



Memorandum

To: Honorable Mayor Jeff Cheney and Members of the Frisco City Council

Cc: Wes Pierson, City Manager
E.A. Hoppe, Assistant City Manager

From: Ken Schmidt, Director of Special Projects

Date: March 4, 2025

Subject: Consider and act upon authorizing the City Manager to finalize and execute a Ground Lease and Guaranty Agreement for the Stix Icehouse, by and between the City of Frisco, Texas and Stix Frisco, LLC. (CMO/KS)

Action Requested: Authorize the City Manager to finalize and execute a Ground Lease and Guaranty Agreement for the Stix Icehouse, by and between the City of Frisco, Texas and Stix Frisco, LLC.

Background Information: The Stix Icehouse is a Texas Hill Country inspired restaurant concept that first opened in McKinney in October 2021. The Stix has a full restaurant and bar, as well as an expansive outdoor dining area that fronts over 10 acres of open space. In addition to its expansive patio, the Stix activates this open space by creating a space for families and friends to connect with each other and nature. This is achieved through the provision of active open space programming such as disc golf, whiffle ball, soccer, corn hole, ping pong, and tree houses, and passive open space programming such as soft surface nature trails and tree preserves. The Stix ownership group, Mike and Rae Luther, and their business partner, Don Day, are veterans of the food, beverage, and hospitality industry. With the Stix, that have shaped a vision that embraces community, is family and dog friendly, and that celebrates old fashioned fun and the power of play.

When they began to explore an expansion opportunity for the Stix, the ownership group targeted the Grand Park area of Frisco due to the expansive public open space opportunities that existed. The ownership group ultimately targeted a 14.71± acre tract of city owned land north of Grand Park. This site is situated within the Zarky Planned Development District, a 100+ acre mixed use district that is scheduled to kickoff development this summer. The ownership group found this site

to be most attractive for the same reason the City purchased the property in 2007 – its expansive tree canopy and mature pecan trees.

With this site identified, the Stix ownership group proposed a public/private partnership with the City and FCDC, similar in scope to other Frisco restaurant partnerships, which includes Babe's and Pizzeria Testa.

Partnership Intent and Structure

This proposed public/private partnership presents an opportunity for the City and FCDC to establish a revenue-generating community gathering place at a strategically critical location. Situated just 500 feet to the north of the first phase of Grand Park, the Stix would serve as an activated trailhead for Grand Park, providing a much needed casual dining environment within walking and biking distance, as well as additional public parking supply. The Stix would also strongly compliment the Zarky development, which has zoning entitlements that would allow for up to 3,500 multifamily residential dwelling units, as well as several million square feet of commercial development in a mixed-use environment. The first phase of the Zarky development will include required infrastructure and public open space, and over 1,000 multifamily residential dwelling units. The Stix will provide an attractive amenity for these residents.

With this proposed partnership, the City and FCDC would participate through a long-term ground lease of the City-owned land to the Stix, and the FCDC providing the lesser of 50 percent of actual construction costs or up to \$2.5 million in reimbursements for the construction of public facilities by the Stix. These public facilities would include a public surface parking lot providing public parking on a first come, first serve basis to Grand Park and Stix visitors. This parking lot would accommodate at least 200 parking spaces, approximately double the amount that the Stix would be required to construct to comply with City zoning requirements.

In addition to this public parking lot, the FCDC would participate in funding the transformation of the tree grove that occupies the eastern half of the property. This would be achieved through the identification and preservation of high-quality trees, and selective thinning of underbrush and low quality trees to support the provision of nature trails and other open space amenities within and adjacent to this space. As a consideration of the FCDC participation and City ground lease, the Stix will construct a full-service restaurant and bar with at least 9,000 square feet of air-conditioned space and a patio/elevated deck with at least 4,000 square feet of usable space. Stix will also construct the public facilities that would be addressed by the FCDC reimbursement. Collectively, the total improvement value must achieve at least \$3.8 million in public and private investment.

With the proposed ground lease, guaranty and performance agreements, neither the City nor the FCDC would be funding any restaurant improvements. As a consideration of the ground lease, Stix would maintain all site and building improvements, to include the public open space, while the City would retain

ownership of all site and building improvements. If the Stix failed to abide by the terms of the ground lease, the City could lease the property to another restaurant tenant, or it could redevelop the property in pursuit of its highest and best use.

