

# MISSION INNvest Mills Act Plus+

## A Conceptual Framework to Facilitate Historic Property Reinvestment and Economic/Business Development

### 1. Reinvestment in the Historic Mission Inn Hotel & Spa and Ensuring future for Festival of Lights

#### Context

- A. While in private ownership, the Historic Mission Inn Hotel & Spa is a community asset – a point of civic pride, among the most significant of Riverside’s depth and breadth of landmarks and assets, and reinforced annually through the Festival of Lights.
- B. The Historic Mission Inn Hotel & Spa is a state and national treasure and was designated a National Historic Landmark by the federal government in 1977 and a State of California Landmark in 1961. It is one of three hotels in California to receive National Historic Landmark status along with the Hotel del Coronado in San Diego and the Ahwahnee Hotel in Yosemite National Park.
- C. Riverside’s history interweaves with the history of the Historic Mission Inn Hotel & Spa. Today, the City’s identity is tethered to this historic icon – when people from outside of Riverside speak about Riverside, the Historic Mission Inn Hotel & Spa often accompanies their remarks and is reflected in the many accolades, awards, recognitions and achievements:
- Best Historic Hotel 2014 and 2016, *USA TODAY’s* 10Best.com Readers’ Choice
  - Best Public Lights Display 2014, 2016, & 2018 *USA TODAY’s* 10Best.com Readers’ Choice
  - Best Holiday Festival 2016, *USA TODAY’s* 10Best.com Readers’ Choice
  - Top 25 Hotels in Southern California 2013, 2016, 2017(#2) & 2018(#5) *Condé Nast Traveler* Readers’ Choice
  - Best Historic Hotel 2016, Historic Hotels Awards of Excellence
  - Best Upscale Hotel/Resort | *Travel Weekly* 2016 Gold Magellan Award
  - Hotelier of the Year Nominee 2018 | *Historic Hotels of America*
  - Top 100 Best Outdoor Dining Restaurants in America | *OpenTable Diner’s Choice Awards* 2016
  - Best Wedding Venues 2017 | *Bride Magazine*
  - Best Spa Design | *Travel Weekly* 2016 Gold Magellan Award
  - Top 10 Hotel Spas in the U.S. 2014, *Condé Nast Traveler*
  - Hotelier of the Year Nominee 2018 | *Historic Hotels of America*
  - Peggy Mosley Industry Champion Award Nominee 2018 | *California Hotel & Lodging Association*
  - AAA Four Diamond Resort since 2010
- D. The Festival of Lights event (<https://www.riversideca.gov/foi/information.asp>) each year not only draws national attention to the Historic Mission Inn Hotel & Spa and the City of Riverside, but also generates \$130,000,000 of economic impact (direct, indirect, and induced) through the 750,000 visitors (SMRI 2018).
- E. While the public benefits of the Historic Mission Inn Hotel & Spa and the Festival of Lights are many (i.e. identity, aesthetics, events, financial, cultural, historic, economic, brand, etc.), ensuring the successful future of this historic property and its related festival has an associated public responsibility.

- F. The historic property entails significant ongoing maintenance (approximately \$1,000,000 per year) and has deferred maintenance totaling \$2,500,000. The Mills Act is one public tool to assist with funding ongoing maintenance; however, the estimated annual Mills Act property tax reduction of \$200,000 (APN 213-231-001) falls short of the magnitude of needed reinvestment each year.
- G. There is approximately 15,000 square feet of space at the Mission Inn that is underperforming in terms of sales tax, including the prime corner space at Main Street and Mission Inn that is currently housing the Mission Inn Museum. The City is willing to work with the Mission Inn Foundation Board to discuss relocation options, explore possible avenues for stabilizing the Foundations financial footings and the Mission Inn Hotel & Spa remain willing to engage in these discussions.
- H. The Festival of Lights, annually receives between \$900,000 and \$1,000,000 of investment by the Historic Mission Inn Hotel & Spa; approximately \$450,000 net (i.e. expenses minus revenues) of City investment each season – the Festival of Lights is in need of a sustainable, enduring funding source and organizational infrastructure to ensure a future of enduring citywide benefit.
- I. The Mission Inn Hotel & Spa was previously in a Redevelopment Project Area and, as a result, all property tax revenues – including future increases – are subject to the rules and interpretation of AB 26. This means the City does not have control over the use and subsequent rebate of the local property tax revenues generated by the project area except when residual property tax revenue remains after all taxing entities are paid in full. Therefore, tax abatement is possible via a property tax sharing agreement when residual property tax is available.

