

## City Council Regular Meeting

**DEPARTMENT:** Economic Development  
**FROM:** Alex Philips, Economic Development Director  
**MEETING:** October 2, 2023

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### **SUBJECT:**

Consider approval of a professional services contract with McCaslin Hotel Consulting, LLC to conduct a market study for a proposed hotel and convention center in Burleson, Texas in the amount of \$65,000. (*Staff Presenter: Alex Philips, Economic Development Director*)

### **SUMMARY:**

City of Burleson is evaluating the feasibility of a potential Hotel and Conference Center to be located in Burleson, Texas. McCaslin Hotel Consulting has submitted a proposal to assess the demand for the proposed Hotel and Conference Center and to recommend the type of hotel, amount and configuration of meeting space and amenities needed in the market.

Randy McClaslin, and Patrick McClaslin make up McClaslin Hotel Consulting, LLC. Combined, the McClaslin's have more than 60 years of professional experience in the hospitality industry, and have extensive experience and expertise with hotel consulting projects. Clients include hotel owners and developers, lenders and investors, all major hotel brands, hotel managements companies and dozens of municipalities primarily in the South Central Region of the U.S., including Texas.

### **SCOPE OF WORK**

#### Market Study for Proposed Hotel and Conference Center

- Phase 1 – Market Analysis & Hotel Meeting Needs Assessment
- Phase 2 – Financial Analysis
- Phase 3 – Formal Written Report

#### Optional Additional Services

- Phase 4 – IRR/Gap (Incentives) Analysis
- Phase 5 – Economic Impact Analysis
- Phase 6 – Developer Selection Process

### **Phase 1 – Market Analysis & Hotel Meeting Needs Assessment**

- Boots on the ground reviewing all existing project materials, evaluating current market, and meeting with key stakeholders to determine needs

### **Phase 2 – Financial Analysis & Forecast**

- Prepare a 10-year financial projection for the proposed Hotel and Conference Center to the point of net operating income after reserve for replacement utilizing the *Uniform System of Accounting for the Lodging Industry*

### **Phase 3 – Written Report**

- Prepare a detailed written report outlining our findings and recommendations

### **Optional Additional Services**

If it is determined that there is a need for the proposed Hotel and Conference Center, we can complete the following additional services, to help move the project forward

### **Phase 4 – IRR/Gap (Incentives) Analysis**

- Conduct a gap analysis to determine the amount of investor-related incentives needed to make the proposed Hotel and Conference Center feasible. The gap analysis will include an estimate of the development costs for the project, loan to value ratio, interest rate and term, net operating income and appropriate cap rate to determine the Internal Rate of Return, as well as the resulting gap.
- Assess the hotel developer related incentive fees required for the management of the project by the developer.
- Recommend the types of incentives utilized by other public entities to bridge the gap and make the proposed Hotel and Conference Center feasible.

### **Phase 5 – Economic Impact Analysis**

The economic impact analysis would be based on the research conducted during the market study utilizing the RIMS II multipliers from the U.S. Department of Commerce's Bureau of Economic Analysis. The scope of this analysis is, as follows:

- Estimate the economic impact from the direct spending for the construction of the proposed Hotel and Conference Center
- Estimate the economic impact from the direct spending from the operation of the proposed Hotel and Conference Center
- Estimate the number of new jobs generated during the construction period and from operations
- Estimate the indirect spending that results from the direct spending being re-spent in the local economy
- Estimate the fiscal impact including hotel occupancy tax, sales tax and property tax generated by the proposed Hotel and Conference Center
- Prepare a separate letter report summarizing our findings and conclusions.

## **Phase 6 – Hotel Developer Selection Process**

Following the market study, the next steps required to move the proposed Hotel and Conference Center forward to completion is the selection of a qualified hotel developer for the proposed Hotel and Conference Center.

In the event that there is a need to identify and select a list of potential hotel developers, McCaslin Hotel Consulting, LLC can assist with this process. After completing market studies for more than 60 proposed hotel and convention/conference centers, we have an exclusive list of developers that have successfully completed these projects.

The scope of this process is, as follows:

- Meet with the project team to discuss the process in terms of goals and objectives, potential brands, list of potential developers, solicitation process, selection criteria and other relevant topics
- With the project team's approval, send copies of the McCaslin Hotel Consulting, LLC's market study to potential brands and developers with a letter of invitation
- Send an RFQ/RFI to the interested brands and developers with instructions and deadlines for completion
- Upon receipt of proposal responses to the RFQ/RFI, review and score each proposal based on the list of objective selection criteria established in the RFQ/RFI
- Prepare a summary report for the project team that will provide a summary of analysis and ranking of each proposal
- Meet with the project team to review the summary report and determine which hotel development firms to invite for an interview
- Invite and schedule interviews with the potential hotel development firms with McCaslin Hotel Consulting, LLC and the project team
- Assist the project team in determining the most appropriate developer for the proposed Hotel and Conference Center

## **PROFESSIONAL FEES & TIMING**

Our professional fees are based on the amount of time required to complete the engagement at our standard rates. Fees (including expenses) and timing for each phase are estimated, as follows:

### **Market Study for proposed Hotel and Conference Center:**

- **Phase 1 – Market Analysis \$20,000 2 to 3 weeks**
    - **Hotel Meeting Needs Assessment 5,000 2 to 4 weeks**
  - **Phase 2 – Financial Analysis 6,000 1 week**
  - **Phase 3 – Formal Written Report 4,000 1 week**
- Market Study Total \$35,000 6 to 8 weeks**

### **Optional Additional Services:**

- **Phase 4 – IRR/Gap (Incentives) Analysis \$5,000 1 week**
  - **Phase 5 – Economic Impact Analysis 5,000 1 to 2 weeks**
  - **Phase 6 – Developer Selection Process 20,000 6 to 8 weeks**
- Additional Services Total \$30,000 8 to 10 weeks**

Out-of-pocket expenses are included in our professional fees. Travel, lodging, meals, STR report, Moody's Analytics Economic Report, RIMS II multipliers, other third-party data and other project-related expenses, are included in the professional fees quoted above.

**RETAINER & INVOICES**

A retainer of \$20,000 is required prior to the commencement of the engagement. The remaining fees will be billed at the end of the engagement. In the event that the engagement is delayed for any reason, we will bill for each phase at the end of each phase.

**OPTIONS:**

- 1) Approve as presented
- 2) Approve with changes
- 3) Deny

**RECOMMENDATION:**

Staff recommends approval

**PRIOR ACTION/INPUT (Council, Boards, Citizens):**

N/A

**FISCAL IMPACT:**

**STAFF CONTACT:**

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