Hotel Madison Breaks Ground

Officials Mark Beginning Of Center's Construction

By VIC BRADSHAW
Daily News-Record

HARRISONBURG — Against the backdrop of the large hole dug at the corner of South Main Street and Martin Luther King Jr. Way over the last several weeks, construction of the Hotel Madison and Shenandoah Valley Conference Center symbolically began Wednesday.

Fourteen people turned small shovels of dirt at the construction site during a 30-minute groundbreaking ceremony to highlight the commencement of a $46 million project. The facilities are slated to open in March 2018.

Paul Gladd, a James Madison University graduate and partner with project developer dpM Partners, said afterward that the beginning of construction is a major milestone in an effort already five years in the making.

"It's just a relief," he said, "that we can now focus on building what we designed."

When that work is completed, the site will contain a 230-room, L-shaped hotel at the corner of South Main and Grace streets and a conference center with 21,000 to 22,000 square feet of meeting space along MLK Way. JMU, its foundation, dpM Partners and the city of Harrisonburg have teamed up on the project.

Gladd said the deal is one of the most difficult public-private partnership efforts he's been part of, with "25 to 30" people playing vital roles in the effort instead of the usual "three or four." The deal fell apart at one point, only to be resurrected.

"Important things aren't always easy to get done," JMU President Jonathan Alger said during the ceremony. "This project is a perfect example of how persistence and patience and perseverance can overcome so many obstacles to accomplish something we know will be really significant and exciting

Needed Asset

The project got its start when Gladd submitted an unsolicited proposal for the hotel and conference center in 2012. Gaithersburg, Md.- based dpM partners specializes in hospitality projects, including Staunton's Stonewall Jackson Hotel & Conference Center.

The company is footing the $35 million bill for the construction of a hotel featuring 180 traditional rooms, 50 extended-stay rooms, a farmto- table restaurant and a daytime coffee bar/nighttime wine bar.

The JMU Foundation is loaning $11 million to the Harrisonburg Industrial Development Authority to cover construction costs for the conference center, but the foundation is to be reimbursed its investment with new tax revenue derived from the facilities.

City Attorney Chris Brown has said city taxpayers won't pay any project costs, and no tax money is at risk.

Mayor Chris Jones said he hopes the project prompts people from the state to "see Harrisonburg as the capital of the Shenandoah Valley and see Harrisonburg as a tourism destination."

Alger said he knows firsthand that demand is high for large meeting space in Harrisonburg. He said it's not unusual for him to find the JMU Festival Conference and Student Center booked when he tries to schedule events there, even six months to a year ahead of time.

The university also benefits because the center will be "a living laboratory for faculty and students" in the Hart School of Hospitality, Sport and Recreation Management, he said, and because it creates a key entry and transition point.

"This will be a new gateway to James Madison University," Alger said. "It also will be a gateway between the university and the city, and the historic heart of downtown."

Room For 1,000

Thomas Schaeffer, CEO of the JMU Foundation, said the groundbreaking culminates three years of work for the foundation's board of directors.

"There's a lot of satisfaction," he said of reaching the milestone. "It took a lot of long hours to study everything, the projections, to make sure we cover everything in our due diligence."

The foundation and dpM Partners' investment group, he said, are the only entities at financial risk in the construction project. The university, Gladd said, played a key role in the project by agreeing to provide a construction- ready site. It demolished buildings, moved utilities, removed rock, graded the land and set up stormwater management so Newport News-based W.M. Jordan can get to work right away.

As part of its contribution, JMU also spent $15 million to build the Mason Street Parking Deck to provide 1,000 spaces.

The project's goal, Gladd said, is to get the first-floor concrete poured before the weather turns bad, because all other facets of construction can be done in the cold.

DpM has an agreement with JMU to lease the land for $1 a year for 50 years, with an option for a 25-year extension, Gladd said.

The hotel, he added, will be able to accommodate tour buses, sports teams, entertainers and VIP groups passing through the region. The conference center, which includes a ballroom that should accommodate up to 1,000 people depending on the setup, should support the hotel.

Gladd said he expects the hotel to run at 60 percent occupancy or better in the first year, with an average room rental rate of $135 to $145, and ramp up to 70 percent occupancy in three years.

The hotel would turn a profit at those levels, he said.

“We’re confident we can hit that, especially with the amenity of the meeting space,” said Gladd. “That’s so critical for bringing groups to town.”

The project has “about a dozen investors,” he said, including W.M. Jordan and a few local residents. He declined to name those residents, but said local ownership has about a 15 percent stake in the project.

Contact Vic Bradshaw at 574-6279 or vbradshaw@dnronline.com