.5%	178,000	9.4%	183,000	9.4%
Marketing & Franchise	119,000	8.0%	133,000	8.0%	144,000	8.0%	152,000	8.0%	156,000	8.0%
Property Operation and Maintenance	87,000	5.8%	87,000	5.2%	88,000	4.9%	90,000	4.7%	93,000	4.8%
Utility Costs	69,000	4.6%	71,000	4.3%	73,000	4.1%	75,000	4.0%	78,000	4.0%
<b>Total Undistributed Operating Expenses</b>	<b>426,000</b>	<b>28.6%</b>	<b>453,000</b>	<b>27.2%</b>	<b>476,000</b>	<b>26.4%</b>	<b>495,000</b>	<b>26.1%</b>	<b>510,000</b>	<b>26.2%</b>
<b>Gross Operating Profit</b>	<b>637,000</b>	<b>42.8%</b>	<b>760,000</b>	<b>45.6%</b>	<b>851,000</b>	<b>47.3%</b>	<b>911,000</b>	<b>48.1%</b>	<b>934,000</b>	<b>47.9%</b>
<b>Fixed Expenses</b>										
Base Management Fee	60,000	4.0%	67,000	4.0%	72,000	4.0%	76,000	4.0%	78,000	4.0%
Property Taxes	96,000	6.4%	104,000	6.2%	106,000	5.9%	108,000	5.7%	111,000	5.7%
Insurance	24,000	1.6%	25,000	1.5%	26,000	1.4%	26,000	1.4%	27,000	1.4%
<b>Total Fixed Expenses</b>	<b>180,000</b>	<b>12.1%</b>	<b>196,000</b>	<b>11.8%</b>	<b>204,000</b>	<b>11.3%</b>	<b>210,000</b>	<b>11.1%</b>	<b>216,000</b>	<b>11.1%</b>
<b>Net Operating Income</b>	<b>457,000</b>	<b>30.7%</b>	<b>564,000</b>	<b>33.9%</b>	<b>647,000</b>	<b>35.9%</b>	<b>701,000</b>	<b>37.0%</b>	<b>718,000</b>	<b>36.9%</b>
FF&E Reserve	30,000	2.0%	50,000	3.0%	72,000	4.0%	76,000	4.0%	78,000	4.0%
<b>Net Operating Income After Reserve</b>	<b>\$427,000</b>	<b>28.7%</b>	<b>\$514,000</b>	<b>30.9%</b>	<b>\$575,000</b>	<b>31.9%</b>	<b>\$625,000</b>	<b>33.0%</b>	<b>\$640,000</b>	<b>32.9%</b>
	Full Year of Operation									

**Proposed Best Western - Azle, Texas**

 Projected Operating Results  
 Calendar Years

**Exhibit D-2**

	2023		2024		2025		2026		2027	
Number of Units:	65		65		65		65		65	
Number of Annual Rooms Available:	23,725		23,725		23,725		23,725		23,725	
Number of Rooms Occupied:	16,130		16,130		16,130		16,130		16,130	
Annual Occupancy:	68.0%		68.0%		68.0%		68.0%		68.0%	
Average Daily Rate:	\$122.75		\$126.25		\$130.25		\$134.00		\$138.00	
Revenue Per Available Room:	\$83.47		\$85.85		\$88.57		\$91.12		\$93.84	
	<b>Amount</b>	<b>Ratio</b>								
<b>Revenues</b>										
Rooms	\$1,980,000	98.5%	\$2,036,000	98.5%	\$2,101,000	98.5%	\$2,161,000	98.5%	\$2,226,000	98.5%
Other Operated Departments	30,000	1.5%	31,000	1.5%	32,000	1.5%	33,000	1.5%	33,000	1.5%
<b>Total Revenues</b>	<b>2,010,000</b>	<b>100.0%</b>	<b>2,067,000</b>	<b>100.0%</b>	<b>2,133,000</b>	<b>100.0%</b>	<b>2,194,000</b>	<b>100.0%</b>	<b>2,259,000</b>	<b>100.0%</b>
<b>Departmental Expenses</b>										
Rooms	496,000	25.1%	511,000	25.1%	526,000	25.0%	542,000	25.1%	558,000	25.1%
Other Operated Departments	22,000	73.3%	23,000	74.2%	24,000	75.0%	24,000	72.7%	25,000	75.8%
<b>Total Departmental Expenses</b>	<b>518,000</b>	<b>25.8%</b>	<b>534,000</b>	<b>25.8%</b>	<b>550,000</b>	<b>25.8%</b>	<b>566,000</b>	<b>25.8%</b>	<b>583,000</b>	<b>25.8%</b>
<b>Departmental Profit</b>	<b>1,492,000</b>	<b>74.2%</b>	<b>1,533,000</b>	<b>74.2%</b>	<b>1,583,000</b>	<b>74.2%</b>	<b>1,628,000</b>	<b>74.2%</b>	<b>1,676,000</b>	<b>74.2%</b>
<b>Undistributed Expenses</b>										
Administrative & General	189,000	9.4%	194,000	9.4%	200,000	9.4%	206,000	9.4%	212,000	9.4%
Marketing & Franchise	161,000	8.0%	165,000	8.0%	171,000	8.0%	176,000	8.0%	181,000	8.0%
Property Operation and Maintenance	96,000	4.8%	99,000	4.8%	102,000	4.8%	105,000	4.8%	108,000	4.8%
Utility Costs	80,000	4.0%	82,000	4.0%	85,000	4.0%	87,000	4.0%	90,000	4.0%
<b>Total Undistributed Operating Expenses</b>	<b>526,000</b>	<b>26.2%</b>	<b>540,000</b>	<b>26.1%</b>	<b>558,000</b>	<b>26.2%</b>	<b>574,000</b>	<b>26.2%</b>	<b>591,000</b>	<b>26.2%</b>
<b>Gross Operating Profit</b>	<b>966,000</b>	<b>48.1%</b>	<b>993,000</b>	<b>48.0%</b>	<b>1,025,000</b>	<b>48.1%</b>	<b>1,054,000</b>	<b>48.0%</b>	<b>1,085,000</b>	<b>48.0%</b>
<b>Fixed Expenses</b>										
Base Management Fee	80,000	4.0%	83,000	4.0%	85,000	4.0%	88,000	4.0%	90,000	4.0%
Property Taxes	113,000	5.6%	115,000	5.6%	117,000	5.5%	120,000	5.5%	122,000	5.4%
Insurance	28,000	1.4%	29,000	1.4%	30,000	1.4%	31,000	1.4%	31,000	1.4%
<b>Total Fixed Expenses</b>	<b>221,000</b>	<b>11.0%</b>	<b>227,000</b>	<b>11.0%</b>	<b>232,000</b>	<b>10.9%</b>	<b>239,000</b>	<b>10.9%</b>	<b>243,000</b>	<b>10.8%</b>
<b>Net Operating Income</b>	<b>745,000</b>	<b>37.1%</b>	<b>766,000</b>	<b>37.1%</b>	<b>793,000</b>	<b>37.2%</b>	<b>815,000</b>	<b>37.1%</b>	<b>842,000</b>	<b>37.3%</b>
FF&E Reserve	80,000	4.0%	83,000	4.0%	85,000	4.0%	88,000	4.0%	90,000	4.0%
<b>Net Operating Income After Reserve</b>	<b>\$665,000</b>	<b>33.1%</b>	<b>\$683,000</b>	<b>33.0%</b>	<b>\$708,000</b>	<b>33.2%</b>	<b>\$727,000</b>	<b>33.1%</b>	<b>\$752,000</b>	<b>33.3%</b>

