



**STAFF REPORT**  
**1/22/2025**

**TO:** Honorable Mayor and City Council Members

**FROM:** Celina Jimenez, Director of Economic Development

**SUBJECT:** Authorize the City Manager to Execute a Professional Services Agreement with Keyser Marston Associates, Inc. (KMA) for a Hotel Site Feasibility Study in the Amount of \$79,500

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**STAFF RECOMMENDATION:**

Staff recommends that the City Council consider authorizing the City Manager to execute a Professional Services Agreement with Keyser Marston Associates, Inc. (KMA) to conduct a Hotel Site Feasibility Study in the amount of \$79,500. Previously, the Economic Development and Planning Subcommittee reviewed and recommended the item for City Council consideration at its meeting of December 5, 2024.

**BACKGROUND:**

In 2022, the Coachella Valley experienced a resurgence in tourism from pre-pandemic levels. According to HVS, a global hospitality consulting firm, the economic impact from direct visitor spending totaled \$8.7 billion with 30% of this spending dedicated to lodging, including hotels and short-term rentals. Tourism growth in the Coachella Valley is also supported through the increased availability of air travel. In 2020, Southwest Airlines initiated year-round air service to the Palm Springs International Airport (PSP). In addition, large gathering venues such as the opening of the 11,000-seat Acrisure Arena, are likely to attract day and overnight visitors to the Coachella Valley. The Arena plans to host over 120 major events annually, likely to increase both hotel occupancy and Average Daily Rates (ADR) within the Coachella Valley. The City is hoping to capture the growing tourism, meetings, and special events in the Coachella Valley with the development of the City's first hotel.

**DISCUSSION/ANALYSIS:**

The purpose of this feasibility study is to identify potential hotel site location within the City of Coachella. The study will also help attract prospective hoteliers to the City, which could ultimately culminate in an increase in Transit Occupancy Tax (TOT) revenue for the City.

Below is an overview of the proposed scope of services:

- *Phase 1: Initiation/Stakeholder Surveys* – At the outset of the assignment, KMA will participate in a meeting with City staff and Visit Greater Palm Springs.
- *Phase 2: Hotel Market Assessment* – KMA will conduct a market assessment of hotel development potential in eastern Riverside County (County); the eastern Coachella Valley trade area (Trade Area); neighboring cities such as Indio, La Quinta, and Palm Desert (Neighboring Cities); and the City and its Sphere of Influence (SOI).
- *Phase 3: Financial Feasibility* – KMA will undertake financial feasibility analyses of up to three (3) prototypical hotel development prototypes to be considered in the City. Subject to the findings of the market assessment, one or more of these prototypes may include a mix of uses or ownership formats such as residential, condotel, or timeshare.
- *Phase 4: Financing Approaches* – to supplement the financial feasibility analysis, KMA will evaluate various levels of financing approaches that will incentivize hotel development within the City, including, but not limited to: TOT sharing, tax-exempt bonds, grants and subsidies, and tourism and entertainment districts. This evaluation will consider comparable hotel financing structures such as the tax-exempt and taxable revenue bonds utilized to construct Hotel Polaris in Colorado Springs, Colorado.
- *Phase 5: Findings and Recommendations* – KMA will summarize the key findings from the Phase 2 market assessment, Phase 3 financial feasibility analysis, and Phase 4 financing approaches.
- *Phase 6: Report and Presentation* – KMA will prepare a report to include an executive summary, narrative discussion, and supporting tables and exhibits.

KMA proposes to complete the above scope of services within the total budget requirement of \$79,500 and the following tentative timeline:

Phase:	Budget Amount:
Phase 1 – Initiation/Stakeholder Survey	\$6,500
Phase 2 – Market Assessment	\$25,500
Phase 3 – Financial Feasibility	\$27,500
Phase 4 – Financial Approaches	\$4,500
Phase 5 – Recommendations	\$5,000
Phase 5 – Final Report and City Council Presentation	\$7,500
Sub-Total (Phases 1-6)	\$76,500
Add: Reimbursables	\$3,000
Grand Total	\$79,500

**ALTERNATIVES:**

1. Authorize the City Manager to Execute a Professional Services Agreement with Keyser Marston Associates, Inc. (KMA) for a Hotel Site Feasibility Study in the Amount of \$79,500
2. Not approve this item

**FISCAL IMPACT:**

The fiscal impact of this action would be \$79,500 and would require an appropriation from the General Fund Reserves (Fund 101).

**ATTACHMENTS:**

1. Professional Services Agreement (PSA) with KMA Scope of Services Hotel Feasibility Study
2. Proposal - Hotel Feasibility Study to Access Potential Hotel Development in the City