



AGENDA REPORT

City Council Meeting

TODAY'S DATE: October 21, 2025

MEETING DATE: November 5, 2025

TO: Mayor Grimm and members of the Sandpoint City Council

FROM: Jason Welker, Planning & Community Development Director

SUBJECT: Averill Hospitality request for lease of public facilities at City Beach Park

EXECUTIVE SUMMARY:

Averill Hospitality Group, developer of the proposed Sandpoint Lakeside Resort adjacent to City Beach Park, has submitted a request involving City-owned waterfront property: the 2.29-acre City Beach RV Park parcel located south of Bridge Street.

The proposal seeks either a long-term lease or purchase of the City Beach RV Park property for use as a surface parking lot serving City Beach Park, the marina, and the proposed resort. Averill's letter to the City states that the resort project "will not proceed if the City redevelops the existing City Beach RV Park into any use other than parking," asserting that an adjacent RV park is incompatible with the hotel's market positioning and guest experience. The Group proposes either (a) a 30-year lease at an annual rent equal to 110% of the City's projected net revenues from the planned RV Park redevelopment, or (b) a purchase at fair market value, as determined by an independent appraisal.

Staff's review finds that both options raise public policy and legal considerations. The RV Park parcel is encumbered by a recorded BNSF Railway covenant restricting its use to "park purposes," with title reverting to BNSF if that condition is violated. In addition, the City has been awarded nearly \$1 million in Idaho Department of Parks and Recreation (IDPR) grant funding for design and reconstruction of the RV Park, which generates about \$100,000 annually and is expected to increase to \$135,000 per year following renovation. These revenues are a key funding source for the City's Parks Capital Improvement Fund.

Given these constraints, staff recommend a cautious approach. The report outlines defensible parameters for a potential lease that would maintain compliance with the BNSF covenant, requiring the property to remain publicly owned, publicly accessible, and used for park purposes. Council's action should focus on providing direction to staff regarding whether to continue evaluating the proposal, negotiate limited terms consistent with these parameters, or decline further discussions and reaffirm the City's commitment to retaining the property as a publicly managed park asset.

DESCRIPTION/BACKGROUND:

On June 18, 2024 Sandpoint's Planning & Zoning Commission unanimously approved conditional use permit application PCUP23-0004, a request by Oz Architecture on behalf of Averill Hospitality Group, to construct a 296,000 sf hotel resort, including 181 guest rooms, a 4,600 sf restaurant, a 14,262 sf event space, a second 1,391 sf standalone restaurant, and 240 structured parking spaces and proposed

guest amenities, such as Fitness and Wellness areas and a pool, recreational equipment rental, and a “curated retail space” on 3.36 acres at 56 Bridge Street, immediately adjacent to City Beach Park.

On the same night, the P&Z Commission approved a variance request (PVAR24-0001) to allow for a setback of 40 to 110 feet from the property line along Bridge Street, in place of the required 0 foot maximum setback in the Commercial A zone.

Subsequently, in November of 2024, the Averill group approached planning staff and requested permission to implement provisions allowed under Sandpoint City Code to adjust the amount of off-street parking the hotel would provide. Originally approved with 240 structured parking stalls, a parking demand analysis completed by Kimley-Horn traffic engineers established an actual level of demand of 141 spaces based on expected utilization and occupancy of the hotel and its various amenities. Sandpoint City Code Title 9-5-1, E, “Parking Demand Analysis” at the time allowed the planning director to accept or reject the results of a parking demand analysis and reduce the amount of off-street parking from the level required in code. The Averills requested to reduce their structured parking from 240 stalls to 145 stalls and agreed to pay an in-lieu of fee of \$10,000 per stall for 40 stalls, while the City agreed to allow an additional reduction of 45 stalls based on the parking demand analysis. (Note: §9-5-1,E has since been amended to require approval of parking reductions to be granted by the “relevant permit authority,” which, in the case of the CUP, is the P&Z Commission).