## Proposed Best Western - Azle, Texas

Exhibit D

Project Description	
<b>Keys:</b>	<b>65</b>
Net On Site Meeting Space	2,000
Pool	Outside
Employees (Approx.)	25
Amenities: Swimming Pool, Fitness Center, Laundry Facility, Meeting Room	

Cost Assumptions	
<b>Total Project</b>	<b>6,175,000</b>
Per Room	95,000

Debt Assumptions	
Term	25
Interest	5.00%
Loan to Costs (Estimate)	80%
<b>Loan Amount</b>	<b>4,900,000</b>
Monthly Loan Payment	28,645
Annual Debt Service	343,739
<b>Equity Requirement</b>	<b>1,275,000</b>

Net Operating Income	Today's Dollars	Year 1	Year 2	Year 3	Year 4	Year 5
Full Year of Operation	2016	2018	2019	2020	2021	2022
Occ%	68%	62%	66%	68%	68%	68%
ADR	\$100.00	\$99.75	\$104.75	\$110.00	\$115.75	\$119.00
Room Revenue	1,613,000	1,467,000	1,640,000	1,774,000	1,867,000	1,919,000
Other Income	24,000	23,000	26,000	27,000	28,000	29,000
<b>Total</b>	<b>1,637,000</b>	<b>1,490,000</b>	<b>1,666,000</b>	<b>1,801,000</b>	<b>1,895,000</b>	<b>1,948,000</b>
<b>Total Expenses</b>	<b>1,098,000</b>	<b>1,063,000</b>	<b>1,152,000</b>	<b>1,226,000</b>	<b>1,270,000</b>	<b>1,308,000</b>
<b>Net Operating Income</b>	<b>539,000</b>	<b>427,000</b>	<b>514,000</b>	<b>575,000</b>	<b>625,000</b>	<b>640,000</b>
Less: Debt Service (Year 1 Interest Only)		(245,000)	(343,739)	(343,739)	(343,739)	(343,739)
<b>Potential Distributable Dividends</b>		<b>182,000</b>	<b>170,261</b>	<b>231,261</b>	<b>281,261</b>	<b>296,261</b>

Debt Coverage Ratio	1.74	1.50	1.67	1.82	1.86
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Internal Rate of Return	Construction							IRR	Total Return
	2016	2017	2018	2019	2020	2021	2022		
Initial Equity Investment	(1,275,000)								
Potential Distributable Dividends		-	182,000	170,261	231,261	281,261	296,261		
Reversion							1,744,219		
<b>Total Equity Return</b>	<b>(1,275,000)</b>	<b>-</b>	<b>182,000</b>	<b>170,261</b>	<b>231,261</b>	<b>281,261</b>	<b>2,040,481</b>	<b>17.2%</b>	<b>2,905,264</b>
Cash on Cash Return - by Year			14%	13%	18%	22%	160%		

Reversion Analysis	
Year 5 NOI	640,000
Terminal Cap Rate	10.0%
Reversion Value (Sales Price)	6,400,000
Sales Price per Key	98,462
RE Commission	3.0%
Less Sales Cost	(192,000)
<b>Net Sale</b>	<b>6,208,000</b>
Less Outstanding Debt	(4,463,781)
<b>Net Proceeds to Equity</b>	<b>1,744,219</b>

NOTE: DP Consulting made no attempt to verify the estimates of project costs provided by the developer and have no opinion on their validity. In order to rely on the resulting estimates of cash on cash return and internal rate of return, potential investors must conduct their own investigation as to the reliability and completeness of the costs of developing this hotel. Furthermore, the terminal cap rate was not derived by an appraisal of recent market sales. A market derivation of cap rates by a certified appraiser is needed in order to accurately express potential returns.



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## **Projects Completed by David Parker**

### **Market Studies of Limited-Service Hotels:**

#### **Dallas Area:**

Market Study of Proposed Best Western Premier – Denton, Texas (Open 2009)  
 Market Study of Proposed Fairfield Inn – Decatur, Texas  
 Market Study and Valuation of Proposed Comfort Suites – Grapevine, Texas (Open 2005)  
 Market Study of a Hampton Inn and Suites – Alliance Airport, Fort Worth Texas (Open 1999)  
 Due Diligence Analysis of five hotels (Holiday Inn Expresses and Quality Suites) – Dallas, Texas  
 Market Study of Proposed Hampton Inn and Suites – Hurst, Texas (Open 2004)  
 Due Diligence Analysis Wyndham Garden Hotel Los Colinas – Irving, Texas  
 Due Diligence Analysis Wyndham Garden Hotel Market Center – Dallas, Texas

#### **Houston Area:**

Market Study of Proposed Hampton Inn & Suites – Bush Intercontinental Airport – Houston, Texas (Open 2015)  
 Market Study of Proposed Comfort Suites (Westchase) – Houston, Texas (Open 2013)  
 Market Study of Proposed Hampton Inn & Suites – Missouri City, Texas (Open 2013)  
 Market Study of Proposed Courtyard & TownePlace Suites – Galveston, Texas (Open 2013)  
 Market Study of Proposed SpringHill Suites – Houston, Texas  
 Market Study of Proposed Sleep Inn – Clute/Lack Jackson, Texas  
 Market Study of Proposed Microtel Inn & Suites – Port Arthur, Texas  
 Market Study of Proposed SpringHill Suites – Seabrook, Texas  
 Market Study of Proposed La Quinta – West Chase - Houston, TX (Open 2007)  
 Market Study of Proposed Best Western Mini Suites – Texas City, Texas (Open 2005)  
 Market Study of Proposed Bed & Breakfast – Kemah, Texas (Open 2004)  
 Market Study of a Proposed TownePlace Suite – College Station, Texas (Open 1999)  
 Market Study of a Proposed TownePlace Suite – Clear Lake, Texas (Open 1999)  
 Market Evaluations of four Baymont Inns – Houston, Texas  
 Market Study of Proposed Hampton Inn & Suites – League City, Texas (Open 2010)

#### **Central Texas:**

Market Study of Proposed Homewood Suites – (Parmer Lane) Austin, Texas (Open 2015)  
 Market Study of Proposed Home2 Suites – Round Rock, Texas (Open 2015)  
 Market Study of Proposed Bed and Breakfast Cabins – Fredericksburg, Texas (Open 2013)  
 Market Study of Proposed Hampton Inn & Suites – Downtown Austin, Texas (Open 2012)  
 Market Study of Proposed Homewood Suites – Round Rock, Texas (Open 2010)  
 Market Study of Proposed Sleep Inn & Suites – Manor, Texas (Open 2012)  
 Market Study of Proposed Limited-Service Hotel – Marble Falls, Texas  
 Market Study of Proposed Microtel Inn & Suites – Austin, Texas (Airport) (Open 2010)  
 Market Study of Proposed Staybridge Suites – San Antonio, Texas (Open 2008)  
 Market Study of Proposed La Quinta - Medical Center - San Antonio, Texas (Open 2007)

#### **South Texas:**

Market Study of Proposed Microtel – Gonzales, Texas (Open 2013)  
 Market Study of Proposed Home2 Suites – Mission, Texas  
 Market Study of Proposed Holiday Inn Express – South Padre Island, Texas (Open 2005)



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**North Texas:**

Market Study of Proposed Hampton Inn – Vernon, Texas (Open 2011)  
 Market Study of Proposed Holiday Inn Express – Vernon, Texas (Open 2006)