**Investment Concept**

- A. In exchange for the minimum ten-year Mills Act contract of specific reinvestment items via the Mills Act by the Historic Mission Inn Hotel & Spa, a matching one-time only (non-renewable) twenty-year commitment (i.e. Mills Act+) will be made by the City via a property tax sharing agreement in exchange for specific ongoing and deferred maintenance investment items to the property and continuity of the Festival of Lights. The City match will be dollar for dollar invested by the Mission Inn not to exceed \$200,000 dollars annually. The City agrees that entry into the Mills Act Agreement Contract by the Historic Mission Inn Hotel & Spa will in no way alter the current regulations governing the historic status of the Mission Inn or otherwise impede or affect any potential interior alterations.
- B. Should the City of Riverside increase Transient Occupancy Tax (TOT) from its current rate during the same non-renewable ten-year period in “A” above, any increase collected from the Mission Inn would go back to the Mission Inn for maintenance and other improvements and would be subtracted from the match provided by the City in “A” above.
- C. In the event of a change of ownership, all terms herein would transfer to the new property subject to a letter of acceptance prepared and signed by the new owner and submitted to the City within 30 days of close of escrow.

**2. Reuse of the Annex Property**

## Context

- A. While in private ownership, the historic Annex building (which is 20,000 SF, 3 stories and basement) that is across 6<sup>th</sup> Street from the Historic Mission Inn Hotel & Spa, is a part of the “campus” and contributes to the landmark status of the primary hotel building.
- B. The historic Annex is blighted, structurally unsound, uninhabited, and in need of extensive investment to result in a functioning asset.
- C. The historic Annex holds significant potential to expand the Historic Mission Inn Hotel & Spa and the related public benefits.
- D. The historic Annex property requires reinvestment that could top \$10,000,000, and likely would require integration of certain adjacent properties to accomplish economy of scale.
- E. The Mills Act is a public tool to assist with funding ongoing maintenance; however, given the estimated annual property tax reduction of \$1,400 (APN 213-191-034), the Mills Act provides almost no public benefit.
- F. APN 213-191-034 is the specific parcel on which Annex is located; adjacent parcels to the Annex are APN 213-191-035 (parking structure) and APN 213-191-039 (green space along Main Street; altogether the “Annex Block”, which also includes two privately owned parcels: APN 213-191-005 and 213-191-006 (corner of Main and 6<sup>th</sup> Street).
- G. The historic Annex properties were previously in a Redevelopment Project Area and, as a result, all property tax revenues – including future increases – are subject to the rules and interpretation of AB 26. This means the City does not have control over the use and subsequent rebate of the local property tax revenues generated by the project area except when residual property tax revenue remains after all taxing entities are paid in full. Therefore, tax abatement is possible via a property tax sharing agreement when residual property tax is available.

## Investment Concept

- A. In exchange for reinvesting in the historic Annex property and achieving a Certificate of Occupancy (CofO) for APN 213-191-034 within 10 years of the date of this agreement, a twenty-year rebate of the City’s portion of the property tax increment above the pre-CofO level will be provided to the Historic Mission Inn Hotel & Spa (i.e. Mills Act+). The rebate shall equate to the available tax-increment increase and shall not exceed \$200,000 per year.
- B. The rebate (not to exceed \$200,000 per year) would be eligible for one (1) 20-year period following a CofO subject to meeting the following financial goals:
  - i. Investment in the historic Annex property exceeds \$5,000,000.
  - ii. Sustained maintenance of the Historic Mission Inn Hotel & Spa and historic Annex properties.
- C. Should the City of Riverside increase Transient Occupancy Tax (TOT) from its current rate during the same non-renewable ten-year period in “A” above, any TOT collected from the redeveloped historic Annex block

would go back to the historic Annex block for maintenance and other improvements and would be subtracted from the amount provided by the City in "A" above.

- D. In the event of a change of ownership, all terms herein would transfer to the new property owner subject to a letter of acceptance prepared and signed by the new property owner and submitted to the City within 30 days of close of escrow.