

Downtown Hotel Figures Submitted

City To Conduct Own Study On Project Before Action

By PRESTON KNIGHT

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HARRISONBURG — A \$40 million public-private hotel and conference center in downtown Harrisonburg could fetch the city more than \$1 million in tax revenue the first fiscal year, according to a third-party feasibility study submitted by the developer.

Paul Gladd, of dpM Partners in Gaithersburg, Md., provided the city with the study last month.

City Council asked for details of the project in January, and it plans to act on Gladd's proposal once city staff runs its own numbers. Harrisonburg Economic Development Director Brian Shull said the city will commission its own third-party study in January. The fiscal study would be finished about 45 days after that, he said.

Through the public-private partnership, a 205-room hotel, a restaurant and a 21,000-square-foot conference center would be built on James Madison University-owned property on the east side of South Main Street, between Cantrell Avenue and Grace Street.

Gladd has asked the city to fund \$10 million — the entire cost of the conference center — of the \$40 million project.

The developer would then lease the land from JMU — his alma mater — for an undisclosed amount over a minimum 50-year basis to operate the complex.

Council members have seen Gladd's study, which was conducted by Chicago-based PKF Consulting Inc. at the developer's expense.

“There's a supposition that he uses somebody with numbers favorable to him,” Councilman Charles Chenault said. “We need to make sure that his numbers weren't inflated, or [if they] pretty accurately reflect the estimates.”

Several people in the local hospitality industry have expressed concerns about the project, saying the city should not be partners in a project that will serve as competition to private hotels, bed and breakfasts and meeting facilities.

Five-Year Growth

The PKF study says that in fiscal 2017 — which begins July 1, 2016, and is the year the complex is projected to open — Hotel Madison, as the building would be called, would generate \$11.4 million in revenue from rooms, food and beverage sales, rentals and more.

Out of the various taxes the city can collect, Shull said Harrisonburg would receive \$1.03 million that first year.

PKF projects revenues to increase to \$13.6 million by fiscal 2021, the hotel's fifth year in operation. After expenses, which include salaries and benefits, marketing, property taxes and utility costs, the net operating income would be \$3.2 million for the business.

In an interview last week, Gladd said the feasibility study is "plus or minus 5 percent" of dpM's original projections for the complex.

PKF reviewed the capacity and demand at comparable Harrisonburg hotels, the employment market and the growth outlook for the area as variables for arriving at its numbers.

If the project eventually wins a thumbs up from City Council, that approval would be contingent on the JMU board of visitors approving the lease, Gladd said. The university already plans to build a parking garage near the complex.

Bill Wyatt, a university spokesman, said JMU is in its own "detail phase" of the project, and no action is needed from the board at this time.

Gladd, however, isn't concerned about obtaining JMU's approval.

"They don't need to seek capital," he said.

Through a tax-increment financing structure in which revenue generated by the conference center pays for

bonds for the project, the city would fund the construction of the conference center.

"That gave JMU a lot of comfort that it would be funded from a reliable source," Gladd said.

JMU, the study says, is the expected primary source of demand for the hotel. The university has historically held numerous meetings and conferences using on-campus meeting rooms and overnight accommodations in "limited-service" hotels, the study says.

"The Hotel would be expected to capture a significant share of this demand by virtue of its connection to JMU," the study says. "It is assumed that the Hotel's appearance and design will compl[e]ment and participate in the architecture and appearance of the University."

Also, JMU's hospitality and tourism management program wants to partner with the hotel to give students experience in their chosen field.

Crestline Hotels & Resorts Inc., a hotel management company in Fairfax that operates more than 40 hotels, would run the Harrisonburg hotel, the study says. Gladd has said 60 full-time hospitality jobs would be created.

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