**West Texas:**

Market Study of Proposed Microtel – San Angelo, Texas (Open 2010)  
 Market Study of Proposed Hawthorn Suites – Lubbock, Texas (Open 2008)  
 Market Study of Proposed Best Western – Hamilton, Texas (Open 2007)  
 Market Study of Proposed La Quinta – Lubbock, Texas (Open 2006)

**East Texas:**

Market Study of Proposed Microtel Inn & Suites – Texarkana, Texas  
 Market Study of Proposed Hampton Inn – Sulphur Springs, Texas (Open 2010)  
 Market Study of Proposed Best Western – Mt. Vernon, Texas

**Outside of Texas:**

Market Study of Proposed Home2 Suites – Tallahassee, Florida (Open 2016)  
 Market Study of Proposed Home2 Suites – Stillwater, Oklahoma (Open 2016)  
 Market Study of Proposed Home2 Suites – Tuscaloosa, Alabama (Open 2015)  
 Market Study of Proposed Home2 Suites – Lexington, Kentucky (Open 2015)  
 Market Study of Proposed Hilton Garden Inn & Homewood Suites – Oklahoma City, Oklahoma (Open 2014)  
 Market Study of Proposed Hampton Inn & Suites - Mulvane, Kansas (Open 2012)  
 Market Study of Proposed Hampton Inn & Suites – Dodge City, Kansas (Open 2012)  
 Market Study of Proposed Homewood Suites – Nashville, Tennessee (Open 2013)  
 Market Study of Proposed Fairfield Inn – Maize, KS (Open 2011)  
 Market Study of Proposed La Quinta Inn & Suites – Olathe, Kansas (Open 2008)  
 Market Study of Proposed Holiday Inn Express & Suites – Bloomington, Indiana (Open 2006)  
 Market Study of Converting historic buildings into Residence Inn and Courtyard by Marriott  
 – Omaha, NE (Open 1999)  
 Market Study of Proposed Sleep Inn Limited-Service hotel – Thornton, Colorado (Open 1998)  
 Market Study and Valuation of Proposed All-Suite Hotel at Isle of Capri Casino –  
 Lake Charles, Louisiana (Open 1998)  
 Market Study and Valuation of Proposed Limited-Service Hotel at Isle of Capri Casino –  
 Lake Charles, Louisiana (Open 1997)

**Market Studies Select and Full-Service Hotels:****Dallas Area:**

Market Study of Proposed Hilton Garden Inn – Hurst, Texas (Open 2016)  
 Market Study of Proposed Hilton Dallas/Plano Granite Park – Plano, TX (Open 2014)  
 Market Study of Proposed Cambria Suites – Plano, Texas (Open 2014)  
 Market Study of Proposed Courtyard Hotel & Conference Center – Carrollton, Texas  
 Market Study of Renovating the Historic Blackstone Hotel into a Courtyard by Marriott  
 – Fort Worth, Texas (Open 1999)  
 Market Study of Proposed Embassy Suites Galleria – Dallas, Texas (Open 1998)  
 Evaluation of Converting the Employers Life Insurance Building into a Headquarters Hotel – Dallas, Texas



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Market Study of Proposed Holiday Inn – McKinney, Texas (Open 2008)

Market Study of Proposed Resort Hotel and Water Park – Frisco, Texas

Impact Assessment of Converting Ramada Plaza into Holiday Inn Select (Presently The Sheraton) – Fort Worth, Texas

**Houston Area:**

Market Study of Proposed Courtyard & TownePlace Suites – Galveston, Texas (Open 2013)

Market Study of Proposed Courtyard by Marriott – Galveston, TX (Open 2013)

Market Study of Proposed Embassy Suites & Water Park – Beaumont, Texas

Market Study of Proposed Embassy Suites – Texas Medical Center – Houston, TX

Market Study of Proposed Holiday Inn – Shenandoah, Texas

Market Study of Proposed Hilton Garden Inn Galleria – Houston, Texas (Open 2005)

Market Study and Economic Impact Assessment of 1,200-Room Hilton Americas

– Downtown Houston, Texas (Open 2004)

Market Study of Converting the Medical Towers into the Marriott Medical Center Expansion – Houston, Texas

Market Study of Converting Historic Texas State Hotel into Sheraton Suites – Downtown Houston, Texas

Market Study and Valuation of Omni Galleria – Houston, Texas

Market Study and Valuation of Red Lion Hotel Galleria – Houston, Texas

**Central Texas:**

Market Study of Proposed SoCo Hotel – (South Congress) Austin, Texas (Open 2015)

Economic Impact Study of Proposed Hilton Garden Inn – Live Oak, Texas

Market Study of Proposed Select-Service Hotel & Conference Center – Boerne, Texas

Market Study of Proposed Four Points (Now Wyndham Garden Inn Near La Cantera) – San Antonio, Texas (Open 2009)

Market Study of Proposed Boutique Hotel – Fredericksburg, Texas

Market Study of Proposed Cambria Suites – Medical Center – San Antonio, Texas

Market Study of Proposed Westin Riverwalk – San Antonio, Texas (Open 1999)

Market Study of Proposed Full-Service Hotel – New Braunfels, Texas

Market Study and Valuation of St. Anthony Hotel – San Antonio, Texas

**South Texas:**

Market Study of Proposed Hotel & Conference Center – Port Aransas, Texas

Market Study of Proposed Full-Service Hotel Adjacent to McAllen Convention Center – McAllen, Texas

Market Study of Proposed All-Suite Hotel and Resort on North Padre Island – Corpus Christi, Texas

Market Study, Economic Impact Study, and Financing Recommendations of Proposed Full-Service Hotel

– South Padre Island, Texas

Market Study of Proposed Executive Conference Center – North Padre Island, Corpus Christi, Texas

**North Texas:**

Market Study of Proposed Hotel Conversion to a Full-Service Wyndham Hotel – Wichita Falls, Texas

**West Texas:**

Market Study of Proposed Full-Service Hotel & Conference Center – Odessa, Texas

**Outside of Texas:**

Market Study of Proposed Full-Service Resort with Golf – Franklin, Tennessee

Market Study of Proposed Hilton Garden Inn & Homewood Suites – Oklahoma City, Oklahoma (Open 2014)

Market Study of Proposed Conversion of the Fulton Hotel to a Holiday Inn – Alexandria, Louisiana

Market Study of Proposed Office Building Conversion into Hilton Garden Inn –

Airport - Phoenix, Arizona (Open 2009)

Market Study of Proposed Hilton Garden Inn (Converted Office Building) – Phoenix, AZ at Airport (Open 2008)



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Market Study of Proposed Full-Service Hotel – Colorado Springs, Colorado  
 Performance Review of Operating Standards – Radisson Fort McDowell Resort & Casino – Scottsdale, Arizona  
 Market Study of Proposed Holiday Inn – Colorado Springs, Colorado  
 Market Study and Valuation of Cypress Bend Golf Resort and Conference Center – Sabine Parish, Louisiana

Market Study of Converting historic buildings into Residence Inn and Courtyard by Marriott  
 – Omaha, NE (Open 1999)

Market Study of Proposed Full-Service Hotel – Sandy City, Utah

Market Study of Proposed Full-Service Hotel adjacent to Jazz Land Theme Park – New Orleans, LA

Market Study and Valuation of 780-room Regal Riverfront – St. Louis, Missouri

### **Public Assembly Facility Studies:**

#### **Dallas Area:**

Market Study of Proposed Dallas County School District Meeting Facility – Dallas, Texas

Market Study of Proposed 500,000-Square foot Exhibition Center – Grapevine, Texas

Market Study of Proposed Conference Center – Hurst, Texas (Open 2007)

