

## MEMORANDUM

TO: Jasen Glasbrenner – Economic Development Director  
FROM: Keith Dahl – Ehlers Public Finance Advisors  
DATE: July 10, 2025  
SUBJECT: Review of Hotel Development Proposals

---

### Overview:

The City sought proposals from qualified hotel developers and management groups to construct a mid-to-upper-scale hotel within the community. Two proposals were received from Cobblestone Hotels and MarketPointe. At the request of the City, Ehlers reviewed the two hotel development proposals submitted. This memo has been prepared to provide the City with a high-level overview of each proposal, an analysis of the preliminary financial information provided, and key considerations for the City to consider when selecting their preferred development partner.

Cobblestone is a hotel franchise whose brand has focused primarily on underserved and secondary markets. They've proposed developing a midscale to upper-midscale limited-service hotel with approximately 54 rooms and associated amenities, such as meeting room, wine and beer bar, free hot breakfast for all guests, guest laundry room, fitness room and an indoor pool.

MarketPointe is a commercial real estate brokerage firm primarily focused on real estate development services within the hospitality industry. They've proposed to partner with GrandStay Hotel and Suites for the development of an upscale limited-service hotel with approximately 52 rooms and associated amenities, such as a meeting room, wine and beer bar, business center, breakfast buffet, guest laundry room, fitness room and an indoor pool and spa.

### Preliminary Financial Analysis:

Each developer was provided with the Comprehensive Lodging Feasibility Study Report (Feasibility Report) completed by Core Distinction Group which evaluated the market demand in Richland Center and the immediate surrounding areas. The financial information provided by each developer largely reflects the findings and projections contained within the Feasibility Report, such as occupancy, average daily room rate, sales revenue projections, as well as property size, type, services and amenities that could be offered.

It's important to note that a hotel franchise will review the financial projections of proposed developments before approving a new hotel project. Neither hotel franchise has approved the preliminary financials provided in either proposal submitted by Cobblestone or MarketPointe. Further financial analysis and review will be required once a development partner is selected, and more detailed information is available.

## Cobblestone:

The developer anticipates total development costs to be approximately \$185,000 per room, resulting in an estimated development cost of just under \$10 million. The following tables provide a summary of the sources and uses reviewed for the proposed Cobblestone Hotel.

SOURCES			
	Amount	Pct.	Per Room
First Mortgage	6,979,701	70.0%	129,254
Developer Equity	2,991,300	30.0%	55,394
<b>TOTAL SOURCES</b>	<b>9,971,001</b>	<b>100%</b>	<b>184,648</b>

USES			
	Amount	Pct.	Per Room
Acquisition Costs	1	0.0%	0
Construction Costs	8,170,000	81.9%	151,296
Furniture, Fixtures, & Equipment	917,500	9.2%	16,991
Professional Services	243,500	2.4%	4,509
Financing Costs	470,000	4.7%	8,704
Cash Accounts/Escrows	170,000	1.7%	3,148
<b>TOTAL USES</b>	<b>9,971,001</b>	<b>100%</b>	<b>184,648</b>

Cobblestone submitted a request for public assistance in the form of a land write down to \$1.00 and \$1,400,000 of TIF assistance. Based on this level of public assistance, the average annual cash on cash during the term of TIF assistance would be in excess of 18%. Within the hospitality industry, a typical return on investment (ROI) for an average annual cash on cash would be in the range of 10% to 13%, depending on factors such as location, brand, risk profile, and financing structure. Please find attached a preliminary tax increment cashflow based on Cobblestone's initial TIF assistance request.

If public incentives are contemplated – such as TIF assistance, land writedown, or infrastructure support – it is important to structure assistance in a way that closes financial gaps without unduly enriching the developer with an ROI greater than the industry norms. Based on the projected ROI with the assumed incentive structure from other Cobblestone hotel developments, the common incentive structure is more than what is necessary for this development to become “financially feasible”. If the City selects Cobblestone as a development partner, two alternative approaches should be considered when structuring the public assistance:

- Option 1: Maintain the \$1.00 land sale but limit the TIF assistance to no more than 5 years; or
- Option 2: Require Cobblestone to pay a market land price which could be in the range of \$5,000 – \$10,000 per room, and limit TIF assistance to no more than 9 years.

