



DATE: October 22, 2020

TO: Council Airport Committee

FROM: Director of Public Works

SUBJECT: Receive Hotel Construction Update

RECOMMENDATION

That the Council Airport Committee (CAC) reviews and comments on this report.

SUMMARY

In November 2017, the City entered into a lease agreement with a developer to build two new hotels on vacant airport parcels. The first hotel, which is a Home2Suites property, will be built on the parcel located on Hesperian Boulevard.

Within the past year, the following items have taken place and have allowed the project to commence construction:

- Preparation and approval of plans and specifications.
- FAA determinations that the proposed structures were not a hazard to air navigation
- FAA verification that the leasehold had been released for non-aeronautical use
- Issuance of building permits and payment of fees
- Installation of perimeter fencing, and
- Commencement of grading at site

Due to the nature of this project, which utilizes prefabricated rooms built off-site, construction should be completed within just one year, with completion in the Fall of 2021.

BACKGROUND

Over the past several years, staff developed a plan to market non-aeronautical parcels on Airport property. A developer expressed interest in three parcels for the potential development of two hotels. This interest culminated in an agreement between the two parties, and on November 14, 2017, Council approved ground lease agreements between the City and both Ramesta Hospitality, LLC (for the Home2Suites hotel on Hesperian Boulevard),

and Mahabal Hospitality, LLC (for the Hyatt Place hotel at the corner of West A Street and Skywest Drive). In October 2018, a First Amendment was approved by Council to finalize financing requirements with the developer's lender for each lease. In October 2019, a Second Amendment was approved by Council that extended the Hyatt Place construction period from November 2019 to November 2020.

DISCUSSION

Since the last update approximately one year ago, the following actions have taken place:

- The developer prepared plans and specifications for the first hotel, which will be a Home2Suites on Hesperian Boulevard near the corner of Skywest Drive. The plans were subsequently approved by the City.
- The FAA determined the proposed structures were not a hazard to air navigation, thereby officially allowing construction to occur.
- The FAA verified that the leasehold had been released for non-aeronautical use.
- The building permits were issued, and all applicable fees were paid by the developer.
- Perimeter fencing has been placed around both the Home2Suites site and the Hyatt Place site (located on the corner of Skywest Drive and West A Street).
- Grading has commenced at the site.

Construction has now commenced and will take approximately one year, with completion anticipated in the Fall of 2021. After grading is completed and a slab is poured on the site, the prefabricated rooms will be installed. This process can save the developer some construction time, thereby allowing the hotel to be built in about one year versus up to two years for a more traditional "stick built" design.

As noted in prior reports, each leasehold is approximately 160,000 square feet and will contain the following features and amenities:

- 120 rooms;
- One banquet facility that seats approximately 150 persons, and can be subdivided into smaller rooms;
- A swimming pool;
- A nationally branded, stand-alone restaurant at the Hyatt that is approximately 6,000 square feet in size; and
- A small, ancillary retail store at Home2Suites

ECONOMIC IMPACT

The hotel developments will generate work for skilled and unskilled tradespeople during the construction phase, and retail/service sector jobs after the hotels are built.

FISCAL IMPACT

Once the hotels are operational, the Airport Operating Fund will realize a revenue increase of approximately \$210,000 per year from each hotel, or an annual total of \$420,000. Additional annual economic impact from transient occupancy tax, sales tax, and property tax will be approximately \$500,000 per site, which will benefit the City's General Fund.

STRATEGIC ROADMAP

The construction of the Home2Suites Hotel indirectly supports one of the goals contained in the Strategic Roadmap, which is Improve Organizational Health (Fiscal Sustainability). Furthermore, the project promotes beneficial economic development in this portion of the City.

SUSTAINABILITY FEATURES

The Airport is strongly committed to developing projects that are environmentally responsible. Therefore, staff ensured that the approved plans incorporate features that are in line with the City's sustainability guidelines.

PUBLIC CONTACT

This topic was discussed at the Council Airport Committee meeting of October 12, 2017, with unanimous support expressed for the project. Furthermore, the projects were approved by Council on November 14, 2017. The First Amendment for both developments was reviewed and approved by Council on October 16, 2018. The Second Amendment was reviewed and approved by Council on October 1, 2019.

NEXT STEPS

Airport staff will keep the Committee updated and apprised of the construction progress over the next year.

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Approved by:



Kelly McAdoo, City Manager