Management RFP of Proposed Conference Center – Hurst, Texas

#### **Houston Area:**

Market Study of Proposed Convention Center – Stafford, Texas (Open 2003)

Market Study of Proposed Performing Arts Theater – Stafford, Texas (Open 2003)

Market Study and Economic Impact of Proposed Waterway Convention Center –  
 The Woodlands, Texas (Open 2002)

Citywide occupancy tax collection forecast for City of Houston, used in securing \$700 million in bonds for the purpose of  
 expanding the George R. Brown Convention Center, constructing the 1,200-room Hilton Hotel, parking garage, and  
 NBA basketball arena – Houston, Texas

Market Study and Economic Impact Study of Expanding the George R. Brown Convention Center  
 – Downtown Houston, Texas

Market Study of Proposed Convention Center, Mall Conversion – Baytown, Texas

Market Study of Proposed Natatorium – Stafford, Texas

Market Study of Repositioning a portion of Greenspoint Mall into a Convention Center – Houston, Texas

Market Study of Proposed Civic Center – Kemah, Texas

Market Study of Proposed Civic Center – Freeport, Texas

#### **Central Texas:**

Market Study of Proposed Convention Center – New Braunfels, Texas

Market Study of Proposed Civic Center & Exhibit Hall – Gonzales, Texas

#### **South Texas:**

Market Study of Expanding the Bayfront Convention Center – Corpus Christi, Texas (Completed 1999)

#### **East Texas:**

Market Study of Proposed Convention Center – Lufkin, Texas



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**Outside of Texas:**

- Market Study and Economic Impact Study of Proposed 453,000-square foot Exhibition Center – Sandy City, Utah
- Market Study of Proposed Ballroom Addition to the Welk Resort – Branson, Missouri
- Market Study of Proposed Convention Center, Mall Conversion – Tupelo, Mississippi

**Other Projects:**

- Houston's First Baptist Church – Hunt Retreat – Lodge/Conference Facility – Fulshear, Texas (Open 2013)
- Market Study of Proposed Baseball Facility – The Zone – Kingwood, Texas (Open 2012)
- Market Study of Proposed Water Park – Beaumont, Texas
- Market Study of Proposed Time Share – Lake Havasu, Arizona
- Lakeview Methodist Conference Center – Lodge/Conference Facility – Palestine, Texas
- Market Study for Three Proposed Buffalo Wild Wings locations – Greater New Orleans, Louisiana
- Market Study for Proposed Apartments – Jackson, Tennessee
- Developer of five high-end town homes near Texas Medical Center
- Developer of three-unit loft project east of Mid-Town - Houston, Texas
- Due Diligence of new construction 400-unit Self Storage in southwest Houston
- Due Diligence of new construction 400-unit Self Storage in Baytown, Texas
- Developer / Investor Prospectus of Pearland Swim Academy – Pearland, Texas

# Municipal Development District Communication

Item # 2

<b>Submitted By:</b> Karen Dickson – Economic Development Director	<b>Date:</b> July 8, 2016
<b>Subject:</b> EDD Monthly Report	

<b>Action Requested:</b> Present EDD Monthly Report
---

<b>Purpose (Outline – Who, What, Where, Why &amp; How).</b>
---

<b>Checklist of Attachments</b>			
<input type="checkbox"/> Contract	<input type="checkbox"/> Agreement	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution
<input type="checkbox"/> Policy	<input type="checkbox"/> Applications	<input type="checkbox"/> Legal Opinion	<input type="checkbox"/> Minute Order
<input type="checkbox"/> Letter/ Memo From	<input type="checkbox"/> P&Z Minutes	<input type="checkbox"/> Board Minutes	<input type="checkbox"/> Other Minutes
<input type="checkbox"/> Applicant	<input type="checkbox"/> Checklist	<input type="checkbox"/> Federal Law	<input type="checkbox"/> Plans / Drawings
<input type="checkbox"/> Staff	<input type="checkbox"/> State Law	<input type="checkbox"/> Bid Tabulations	<input type="checkbox"/> Maps
<input type="checkbox"/> <b>Other</b>	<input type="checkbox"/> Attachments	<input type="checkbox"/> Notices	<input type="checkbox"/> Charter

# Municipal Development District Communication

Item # 3

<b>Submitted By:</b> Susie Hiles, Assistant to the City Manager	<b>Date:</b> July 8, 2016
<b>Subject:</b> Azle MDD Board Minutes.	

<b>Action Requested:</b> Consider approving the Minutes of the June 14, 2016 Azle MDD regular meeting
---

<b>Purpose (Outline – Who, What, Where, Why &amp; How).</b> Procedural.
--

<b>Checklist of Attachments</b>				
<input type="checkbox"/> Contract	<input type="checkbox"/> Agreement	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	
<input type="checkbox"/> Policy	<input type="checkbox"/> Applications	<input type="checkbox"/> Legal Opinion	<input type="checkbox"/> Minute Order	
<input type="checkbox"/> Letter/ Memo From	<input type="checkbox"/> P&Z Minutes	<input checked="" type="checkbox"/> Board Minutes	<input type="checkbox"/> Other Minutes	
<input type="checkbox"/> Applicant	<input type="checkbox"/> Checklist	<input type="checkbox"/> Federal Law	<input type="checkbox"/> Plans / Drawings	
<input type="checkbox"/> Staff	<input type="checkbox"/> State Law	<input type="checkbox"/> Bid Tabulations	<input type="checkbox"/> Maps	
<input type="checkbox"/> <b>Other</b>	<input type="checkbox"/> Attachments	<input type="checkbox"/> Notices	<input type="checkbox"/> Charter	

MINUTES  
REGULAR MEETING  
AZLE MUNICIPAL DEVELOPMENT DISTRICT  
JUNE 14, 2016

DRAFT

STATE OF TEXAS §  
COUNTY OF TARRANT §  
CITY OF AZLE §

The Azle Municipal Development District of the City of Azle, Texas convened in Regular Session at 6:30 p.m. in the Council Chambers of City Hall, 613 Southeast Parkway, Azle, Texas, on the 14th day of June 2016 with the following members present:

Ray Ivey	President – Place 4
Kevin Ingle	Vice President – Place 6
Joe McCormick	Secretary – Place 3
Councilman Paul Crabtree	Director – Place 1
Councilman David McClure	Director – Place 2
Jack Stevens	Director – Place 5
Justin Berg	Director – Place 7
Tom Muir	Executive Director / City Manager

Constituting a quorum. Staff present was:

Karen Dixon	Economic Development Director – via telephone
Norma Zenk	City Secretary – Scribe

The following items were considered in accordance with the official agenda posted on the 10th day of June 2016.

**REGULAR SESSION:**

**CALL TO ORDER**

6:30 p.m.

President Ray Ivey called the session to order at 6:33 p.m.

*Statement of Appointed Officer and Oath of Office* were administered to returning board members Ray Ivey, David McClure, and Kevin Ingle.

**ACTION ITEMS**

**1. Consider any action on appointment of officers to the Azle Municipal Development District**

Board Member Stevens moved to nominate and appoint the following MDD Officers:

President – Ray Ivey  
Vice President – Kevin Ingle  
Secretary – Joe McCormick

Board Member Berg seconded the motion and the vote was unanimous.

**2. Consider approving the Minutes of the May 10, 2016 Azle MDD joint meeting with the Azle Area Chamber of Commerce Economic Development Council**

Board Member Stevens moved to approve the May 10, 2016 Minutes of the MDD Joint Meeting with the Azle Area Chamber of Commerce Economic Development Council. Board Member Ingle seconded the motion and the vote was unanimous.