Over the winter of 2024/2025 the Averill Group engaged in occasional meetings with planning staff during which they indicated that their site plan and architecture had evolved from that which was approved in June of 2024. The Group wished to know the extent to which they could deviate from the approved concept without having to apply for a new CUP. Staff explained that no decision on whether a new CUP would be required was possible until an updated concept was brought to staff, at which time staff would determine whether any changes were substantial enough in their deviation from the approved concept to require a new CUP. Preliminary concepts of a revised site plan shown to staff in the spring were determined to deviate substantially enough to warrant a new CUP; however, no formal request for a change to the approved plan was submitted at that time.

By spring of 2025 planning staff alerted the Averill Group that their CUP would expire on July 5th, and that a request for extension would have to be presented to the P&Z Commission. The extension request was submitted on June 25th, 2025, and brought to the P&Z Commission at the July 22nd meeting. The P&Z Commission voted unanimously to extend the CUP based on the approved site plan for a period of one year from that date, until July 22nd, 2026.

Follow-up meetings with the Averill Group at which they presented further refined site plans and architectural concepts for the hotel resulted in planning staff determining that the concept presented was substantially compliant with the original CUP and thus would not require a new CUP hearing. By late July of 2025 the Averills indicated that they would obtain a demolition permit in September and would apply for a building permit by spring of 2026 to begin foundation work for the hotel. As of today (October 21st) no permits have been applied for or issued.

On September 29th, the Averills’ local representative, Ben McGrann, sent an email to the City with the subject line, “AH – Proposed Marina Slip Lease Agreement,” which stated,

“On behalf of Averill Hospitality, I’d like to request the City’s consideration of the proposed Marina Slip Lease Agreement for five slips at Windbag Marina (BW 109, 111, 113, 115, and



Figure 1: Slips 109, 111, 113, 115, and 117 on the 100 dock at Windbag Marina

117). These slips are integral to supporting guest access and operations tied to the Hotel redevelopment.”

The email had a draft lease agreement attached in which the Averills requested lease of five slips on the 100 Dock at Windbag Marina for “an initial term of 10 years” which will “automatically renew for subsequent 10-year periods unless otherwise terminated.” The Group offered to “pay to Lessor (the City) rent equal to 1.5x of the seasonal rate charged to Sandpoint residents for a 24-foot Windbag 100 fixed dock.” As for how the docks would be used by the hotel, the draft agreement stated, “Lessee, its employees, agents and assignees, including any registered guests of the Resort, shall have the exclusive right to use the Premises during the Term.”

The request before council tonight **does not include a lease agreement** for the five slips on the 100 Dock and the information above is provided only as context to the ongoing discussions that have taken place between the Averills and City Staff.

CURRENT REQUEST

On October 15th, 2025, Mr. McGrann sent another email to the City with an attached letter from Dan Averil “regarding updated stance on the RV Park and an alternative proposal.” The letter stated the following,

“I must be direct and clear: the Sandpoint Lakeside Resort project will not proceed if the City redevelops the existing City Beach RV Park into any use other than parking. The character, density, and proximity of an active RV park are incompatible with the level of guest experience, design quality, and market positioning of the proposed four-star waterfront resort. Proceeding with the RV park redevelopment would jeopardize the hotel’s feasibility and eliminate the economic and community benefits this project is poised to deliver.”

Mr. Averill then offered to either lease or purchase the 2.29-acre City-owned RV park property, with the following terms:

- Lease: 30-year term with renewal options at an annual rent equal to 110% of the City’s projected net revenues from the proposed RV park redevelopment.
- Purchase: “at fair market value, as determined by an independent appraisal acceptable to both parties.”

Mr. Averill’s letter concludes with: “To be clear, **the Sandpoint Lakeside Resort cannot move forward** without a binding agreement that the adjacent parcel will be reserved exclusively for parking use serving City Beach and the marina.”



Figure 2: City Beach RV park property

ADDITIONAL BACKGROUND INFORMATION:

Windbag Marina Lease Agreements with the Edgewater Resort:

The history of lease arrangements between the City of Sandpoint and the owners of the Edgewater Resort dates back to the 1980s, when Robert A. Cox, doing business as *The Edgewater Lodge*, entered into a lease with the City in May 1984 for use of City-owned property along the shoreline east of the hotel. That lease included portions of the lawn and beach area but did not, at the time, formalize any rights to dock or moorage space. Following Mr. Cox’s death, the lease expired and was never

reassigned, leading to a period of uncertainty regarding the hotel's continued use of adjacent City property and boat slips.