These options better align the level of public participation with the project's actual financial need based on the preliminary financials and help ensure public investment is fiscally responsible.

## MarketPointe:

The developer anticipates total development costs to be approximately \$160,000 per room, resulting in an estimated development cost of just under \$8.25 million. The following tables provide a summary of the sources and uses reviewed for the proposed GrandStay Hotel.

SOURCES			
	Amount	Pct.	Per Room
First Mortgage	6,146,459	75.0%	118,201
Developer Equity	2,048,820	25.0%	39,400
<b>TOTAL SOURCES</b>	<b>8,195,279</b>	<b>100%</b>	<b>157,602</b>

USES			
	Amount	Pct.	Per Room
Acquisition Costs	1	0.0%	0
Construction Costs	5,663,278	68.6%	108,909
Permits/Fees	55,000	0.7%	1,058
Furniture, Fixtures, & Equipment	936,000	11.3%	18,000
Professional Services	800,000	9.7%	15,385
Financing Costs	221,000	2.7%	4,250
Developer Fee	425,000	5.2%	8,173
Cash Accounts/Escrows	150,000	1.8%	2,885
<b>TOTAL USES</b>	<b>8,250,279</b>	<b>100%</b>	<b>158,659</b>

MarketPointe submitted a request for public assistance in the form of a land write down to \$1.00 and 10 years of TIF assistance. Based on this level of public assistance, the average annual cash on cash during the term of TIF assistance would be in excess of 14%. Within the hospitality industry, a typical return on investment (ROI) for an average annual cash on cash would be in the range of 10% to 13%, depending on factors such as location, brand, risk profile, and financing structure. Please find attached a preliminary tax increment cashflow based on MarketPointe's initial TIF assistance request.

If public incentives are contemplated – such as TIF assistance, land writedown, or infrastructure support – it is important to structure assistance in a way that closes financial gaps without unduly enriching the developer with an ROI greater than the industry norms. Based on the projected ROI with the requested amount of public assistance, the incentive structure may be more than what is necessary for this development to become “financially feasible”. If the City selects MarketPointe as a development partner, two alternative approaches should be considered when structuring the public assistance:

- Option 1: Maintain the \$1.00 land sale but limit the TIF assistance to no more than 8 years; or
- Option 2: Require MarketPointe to pay a market land price which could be in the range of \$5,000 – \$10,000 per room, and limit TIF assistance to no more than 12 years.

These options better align the level of public participation with the project's actual financial need based on the preliminary financials and help ensure public investment is fiscally responsible.

## Items for Consideration:

Before selecting a development partner to construct a mid-to-upper-scale hotel within the community, there are several key considerations to take into account. The first consideration is a quantitative review as address in the preliminary financial analysis based on estimated development costs, projected operating proformas, financing assumptions, and level of public incentive. The second consideration should take into account more of a qualitative review. These considerations could be as follows:

- I. Alignment with the City's Tourism & Economic Development Goals
  - Does the proposed hotel align with the City's vision for tourism, hospitality, or convention center support?
  - Is the proposed hotel filling a market or desired need within the community?
  - Will the hotel anchor and/or stimulate broader development?
  - Will the hotel brand attract the target visitor profile the City desires?
- II. Developer & Hotel Franchise Track Record
  - Has the developer successfully delivered hotels of similar scale and brand tier elsewhere?
  - Is the proposed hotel brand or operator well known, reputable, and a good match to deliver what the City envisions for the development?
  - Is the developer flexible to shape their proposed hotel development to meet the vision of the community (architecturally, amenities, public space, etc.)?
  - Will the developer be transparent throughout the evaluation process once more detailed information is available to appropriately size the level of public assistance needed?
- III. Operational Plan and Long-Term Ownership
  - Who will manage the property, and under what agreement?
  - What is the plan to maintain high-quality standards and operations over the long term?