**PRESENTATION**

**3. Monthly Report from Economic Development Director Karen Dickson**

President Ivey recognized EDD Dickson who gave an update on economic development activities in and around the city noting:

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DRAFT

- she is continuing to work on the development of the economic development website with Eisenberg, the website designer.
- is scheduled to meet with a photographer on June 24 to photograph the city and its unique sites
- the areal map of the City is at the printers and will soon have them on hand
- the Hotel Feasibility Study will be presented to the Board at the July 12 MDD meeting
- the Façade Grant is up and running and an application has been given to two interested businesses
- an apartment complex is planned to start development on the vacant land across from Azle High School and will have 224 units. EDD Dickson gave a brief description of the design and quality of housing that will soon be available.
- a Senior housing development, consisting of both independent and assisted living, has been approved for location south of SH199. The developer has requested a tax abatement and staff is diligently working through this process and will present to Council for their consideration.

In response to Board Members' questions, Ms. Dickson stated the façade policy and guidelines would be uploaded onto the city's website soon.

#### **DISCUSSION ITEMS**

##### **4. Review of Economic Development Action Plan**

President Ivey recognized City Manager Muir who stated the Economic Development Action Plan (EDAP) was a result of the joint meeting the MDD had with the Azle Area Chamber of Commerce Economic Development Council on May 10, 2016. Mr. Muir introduced EDD Dickson who gave an in-depth review of the EDAP she and Tom Long, San Antonio Economic Development Foundation, had researched and developed for MDD review and consideration; noting this was not a strategic plan, but a true action plan for the city and the MDD to utilize. She stated this Action Plan would serve as a roadmap for Azle, guiding the application of public resources to stimulate private sector investment in the community to attract young families. Ms. Dickson reviewed the various statistics listed in the EDAP noting the number of building permits were up and would continue to climb due to the home building at the Golden Pond residential neighborhood and reiterated this action plan would help attract young families.

The Board Members and Ms. Dickson reviewed the following suggested vision statement, mission statement, and goals for the MDD & the city's Economic Development Department:

- the Vision Statement *"Connecting Business and Community Toward a More Prosperous Future"*
- the Mission Statement: *"The Azle department of Economic Development works to influence business location decisions by providing information and resources designed to assist in the analysis of establishing, expanding or relocating a facility in Azle"*
- the Overarching Goal: *"Working collaboratively with the community, the Economic Development Department will serve to pro-actively attract, retain, and expand commercial business and industry in Azle to expand and diversify the City's tax base and provide jobs for its citizens"*

Ms. Dickson reviewed the Action Plan's priorities and objectives with the objectives being broken down into a series of five years - years 1-5, years 6-10, and years 10 and beyond. She stated the first five years would focus on business retention and expansion; real estate / site development; and business attraction. She reviewed the strategies needed to make this and future plans and programs work as well as laid out a timeline.

The Board and staff continued discussing the proposed Action Plan and the time line being suggested. It was stated many people in Azle like Azle because it's small - not a large city; however, change is coming and Azle will be left behind if it doesn't begin to plan for its future. The Board commented the reason Azle has not moved forward is due to the high prices people are asking for their property. They gave accolades to EDD Dickson for all her hard work, noting this was a great action plan.

##### **5. Discussion regarding the FY2016/2017 Budget**

President Ivey recognized City Manager Muir who stated staff was working on the fiscal year budget and wanted to get input from the Board on what they would like included. Mr. Muir noted the action plan Ms. Dickson was proposing contained items that were included in next year's budget and needed to get support from the MDD. He presented a

MINUTES  
REGULAR MEETING  
AZLE MUNICIPAL DEVELOPMENT DISTRICT  
JUNE 14, 2016

DRAFT

brief PowerPoint presentation highlighting activities and accomplishments that had taken place throughout the city in the last year or so. . . . such as: property values and sales tax were up; TXDOT announced full funding of the SH199 project scheduled to begin late 2016; online utility bill pay; RAIDS Online; Nixle service was launched; various streets were reconstructed, Cross Timbers Golf Course is having a record year in golf play and its outstanding debt has been paid off ahead of schedule; and reviewed the recent survey conducted by the Parks & Recreation Board.

Mr. Muir reviewed the list of priorities prepared at the May 14, 2016 Council and staff work session: splash pad / spray ground; Servolution; new city hall / police station; radio read water meters; ambulance replacement; street projects including Lakeside Dr, Jarvis Ln, and Nations Dr; business retention program; five year plan for Main Street; economic development website; mobile app to provide additional communication with citizens; the EDAP and the hotel feasibility study was also provided in the city's budget.

The Board and staff discussed budget items and expressed interest in the MDD funding a portion of the Action Plan and Servolution considering the benefits to the community. Mr. Muir stated the Façade Grant would help clean up the city and this would increase property values which in turn will benefit the tax base for the city. He stated staff projected the MDD would have a healthy fund balance at the end of the year. The Board agreed the MDD could afford two to five percent of its funds to help fund the city's programs. Mr. Muir stated staff would present the proposed MDD budget at the July meeting and hold a public hearing before presenting it to Council for final approval. He stated staff would present the hotel feasibility report at this meeting as well.

**6. Discussion regarding Azle Municipal Development District plans/procedures/policies.**

No items were discussed.

**ADJOURNMENT**

President Ivey adjourned the meeting at 8:32 p.m.

**PRESENTED AND APPROVED this the 12th day of July, 2016.**

**APPROVED:**

\_\_\_\_\_  
**Ray Ivey, President**

**ATTEST:**

\_\_\_\_\_  
**Joe McCormick, Secretary**

## City Council Communication

Item # **4**

<b>Submitted By:</b>	Tom Muir, Executive Director	<b>Date:</b>	July 8, 2016
<b>Subject:</b>	FY 2015-2016 Amended Budget		
<b>Agenda Item:</b>	Consider any action on providing for amendments to the FY 2015-2016 MDD Budget		
<b>Purpose (Outline – Who, What, Where, Why &amp; How)</b>			
<p>To approve proposed amendments to the FY 2015-16 Azle Municipal Development District budget reflecting changes in projected revenues and expenditures/expenses. Explanations are included where changes are made in the budgets.</p> <p>Total revenue is projected to be \$20,700 more than the original budget - projected increase in actual tax collections and interest earnings. Total expenditures increased \$17,169 over the original budget due to an increase in personnel expenses associated with the recruitment of new economic development director and contractual services to cover costs for professional photography, aerial mapping, and hotel feasibility study.</p>			
<b>Checklist of Attachments</b>			
<input type="checkbox"/> Contract	<input type="checkbox"/> Agreement	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution
<input type="checkbox"/> Policy	<input type="checkbox"/> Applications	<input type="checkbox"/> Legal Opinion	<input type="checkbox"/> Minute Order
<input type="checkbox"/> Letter/ Memo From	<input type="checkbox"/> P&Z Minutes	<input type="checkbox"/> Board Minutes	<input type="checkbox"/> Other Minutes
<input type="checkbox"/> Applicant	<input type="checkbox"/> Checklist	<input type="checkbox"/> Federal Law	<input type="checkbox"/> Plans / Drawings
<input type="checkbox"/> Staff	<input type="checkbox"/> State Law	<input type="checkbox"/> Bid Tabulations	<input type="checkbox"/> Maps
<input type="checkbox"/> <b>Other</b>	<input checked="" type="checkbox"/> Attachments <i>Budget Amendments</i>	<input type="checkbox"/> Notices	<input type="checkbox"/> Charter
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Azle Municipal Development District Fund  
Budget Summary Amendment  
FY 2015-2016**