In the early 2000s, the City, the Cox family, and associated entities (including BVG Sandpoint Ltd. and TimberBay, LLC) entered into a settlement agreement to resolve longstanding disputes over shoreline ownership, access rights, and use of dock facilities at City Beach. The 2004 settlement realigned property boundaries and established mutual easements for access, utilities, and future development. As part of the 2004 settlement, the City retained ownership of the Windbag Marina and adjacent public beach areas, while the Cox family continued to lease and maintain use of the lakeside parcel / lawn area immediately in front of the Edgewater Resort under subsequent lease agreements with the City. Ownership of that parcel was later conveyed to the Cox Family LLC through a separate land exchange involving the RV park property across Bridge Street prior to its sale to Averill Hospitality Group in 2021.

To formalize the continued use of City marina facilities by the Edgewater, the parties entered into a new lease agreement in 2007 between the City of Sandpoint and the Allen G. Cox Family LLC and Jaquita D. Cox. That agreement specifically provided for the lease of five (5) boat slips on the most westerly finger (today known as the 100 Dock) of the City's Windbag Marina to the Cox family "for the use of the lessee and its guests." The lease also addressed reciprocal use of the adjacent lawn area and recognized the City's intent to expand and manage the marina while maintaining public access and preserving view corridors from the hotel property.

The 2007 lease took effect January 1, 2008, with an initial ten-year term ending December 31, 2017, and included options for up to four ten-year renewals upon mutual agreement of the parties. However, the lease was not renewed following its expiration in 2017, and no subsequent transfer or assignment of those lease rights occurred when the property was sold to Averill Hospitality Group in 2021. Since that time, the City has continued to allow the Edgewater Resort to use the same five slips on an annual basis under informal seasonal renewals while broader redevelopment plans for both the hotel and the City Beach area have been under discussion.

RV Park Property and Railroad Covenant:

The parcel south of Bridge Street historically used as the City Beach RV Park was conveyed to the City of Sandpoint in January 2022 by the Allen G. Cox Family LLC as part of a land exchange that resolved ownership boundaries between the City and the Cox family. The deed transferring the property to the City included a restrictive covenant in favor of BNSF Railway. This covenant dates back to a 1922 conveyance from Northern Pacific Railway and was formally re-established through a 2021 "Agreement for Transfer of Restrictive Covenant" among BNSF, the City, and the Cox family.

Under the covenant, the City holds the property "*only so long as the premises are used for park purposes.*" If the property ceases to be used for park purposes, title may revert to BNSF Railway. The covenant also prohibits new railroad grade crossings and exempts BNSF from any cost or assessment related to park improvements or maintenance.

This condition has important implications for the Averill Hospitality Group's request to lease or purchase the parcel for use as a parking lot. Because the property must remain devoted to park purposes, a sale for private or exclusive use could trigger the reversion clause unless BNSF consents to or amends the covenant. A lease arrangement, however, could be structured to maintain compliance, if the parking use is clearly defined as public parking that supports access to City Beach and the marina and remains under City control and oversight.

In short, the City cannot sell the RV park parcel outright without either obtaining BNSF's written waiver or ensuring the property's continued use for public park or park-related purposes. A City-owned, publicly accessible parking facility operated by Averill under a lease would be the most defensible approach for maintaining compliance with the covenant and protecting the City's interest in this waterfront property.

Current City Plans for RV Park

As council is aware, the City applied for and was awarded a \$950,000 Recreational Vehicle Fund grant from Idaho Department of Parks and Recreation earlier this year. Since receiving that award, the City

has solicited a request for qualifications, led a site visit with seven engineering firms, and, as of October 11th, received six statements of qualifications from firms interested in undertaking design and engineering work for a renovation of the RV Park and a redesign of City Beach Parking lot to better improve vehicle flow, to provide a drop-off area and bus turnaround, better access for boat trailers using the launches, a pedestrian path providing access to the beach from the parking lot, and improved stormwater management and treatment. IDPR grant funding will pay for the construction phase of the RV Park renovation, while the intent is to use the design for parking lot improvements to seek additional grants in the years ahead, which, matched with Parks CIP fund, could be used for a reconstruction of the parking lot in 2027 or 2028 (if awarded).