# City of Richland Center, Wisconsin

## Hotel Development - Cobblestone

### Tax Increment Projection Worksheet - TID# TBD

Equalized Tax Rate (Interim Rate)	
County	0.005114698
Special District	0.000000000
Town, Village, City	0.005695594
Schools	0.008762791
Tech College	0.000847812
Equalized Tax Rate (Interim Tax Rate)	0.020420895

Variables	
Projected Annual Change in Fair Market Value	0.00%
Projected Annual Change in Tax Rate	0.00%
Tax-Exempt Discount Interest Rate (City PV)	0.000%
Taxable Discount Interest Rate (Developer PV)	0.00%
Construction Year (Base Year)	2025
Year 1 Completion Percentage	40%
Year 2 Completion Percentage	80%
Base Year Value	-
Initial Change to Tax Rates (Assessed and Equalized)	100.0%

PID or PIDs and Street Address

Estimate Fair Market Value (Equalized Value)	
Units	54
Value per Unit	133,413

Note: Value based on City Assessor estimate

Property Tax Estimate	
Estimated Fair Market Value (Equalized Value)	7,204,327
<a href="#">Aggregate Ratio (WI DOR, aka Assess. Ratio)</a>	0.641709776
Assessed Value (Equalized Value x Agg Ratio)	4,623,087
Assessed Tax Rate (Net Mill Rate)	28.942325
Adjusted Assessed Tax Rate (Net Mill Rate)	28.942325
Property Taxes (Assessed Value x Net Mill Rate)	133,803

TIF Estimate	
Estimated Fair Market Value (Equalized Value)	7,204,327
Equalized Tax Rate (aka Interim Rate)	20.420895
Adjusted Equalized Tax Rate (aka Interim Rate)	20.420895
Gross TIF Estimate (Current year dollars)	147,119
Developer Share of TIF (Less Admin Fee)	85%
Net Developer Annual TIF	125,051

TID Year	Construction Year	Valuation Year	Revenue Year	Base Value	Equalized Value	Value Increment	Equalized Tax Rate	Gross TIF	City/Village Share: 15% Admin Fee		Developer Share: 85% less Admin Fee		
									Annual TIF	TIF PV @ 0.000%	Annual TIF	TIF PV @ 0.000%	Cumm. TIF
		2025	2026				20.420895	-	-	-	-	-	-
1	2025	2026	2027	0	2,881,731	2,881,731	20.420895	58,848	8,827	8,827	50,020	50,020	50,020
2	2026	2027	2028	0	5,763,462	5,763,462	20.420895	117,695	17,654	26,481	100,041	150,061	150,061
3	2027	2028	2029	0	7,204,327	7,204,327	20.420895	147,119	22,068	48,549	125,051	275,112	275,112
4	2028	2029	2030	0	7,204,327	7,204,327	20.420895	147,119	22,068	70,617	125,051	400,163	400,163
5	2029	2030	2031	0	7,204,327	7,204,327	20.420895	147,119	22,068	92,685	125,051	525,214	525,214
6	2030	2031	2032	0	7,204,327	7,204,327	20.420895	147,119	22,068	114,753	125,051	650,265	650,265
7	2031	2032	2033	0	7,204,327	7,204,327	20.420895	147,119	22,068	136,820	125,051	775,316	775,316
8	2032	2033	2034	0	7,204,327	7,204,327	20.420895	147,119	22,068	158,888	125,051	900,367	900,367
9	2033	2034	2035	0	7,204,327	7,204,327	20.420895	147,119	22,068	180,956	125,051	1,025,418	1,025,418
10	2034	2035	2036	0	7,204,327	7,204,327	20.420895	147,119	22,068	203,024	125,051	1,150,469	1,150,469
11	2035	2036	2037	0	7,204,327	7,204,327	20.420895	147,119	22,068	225,092	125,051	1,275,520	1,275,520
12	2036	2037	2038	0	7,204,327	7,204,327	20.420895	147,119	22,068	247,160	125,051	1,400,571	1,400,571