	<b>Budget 2015-16</b>	<b>Estimated 2015-16</b>
<b>Beginning Balance</b>	765,960	765,960
<b><u>Revenue</u></b>		
<b>Sales Tax</b>	428,000	448,000
<b>Interest Income</b>	<u>800</u>	<u>1,500</u>
<b>Total Revenue</b>	<b>428,800</b>	<b>449,500</b>
<b><u>Expenses</u></b>		
<b>Personnel Services</b>	67,807	71,803
<b>Supplies</b>	5,150	5,150
<b>Maintenance</b>	-	-
<b>Contractual Services</b>	102,350	115,523
<b>Capital Outlay</b>	<u>-</u>	<u>-</u>
<b>Total Operating Expenses</b>	<b>175,307</b>	<b>192,476</b>
<b>Debt Service</b>	<u>-</u>	<u>-</u>
<b>Ending Balance</b>	<b>1,019,453</b>	<b>1,022,984</b>

<p><b>Sales Tax:</b> Increase to reflect projected increase in actual tax collections.</p>
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**MUNICIPAL DEVELOPMENT DISTRICT FUND**

**20-567**

<b>ACCT#</b>	<b>ACCOUNT DESCRIPTION</b>	<b>Budgeted FY 2015-16</b>	<b>Estimated FY 2015-16</b>	<b>ACCT#</b>
8002	SALARIES	51,899	51,899	8002
8007	LONGEVITY	-	-	8007
8010	INCENTIVE PROGRAM	-	570	8010
8012	TMR-C	6,253	6,253	8012
8014	HEALTH & DENTAL INSURANCE	4,330	4,330	8014
8015	DISABILITY INSURANCE	539	539	8015
8016	MEDICARE	753	753	8016
8020	UNEMPLOYMENT TAX	90	90	8020
8022	WORKER'S COMPENSATION	327	327	8022
8024	AUTO ALLOWANCE	3,216	3,216	8024
8026	CLOTHING ALLOWANCE	400	400	8026
8028	PERSONNEL RECRUITMENT	-	3,426	8028
8030	APPLICANT PROCESSING	-	-	8030
8080	PERSONNEL - OTHER	-	-	8080
<b>8000</b>	<b>PERSONNEL SERVICES</b>	<b>67,807</b>	<b>71,803</b>	<b>8000</b>
8102	OFFICE SUPPLIES	900	900	8102
8104	NON-OFFICE SUPPLIES	-	-	8104
8106	PRINTING	4,000	4,000	8106
8108	POSTAGE	250	250	8108
8114	MINOR EQUIPMENT	-	-	8114
8180	SUPPLIES - OTHER	-	-	8180
<b>8100</b>	<b>SUPPLIES</b>	<b>5,150</b>	<b>5,150</b>	<b>8100</b>
8312	LEGAL NOTICES / ADVERT.	27,000	27,000	8312
8314	PROFESSIONAL SERVICES	-	13,173	8314
8324	TELEPHONE	600	600	8324
8350	SPECIAL EVENTS	1,500	1,500	8350
8354	TRAVEL & TRAINING	6,000	6,000	8354
8356	DUES & SUBSCRIPTIONS	4,000	4,000	8356
8362	ECONOMIC DEVELOPMENT	63,250	63,250	8362
8380	CONTRACTUAL SERVICES - OTHER	-	-	8380
<b>8300</b>	<b>CONTRACTUAL SERVICES</b>	<b>102,350</b>	<b>115,523</b>	<b>8300</b>
8580	CAPITAL OUTLAY - OTHER	-	-	8542
<b>8500</b>	<b>CAPITAL OUTLAY</b>	<b>-</b>	<b>-</b>	<b>8500</b>
	<b>DEPT TOTAL</b>	<b>175,307</b>	<b>192,476</b>	

**Personnel Services:**  
Increases to cover expenses associated with the recruitment of new economic development director.

**Professional Services:**  
Increases to cover costs for professional photography, aerial mapping, and hotel feasibility study.

**Municipal Development District Communicator**

Item # \_\_\_\_\_ )

<b>Submitted By:</b> Tom Muir, Executive Director	<b>Date:</b> July 8, 2016
<b>Subject:</b> Approve proposed FY2016 - 2017 MDD budget	

<b>Action Requested:</b> Consider any action on the proposed FY 2016-2017 MDD Budget.
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**Purpose (Outline – Who, What, Where, Why & How).**

The Bylaws state the MDD Board must adopt a budget before presenting it to the Azle City Council for approval.

*Section 3. Annual Budget On or before August 1 of each year, the Board shall prepare and present a proposed budget of expected revenues and proposed expenditure for the next ensuing fiscal year to the City Council. The fiscal year of the District shall commence on October 1 of each year and end on September 30.*

If the Board approves this proposed budget, it will be presented to the Azle City Council at the July 19 Council meeting for their approval.

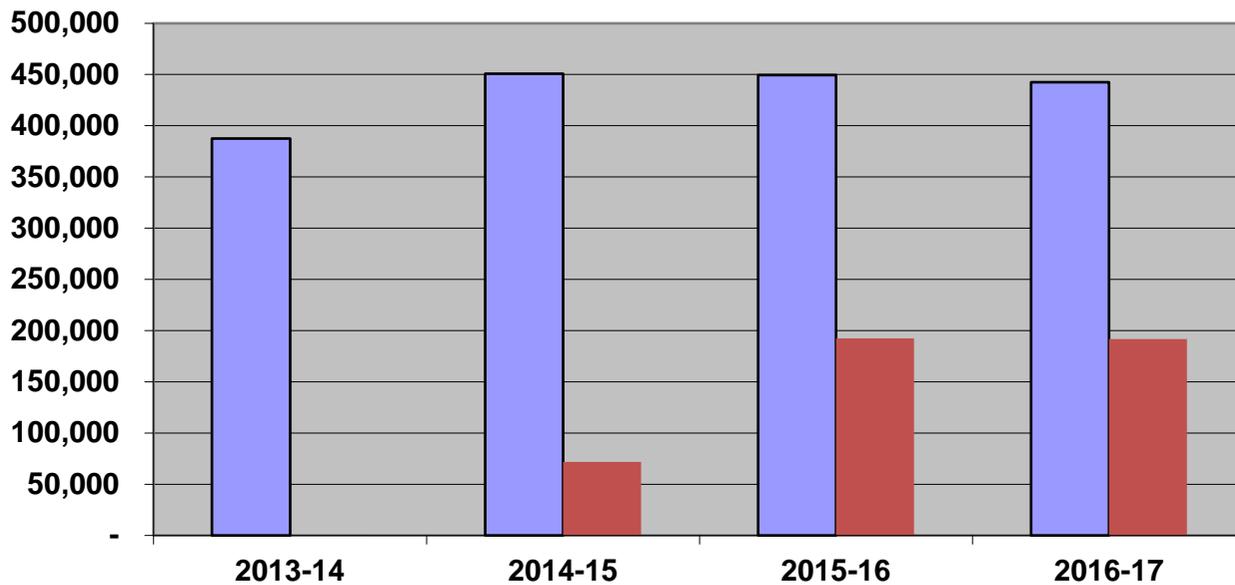
**Checklist of Attachments**

<input type="checkbox"/> Contract	<input type="checkbox"/> Agreement	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution
<input type="checkbox"/> Policy	<input type="checkbox"/> Applications	<input type="checkbox"/> Legal Opinion	<input type="checkbox"/> Minute Order
<input type="checkbox"/> Letter/ Memo	<input type="checkbox"/> P&Z Minutes	<input type="checkbox"/> Board Minutes	<input type="checkbox"/> Other Minutes
<input type="checkbox"/> From Applicant	<input type="checkbox"/> Checklist	<input type="checkbox"/> Federal Law	<input type="checkbox"/> Plans / Drawings
<input type="checkbox"/> Staff	<input type="checkbox"/> State Law	<input type="checkbox"/> Bid Tabulations	<input type="checkbox"/> Maps
<input type="checkbox"/> <b>Other</b>	<input checked="" type="checkbox"/> Attachments	<input type="checkbox"/> Notices	<input type="checkbox"/> Charter
<input type="checkbox"/>	<input type="checkbox"/> <b>Budget</b>	<input type="checkbox"/>	

