

CITY OF RICHLAND CENTER - AGENDA ITEM DATA SHEET

Agenda Item: Hotel Development – Review of Ehlers Findings and Developer Selection

Requested & Presented by: Jasen Glasbrenner; Ashley Oliphant

Council Meeting Date: 07-22-2025

Background: On December 3, 2024, the Council approved an RFP for a qualified hotel developer for the Orange Street site. The RFP was published December 19, 2024, with a February 28, 2025 submission deadline. Two proposals were received from Cobblestone Hotels and MarketPointe (GrandStay), both confirmed by staff to meet RFP specifications.

City staff conducted reference checks and site tours of comparable hotels. Both development teams presented to the Council in April 2025, following an initial Finance Committee review on March 4, 2025. Director Glasbrenner provided a comparative overview of the proposals, detailing differences in design, ownership, and development. Council members also shared insights from property tours and engaged in a financial incentive discussion led by Kayla Thorpe of Ehlers. The Council requested additional financial analysis from Ehlers before proceeding with developer selection. Ehlers' findings are attached for review.

Ehlers Financial Analysis Summary Based on Developer Incentive Requests		
<i>Ehlers prepared tax increment projections for both proposals using consistent valuation models. Key takeaways:</i>		
	Cobblestone Hotels	MarketPointe (GrandStay)
Total Project Cost	\$9.97M	\$8.25M
Annual Tax Revenue	\$147K	\$142K
Developer Equity	\$2.99M (30%)	\$2.05M (25%)
Developer TIF Benefit	\$1.40M cumulative	\$1.10M cumulative
Loan Dependency	70% Loan	\$75% Loan
Upfront Cost (City Impact)	Higher	Lower
City Share of TIF	15% of Tax Revenue	15% of Tax Revenue
TIF Term (Years)	12	10
<i>Note: Cobblestone's estimates are more developed due to a formal proforma submission and clarified incentive request. GrandStay's figures are modeled assumptions, pending additional details.</i>		

Ehlers Hotel Proposal Financial Analysis Summary

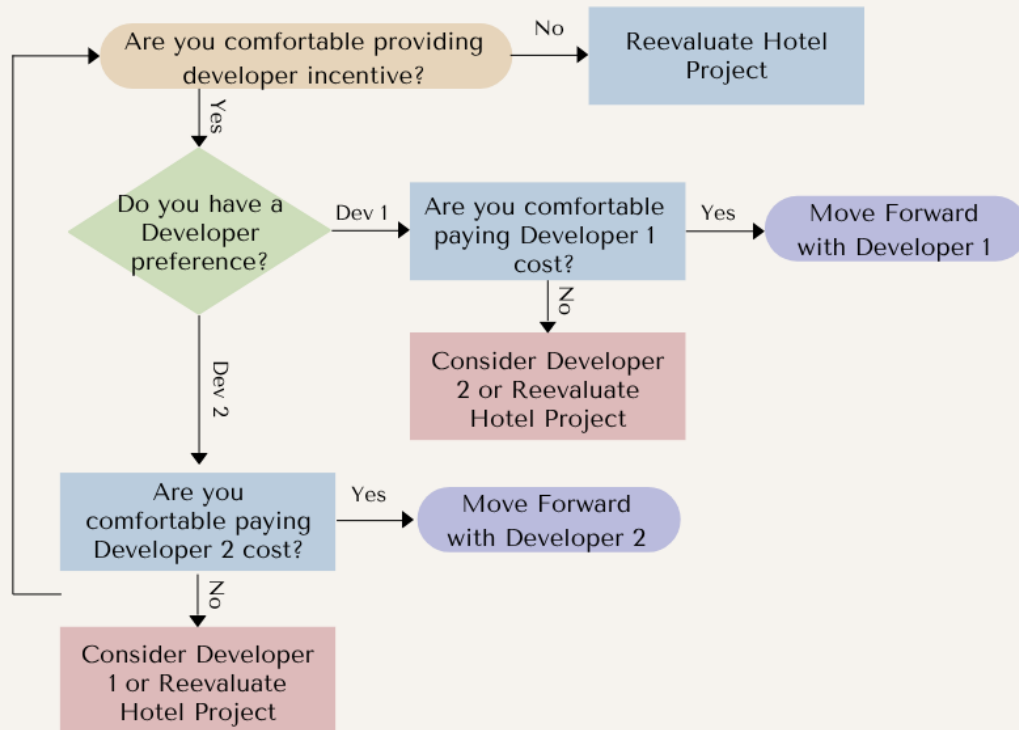
Ehlers determined that public assistance for a hotel development is justified, but the initial requests from both Cobblestone and MarketPointe appear to be greater than necessary, potentially leading to a higher-than-typical return on investment for the developers. To ensure fiscal responsibility and align public investment with the projects' actual financial needs, Ehlers has proposed alternative TIF structures.

- For Cobblestone, options include limiting TIF to 5 years while maintaining a \$1.00 land sale or requiring a market land price (\$5,000-\$10,000/room) and limiting TIF to 9 years.
- For MarketPointe, Ehlers suggests either maintaining a \$1.00 land sale and limiting TIF to 8 years or requiring a market land price and limiting TIF to 12 years.

Next Steps:

1. Determine if financial incentives will be offered
2. Select Hotel Developer
3. Direct staff to negotiate a development agreement
4. Determine if a WEDC CDI grant should be pursued for the project

HOTEL DEVELOPMENT SELECTION FLOWCHART



Requested Action:

Common Council: Motion to select [Cobblestone / Grand Stay] as the preferred hotel developer, direct staff to negotiate a development agreement, [and authorize preparation and submittal of a WEDC CDI Grant application in support of the project].