# City of Richland Center, Wisconsin

## Hotel Development - Grand Stay

### Tax Increment Projection Worksheet - TID# TBD

Equalized Tax Rate (Interim Rate)	
County	0.005114698
Special District	0.000000000
Town, Village, City	0.005695594
Schools	0.008762791
Tech College	0.000847812
Equalized Tax Rate (Interim Tax Rate)	0.020420895

Variables	
Projected Annual Change in Fair Market Value	0.00%
Projected Annual Change in Tax Rate	0.00%
Tax-Exempt Discount Interest Rate (City PV)	0.000%
Taxable Discount Interest Rate (Developer PV)	0.00%
Construction Year (Base Year)	2025
Year 1 Completion Percentage	40%
Year 2 Completion Percentage	80%
Base Year Value	-
Initial Change to Tax Rates (Assessed and Equalized)	100.0%

PID or PIDs and Street Address

Estimate Fair Market Value (Equalized Value)	
Units	52
Value per Unit	133,413

Note: Value based on City Assessor estimate

Property Tax Estimate	
Estimated Fair Market Value (Equalized Value)	6,937,500
<a href="#">Aggregate Ratio (WI DOR, aka Assess. Ratio)</a>	0.641709776
Assessed Value (Equalized Value x Agg Ratio)	4,451,862
Assessed Tax Rate (Net Mill Rate)	28.942325
Adjusted Assessed Tax Rate (Net Mill Rate)	28.942325
Property Taxes (Assessed Value x Net Mill Rate)	128,847

TIF Estimate	
Estimated Fair Market Value (Equalized Value)	6,937,500
Equalized Tax Rate (aka Interim Rate)	20.420895
Adjusted Equalized Tax Rate (aka Interim Rate)	20.420895
Gross TIF Estimate (Current year dollars)	141,670
Developer Share of TIF (Less Admin Fee)	85%
Net Developer Annual TIF	120,419

TID Year	Construction Year	Valuation Year	Revenue Year	Base Value	Equalized Value	Value Increment	Equalized Tax Rate	Gross TIF	City/Village Share: 15% Admin Fee		Developer Share: 85% less Admin Fee		
									Annual TIF	TIF PV @ 0.000%	Annual TIF	TIF PV @ 0.000%	Cumm. TIF
		2025	2026				20.420895	-	-	-	-	-	-
1	2025	2026	2027	0	2,775,000	2,775,000	20.420895	56,668	8,500	8,500	48,168	48,168	48,168
2	2026	2027	2028	0	5,550,000	5,550,000	20.420895	113,336	17,000	25,501	96,336	144,503	144,503
3	2027	2028	2029	0	6,937,500	6,937,500	20.420895	141,670	21,250	46,751	120,419	264,923	264,923
4	2028	2029	2030	0	6,937,500	6,937,500	20.420895	141,670	21,250	68,002	120,419	385,342	385,342
5	2029	2030	2031	0	6,937,500	6,937,500	20.420895	141,670	21,250	89,252	120,419	505,762	505,762
6	2030	2031	2032	0	6,937,500	6,937,500	20.420895	141,670	21,250	110,503	120,419	626,181	626,181
7	2031	2032	2033	0	6,937,500	6,937,500	20.420895	141,670	21,250	131,753	120,419	746,601	746,601
8	2032	2033	2034	0	6,937,500	6,937,500	20.420895	141,670	21,250	153,004	120,419	867,020	867,020
9	2033	2034	2035	0	6,937,500	6,937,500	20.420895	141,670	21,250	174,254	120,419	987,440	987,440
10	2034	2035	2036	0	6,937,500	6,937,500	20.420895	141,670	21,250	195,505	120,419	1,107,859	1,107,859