**Azle Municipal Development District Fund  
Budget Summary  
FY 2016-2017**

	Actual 2012-13	Actual 2013-14	Actual 2014-15	Budget 2015-16	Estimated 2015-16	Proposed 2016-17	Approved 2016-17
<b>Beginning Balance</b>	-	-	387,118	765,960	765,960	1,022,984	1,022,984
<b>Revenue</b>							
<b>Sales Tax</b>	-	387,528	449,503	428,000	448,000	440,000	
<b>Interest Income</b>	-	40	1,217	800	1,500	2,500	
<b>Total Revenue</b>	-	<b>387,568</b>	<b>450,720</b>	<b>428,800</b>	<b>449,500</b>	<b>442,500</b>	-
<b>Expenses</b>							
<b>Personnel Services</b>	-	-	55,065	67,807	71,803	75,086	-
<b>Supplies</b>	-	-	913	5,150	5,150	3,434	-
<b>Maintenance</b>	-	-	-	-	-	-	-
<b>Contractual Services</b>	-	450	15,900	102,350	115,523	88,055	-
<b>Capital Outlay</b>	-	-	-	-	-	25,000	-
<b>Total Operating Expenses</b>	-	<b>450</b>	<b>71,879</b>	<b>175,307</b>	<b>192,476</b>	<b>191,575</b>	-
<b>Debt Service</b>	-	-	-	-	-	-	-
<b>Ending Balance</b>	-	<b>387,118</b>	<b>765,960</b>	<b>1,019,453</b>	<b>1,022,984</b>	<b>1,273,909</b>	<b>1,022,984</b>

**Municipal Development District Fund Revenue vs. Expenses**



**PURPOSE STATEMENT:**

To facilitate economic development within the Tarrant County portion of the City of Azle.

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**GOALS AND OBJECTIVES:**

- Develop policies and procedures for the operation of the District.
- Identify priorities and develop a plan for the District.
- Implement a focused marketing strategy
- Implement a business retention & expansion (BRE) program
- Prospect development with real estate brokers, developers, and site consultants
- Professional development

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**KEY POINTS OF PROPOSED BUDGET:**

- Fund Economic Development Grants
- Fund Economic Marketing plan and materials

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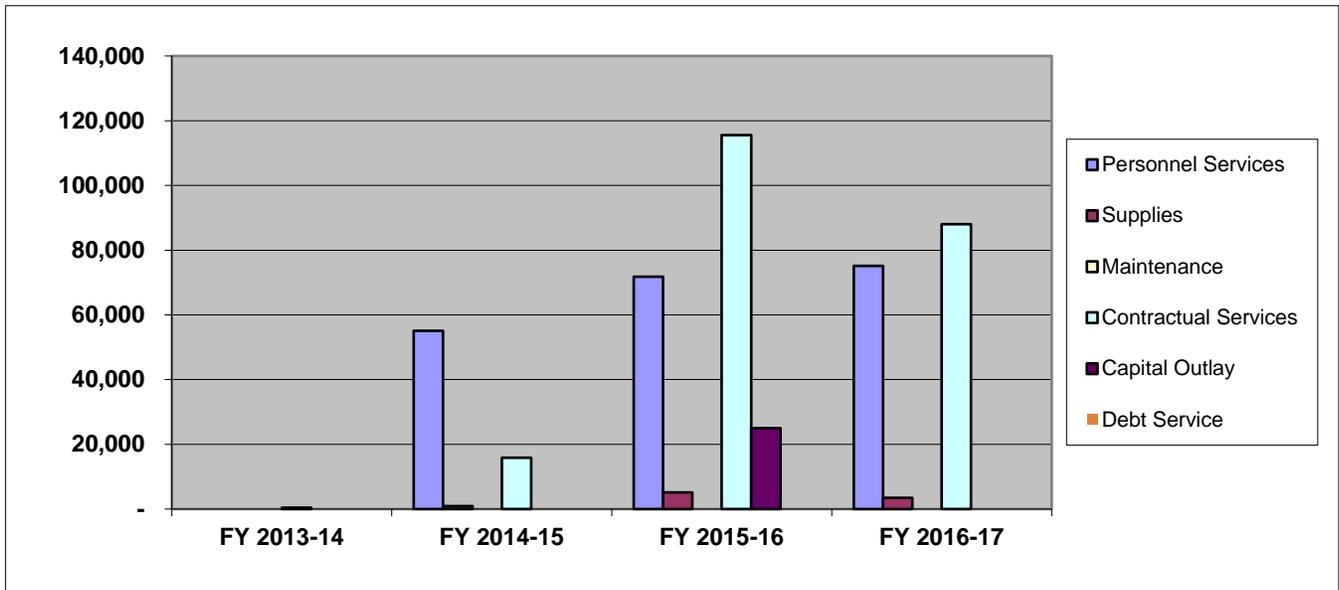
Actual	Estimate	Projection
FY 14-15	FY 15-16	FY 16-17

**Municipal Development District Fund**

**Account  
20-567**

**BUDGET SUMMARY:**

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Estimated	FY 2016-17 Proposed	FY 2016-17 Budgeted
Personnel Services	-	-	55,065	71,803	75,086	-
Supplies	-	-	913	5,150	3,434	-
Maintenance	-	-	-	-	-	-
Contractual Services	-	450	15,900	115,523	88,055	-
Capital Outlay	-	-	-	-	25,000	-
Debt Service	-	-	-	-	-	-
<b>Total</b>	-	450	71,879	192,476	191,575	-



**PERSONNEL:**

	Salary Range	FY 2015-16 Actual	FY 2016-17 Proposed	FY 2016-17 Budgeted
Econ. Dev. Director	71,910 - 99,236	0.67	0.67	
<b>Total Personnel</b>		0.67	0.67	0.00

