

# CITY OF RICHLAND CENTER

## AGENDA ITEM DATA SHEET

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**Agenda Item:** Consider Request to Authorize a Hotel Feasibility Study

**Meeting Date:** Tuesday, August 1, 2023

**Requested by:** Ashley Oliphant

**Background:** The City currently has a total of three hotels and motels. There are approximately five short-term rentals (Airbnb) within the City. With less than a combined approximate total of 80 hotel/motel rooms available for occupancy – many of which are utilized for housing – the City lacks an adequate supply of hotel/motel accommodation. This shortage negatively impacts tourism opportunities and limits potential room tax collection.

In 2022, the Environmental Protection Agency (EPA) began collaborating with the City to review areas for potential redevelopment. Several potential development options and sites were assessed for viability. Considering the existing and potential future conditions related to hotels, the EPA assessed the viability of a new hotel development. It is anticipated that the EPA will soon release their findings in a report supporting the development of a hotel.

While the EPA’s analysis is valuable in determining the viability of a hotel development, it is necessary to conduct a more comprehensive hotel feasibility study if this type of development is to be pursued. A feasibility study will demonstrate whether a community has the capacity to support a hotel development and is generally required by franchises prior to serious engagement. It is not the City’s intent to be a developer but, rather, to create the conditions conducive to development. A hotel feasibility study will assist the City in attracting potential investors and/or developers.

Hotels/Motels within the City of Richland Center			
<u>Ramada</u>	<u>Center Lodge</u>	<u>Starlite Motel</u>	<u>Parkview Motel</u>
<ul style="list-style-type: none"> <li>• Improvements made</li> <li>• Excellent occupancy rate (approx. 2023 avg of 85%)</li> <li>• 43 Rooms</li> <li>• Opting not to offer 30+ day stays during peak season</li> </ul>	<ul style="list-style-type: none"> <li>• No longer a hotel</li> <li>• Providing workforce housing (30+ day stays)</li> <li>• Under new ownership</li> <li>• Previous occupancy rates unknown</li> <li>• 45 Rooms</li> <li>• Delinquent room tax</li> </ul>	<ul style="list-style-type: none"> <li>• Occupancy rates unknown</li> <li>• 19 Rooms</li> <li>• Delinquent room tax</li> </ul>	<ul style="list-style-type: none"> <li>• Under new ownership</li> <li>• Healthy occupancy rate</li> <li>• Approximately half of stays are 30+ days</li> </ul>
<i>Stays of 30 days or more are likely a result of insufficient housing within the City.</i>			

In June 2023, Richland Center Tourism Coordinator Marty Richards stated the following:

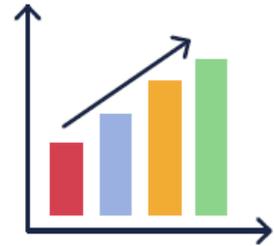
*“As the Tourism Director, I feel very strongly that a modern hotel that offers an exceptional experience would flourish in Richland Center. It is obvious from our growth numbers as mentioned above, and our continuation of the marketing campaign that we have been employing, including streaming advertising, digital billboards, and print marketing, there will be continued growth as potential visitors learn about our offerings. However, we are beginning to hear potential visitors raise concerns about the lack of lodging options.”*

According to [Statista](#), as of August 2022, the national occupancy rate of hotels was 67%. [Hotel Tech Report](#) states a good occupancy rate for hotels is between 70% and 95% depending on factors like the number of rooms, location, type of hotel, target guests, etc. Based on this information, the Ramada is performing well by industry standards.

## DIRECT REVENUE

When considering the potential Direct Economic Impact of a new hotel in the community, look at the direct tax revenue the community is gaining from the project. This takes into consideration lodging/bed taxes (when applicable), sales taxes, and real estate taxes. Below you will find the estimated tax revenue\* of this project broken out into each category (Ramp Up Year):

NEW HOTEL REVENUE	\$1,140,000
NEW SALES TAX REVENUE	\$64,350
NEW LODGING/BED TAX REVENUE	\$35,100
NEW REAL ESTATE TAX REVENUE	\$75,000



\*All taxes based on a new 50 room, upper mid-scale hotel, with an average daily rate of \$100 at 65% occupancy. Sales tax estimates based on 5.5% Sales Tax. Lodging tax estimates based on 3% Lodging Tax. Real Estate Taxes also an estimate based on Real Estate/Property Taxes from a past project of Core Distinction Group in Iowa.

Two proposals have been received for the purpose of conducting a hotel feasibility study.

1. Patek Hospitality: \$10,000 for study, \$660 for required report, and \$150/hr. for attending meetings or other needs outside of proposal.
2. Core Distinction Group: \$12,500 (all inclusive).

Both firms require half of their fee as a retainer but will not charge beyond that if it is determined that the project would not be viable within the City.

**Funding Source:** ARPA funds

**Financial Impact:** Up to \$14,000

ARPA Funds as of 7/19/2023			
Total Awarded	Total Allocated	Total Expended	Total Remaining <i>(unallocated)</i>
\$518,214	\$334,422	\$140,333	\$183,792

**Requested Action:**

**Finance Motion:** to recommend to the Common Council to authorize the administrator to contract with a vendor for the purpose of conducting a hotel feasibility study at a cost not to exceed \$14,000 utilizing ARPA funds.

**Council Motion:** to authorize the administrator to contract with a vendor for the purpose of conducting a feasibility study for a hotel at a cost not to exceed \$14,000 utilizing ARPA funds.

**Attachment(s):** Proposals from Core Distinction Group and Patek Hospitality