On October 22nd a staff committee reviewed the six engineering firms' submittals and narrowed them down to two firms that have been moved to the interview stage. We expect to interview those two firms soon and recommend awarding a contract for engineering and design services.

Current and Expected RV Park Revenues

The City assumed operations of the RV Park in 2022. The revenues since that time have been:

- 2022: \$96,905
- 2023: \$106,488
- 2024: \$94,210
- 2025: \$100,962

Revenues generated by the RV Park support the Parks Capital Improvement Fund. Other significant revenue sources into Parks CIP, along with average earnings over the last three years include:

- Moorage at City Beach and Windbag Marinas: \$250,000
- War Memorial Field use fees: \$95,000
- Travers/Centennial/Great Northern Sports Complex: \$28,000

Among the four largest revenue generators for Parks Capital Improvement Fund, **the City Beach RV Park accounts for roughly 21% of the funding source for parks projects**, contributing toward efforts to maintain and improve parks infrastructure across Sandpoint's 84 acres of public open space.

Staff anticipate that following a \$1 million renovation, the Sandpoint City Beach RV Park will become an even more desired destination for summer vacationers looking to take advantage of the access and amenities City Beach provides with its proximity to downtown businesses and recreation opportunities. We expect higher levels of occupancy during the regular RV Park season (April – October), especially during the peak summer months of July and August. Given relatively conservative occupancy assumptions ranging from 20% in the early and late seasons to 90% during the two peak months of summer, **staff estimates revenues earned at the renovated RV Park will increase to around \$135,000** per year, bumping it to 27% of overall funding for Parks CIP.

Operating expenses of the RV park have averaged \$20,000 over the four years the City has operated it. These would not be expected to change significantly following renovations, resulting in **expected net revenues following renovations of \$115,000**.

OPTIONS FOR COUNCIL TO CONSIDER:

RV Park Lease or Purchase Request

Averill Hospitality Group has requested to either lease or purchase the 2.29-acre City Beach RV Park property for use as a surface parking facility for use by City Beach Parkgoers, Marina slip leases, and guests of the proposed hotel. The property is encumbered by a recorded BNSF Railway covenant restricting use to "park purposes", with title reverting to BNSF if that condition is violated.

If Council chooses to explore a lease arrangement, staff recommends that any future negotiations adhere to the following terms:

- **Use:** The property must continue to serve public park purposes, defined to include public parking supporting City Beach and marina access. Hotel use may be allowed only as incidental to the broader public purpose and shall not be limiting in any way of public use.
- **Term:** A maximum lease term of 30 years, with any renewals subject to Council review and continued compliance with the BNSF covenant.
- **Rate:** Annual lease revenue should be no less than 110 percent of the projected *net annual revenue* the City would otherwise generate by operating the renovated RV Park (estimated at \$115,000 per season).
- **City Oversight:** The City must retain operational control and policy authority over parking management, signage, rate structure, hours, maintenance standards, and public access.

If Council instead wishes to consider a sale of the property, the transaction would require BNSF's written consent or amendment of the restrictive covenant, as well as recorded deed restrictions ensuring the property remains in perpetual public-parking use. Given the covenant's reversionary clause, staff advises that a lease arrangement is the more defensible approach for maintaining compliance and protecting the City's long-term interest in this waterfront parcel.

ACTION:

City Council is asked to provide direction to staff regarding how to proceed with the requests submitted by Averill Hospitality Group a lease or purchase of the City Beach RV Park property.

Council may choose to:

1. **Direct staff to prepare draft lease terms** for Council's future consideration consistent with the parameters described in this report;
2. **Direct staff to continue discussions** with Averill Hospitality Group but limit those discussions to a specific scope or timeline; or
3. **Decline to pursue lease or sale negotiations**, confirming the City's intent to retain both facilities as publicly managed and publicly accessible park assets.

WILL THERE BE ANY FINANCIAL IMPACT? N HAS THIS ITEM BEEN BUDGETED? N

ATTACHMENTS:

2007 Cox Family lease

2022 Warranty deed for RV Park property

BNSF covenant on RV Park property

Letter to Council from Averills proposing alternative for RV Park property

Follow up email to Mayor Grimm from October 27th re: RV Park