**MUNICIPAL DEVELOPMENT DISTRICT FUND**

<b>ACCT#</b>	<b>ACCOUNT DESCRIPTION</b>	<b>Actual FY 2012-13</b>	<b>Actual FY 2013-14</b>	<b>Actual FY 2014-15</b>	<b>Budgeted FY 2015-16</b>	<b>Estimated FY 2015-16</b>
8002	SALARIES		-	42,643	51,899	51,899
8007	LONGEVITY		-	-		
8010	INCENTIVE PROGRAM		-	-		570
8012	TMR-C		-	4,968	6,253	6,253
8014	HEALTH & DENTAL INSURANCE		-	3,416	4,330	4,330
8015	DISABILITY INSURANCE		-	528	539	539
8016	MEDICARE		-	631	753	753
8020	UNEMPLOYMENT TAX		-	-	90	90
8022	WORKER'S COMPENSATION		-	282	327	327
8024	AUTO ALLOWANCE		-	2,597	3,216	3,216
8026	CLOTHING ALLOWANCE		-	-	400	400
8028	PERSONNEL RECRUITMENT		-	-	-	3,426
8030	APPLICANT PROCESSING		-	-	-	
8080	PERSONNEL - OTHER		-	-		
<b>8000</b>	<b>PERSONNEL SERVICES</b>	<b>-</b>	<b>-</b>	<b>55,065</b>	<b>67,807</b>	<b>71,803</b>
8102	OFFICE SUPPLIES		-	260	900	900
8104	NON-OFFICE SUPPLIES		-	253	-	-
8106	PRINTING		-	300	4,000	4,000
8108	POSTAGE		-	-	250	250
8114	MINOR EQUIPMENT		-	100	-	-
8180	SUPPLIES - OTHER		-	-	-	-
<b>8100</b>	<b>SUPPLIES</b>	<b>-</b>	<b>-</b>	<b>913</b>	<b>5,150</b>	<b>5,150</b>
8312	LEGAL NOTICES / ADVERT.		-	6,337	27,000	27,000
8314	PROFESSIONAL SERVICES		-	5,000	-	13,173
8324	TELEPHONE		-	456	600	600
8350	SPECIAL EVENTS		-	-	1,500	1,500
8354	TRAVEL & TRAINING		450	3,450	6,000	6,000
8356	DUES & SUBSCRIPTIONS		-	657	4,000	4,000
8362	ECONOMIC DEVELOPMENT		-	-	63,250	63,250
8380	CONTRACTUAL SERVICES - OTHER		-	-	-	-
<b>8300</b>	<b>CONTRACTUAL SERVICES</b>	<b>-</b>	<b>450</b>	<b>15,900</b>	<b>102,350</b>	<b>115,523</b>
8580	CAPITAL OUTLAY - OTHER		-	-		
<b>8500</b>	<b>CAPITAL OUTLAY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>DEPT TOTAL</b>	<b>-</b>	<b>450</b>	<b>71,879</b>	<b>175,307</b>	<b>192,476</b>

**20-567**

<b>Proposed FY 2016-17</b>	<b>Approved FY 2016-17</b>	<b>ACCT#</b>
56,608		8002
		8007
800		8010
6,922		8012
5,785		8014
644		8015
821		8016
90		8020
216		8022
3,200		8024
		8026
		8028
		8030
		8080
<b>75,086</b>	<b>-</b>	<b>8000</b>
600		8102
		8104
2,667		8106
167		8108
		8114
		8180
<b>3,434</b>	<b>-</b>	<b>8100</b>
14,333		8312
6,667		8314
560		8324
2,333		8350
17,629		8354
4,533		8356
42,000		8362
		8380
<b>88,055</b>	<b>-</b>	<b>8300</b>
25,000		8542
<b>25,000</b>	<b>-</b>	<b>8500</b>
<b>191,575</b>	<b>-</b>	

Dept. Code	EMPLOYEE	Position Title	Total Potential Salary	Dept Allocation	Med Hosp Tax 1.45%	Soc Sec Tax 6.2%	Unempl Ins TWC	Workers Comp Prem	Health Insurance	Dental Ins	Life Ins	TMRS 6%	Projected Disability Costs	
	Dickson, Karen	Econ. Dev. Director	82,977	82,977	1,203		135	317	8,208	433	63	10,146	882	
		Step Increase	1,512	1,512	22			6				185	16	
	MDD Share	Econ. Dev. Director	82,977	55,595	806		90	212	5,499	286	42	6,798	591	
			1,013	1,013	15			4				124	11	
		<b>MDD Total</b>		56,608	821	-		216	5,499	286	42	6,922	602	70,995.25
	City Share	Econ. Dev. Director	82,977	27,382	397		45	104	2,709	147	21	3,348	291	
			499	499	7			2				61	5	
		<b>City Total</b>		27,881	404	-		106	2,709	147	21	3,409	296	



# City of Azle Budget Request Form

Use this form to detail any new requested personnel, programs, capital expenditures, or individual line item increases (other than inflationary increases) to your departmental budget.

Department: Municipal Development District  
Type of Budget Request: Eco. Dev. Prospect Development and Professional Development

**Description of Item or Program Requested:**

Descriptions must include how the item or program will increase service delivery or reduce other expenditures. The description should also include consequences if the request is not approved.

Since the City of Azle is currently not on the radar screens of real estate brokers, developers, and site location consultants, our plan is to strategically get the word out about the City. We will institute a "laser-focused" approach to marketing the city versus a typical "shot gun approach". This tactic will include meeting target companies and individuals in one-to-one meetings. Relationship development and cultivation is critical in economic development marketing so that our target audience gets to know Azle and its economic development director. As that professional relationship develops, the consultants, brokers, and developers will think of Azle when opportunities arise and begin to contact us directly. This effort will be accomplished in the form of marketing trips and participation in smaller conferences which have proven to be a more effective approach and produce more "bang for your buck". A detailed breakdown of Prospect Development expenses are located on the Travel & Training tab.

In addition to traditional outreach marketing strategies to consultants, networking in professional economic development organizations is a softer form of marketing. Gaining knowledge about how other colleagues are doing economic development is critical to Azle staying competitive. Continued education through professional development courses keeps us abreast of new ideas and ways to more effectively manage our department. Finally, these efforts allow us to communicate within our profession about Azle and the development taking place. A detailed breakdown of Professional Development expenses are located on the Travel & Training tab.

In order to carry out the above Prospect Development and Professional Development objectives, membership in the appropriate organizations is necessary. A detailed breakdown of Membership Dues are located on the Memberships tab.

**Consequences if Request is Denied:**

The economic development department would not be able to communicate and promote the City of Azle message to as many targets, therefore, resulting in a diluted and less effective marketing initiative. Bottom line result is fewer jobs created and slower advalorem and sales tax growth.

**Line Item(s) Affected by This Request:**

Account Number(s) and Corresponding Increases (Decreases):	Line Item	\$ Amount
	<u>20 - 567 - 8354</u>	<u>11,629</u>
	<u>20 - 567 - 8356</u>	<u>533</u>
	<b>Total</b>	<b><u>\$ 12,162</u></b>

Request Included   x   Request Denied           

**City Manager Comments**



## City of Azle Budget Request Form

Use this form to detail any new requested personnel, programs, capital expenditures, or individual line item increases (other than inflationary increases) to your departmental budget.

Department: Municipal Development District  
 Type of Budget Request: Sidewalk Installation at Shady Grove Park

**Description of Item or Program Requested:**

Descriptions must include how the item or program will increase service delivery or reduce other expenditures. The description should also include consequences if the request is not approved.

Expenditures that improve the quality of life for visitors and residents of Azle are allowed uses of MDD funds. This request is to install a sidewalk in Shady Grove park from the intersection of JD Johnson and Lancaster to the beach area. Currently, pedestrians are walking along the road to get to different amenities in the park. This creates dangerous conditions between pedestrians and vehicular traffic due to the blind curve around the ballfields. The addition of the proposed sidewalk provides a safer pathway and reduces the risk of an adult or child from being hit while walking in designated areas. The amount requested should cover the cost of the project and provides a small amount for contingencies.

**Consequences if Request is Denied:**

The increased risk of a pedestrian being struck while walking through the park remains.

**Line Item(s) Affected by This Request:**

Account Number(s) and Corresponding Increases (Decreases):	<u>Line Item</u>			<u>\$ Amount</u>		
	<u>20</u>	-	<u>567</u>	-	<u>8580</u>	<u>25,000</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<b>Total</b>					<b>\$ <u>25,000</u></b>

Request Included  Request Denied

City Manager Comments