This proposed partnership would be established through the execution of a Ground Lease and Guaranty Agreement between Stix and the City, and a Performance Agreement between Stix and the FCDC (approved at the February 20th FCDC meeting). Revenue generated by the City from the Ground Lease would be transferred to the FCDC to account for the FCDC's upfront investment in public infrastructure and amenities.

City Participation and Stix Performance Requirements

The proposed ground lease requires the City to lease the site to the Stix for a 20-year base term with two 10-year tenant options for renewal. The base rent for this ground lease will start at \$6,500 per month and will increase annually in accordance with any associated increases in the Consumer Price Index (CPI). The City will transfer this lease revenue to the FCDC on an annual basis. At the conclusion of the 20-year base term, the City gains the option to redevelop a portion of the public parking lot in the event that parking demand from Grand Park no longer necessitates this additional parking supply. Key performance requirements associated with the lease include the provision of a guaranty agreement that provides a third-party backstop in the event that the Stix defaults on the lease, and the construction performance requirements that are also applicable to the FCDC Performance Agreement.

FCDC Participation and Stix Performance Requirements

The performance agreement requires the FCDC to provide the lesser of 50 percent of actual construction costs or up to \$2.5 million in reimbursements to address the actual hard costs for the public parking lot and applicable public open space amenities. FCDC funding would be provided as a reimbursement to the Stix, and would be contingent upon Stix satisfaction of the following performance requirements that are provided for in this performance agreement and the associated ground lease with the City:

- The public and private costs associated with the project shall collectively, be at least \$3.8 million. The conceptual plans that are ultimately advanced must comply with all City codes and will be further refined through the development review process. These plans must remain consistent in character, quality, development quantity, and level of investment with what is proposed with this agreement.
- The Stix is responsible for the design and construction of the public parking lot and open space amenities and shall provide review and approval rights to the City.
- Any public facility and amenity costs in excess of \$2.5 million would be the responsibility of the Stix.

- The Stix is responsible for maintaining all building and site improvements, to include the public parking lot and open space. These public features shall remain open to the public in accordance with City regulations for public facilities.
- The Stix must collaborate closely with City staff to thoughtfully execute any tree removal on site, with particular emphasis on preserving and highlighting the pecan grove and other quality trees.
- Stix must commence construction within 90 days of completion of required perimeter infrastructure needed to serve the site and must complete construction, establish permanent occupancy, and be open to the public for 30 days, within 12 months of construction commencement.
- Stix must regularly promote the City in a positive manner and will facilitate an annual onsite community celebration with the City and other community partners. Stix will periodically provide access to its private event space for City events.

Community Benefits

Grand Park is planned as a destination park that will serve Frisco residents while also being a major tourism destination for our region. Accommodating additional public parking and a casual, family-friendly dining environment in close proximity to the park is a major need that will be addressed by this partnership.

The investment made by Stix will allow the City to generate revenue, avoid maintenance costs, and activate an attractive open space area much earlier than what could be achieved without a partnership. This project will enhance the Zarky mixed use district, and it will complement the ongoing reinvestment in Toyota Stadium and the Rail District.

Board Review/Citizen Input: The FCDC took action to approve a performance agreement for this partnership by a vote of 6 – 0 during their February 20, 2025 regular meeting.

Financial Considerations: FCDC funding addressed by this Performance Agreement includes a performance-based public facility construction reimbursement grant from the FCDC in an amount not to exceed \$2.5 million. The City will generate lease revenue through the execution of the proposed ground lease. This lease revenue will be transferred from the City to the FCDC to account for the FCDC's upfront investment in public infrastructure and amenities.

Legal Review: The Ground Lease and Guaranty Agreement have been reviewed and approved by the City Attorney as to form and legality.

Alternatives: Council could consider the following alternatives:

- Approve the item;
- Table the item;

- Not approve the item; or
- Direct staff to make changes to the item.

Supporting Documents:

- Location Map.
- Ground Lease.
- Guaranty Agreement.

Staff Recommendation: Staff recommends approval of this item.