

# City of Colorado Springs ~ City Council Meeting December 11, 2018

## Downtown Marriott Hotel Development Springhill Suites by Marriott & Element by Westin

### Development Team:

Jim DiBiase  
Olive Real Estate Group

Kevin Engelhardt  
Hotel Operation Services

Vince Colarelli  
Colarelli Construction

Hotel Equities  
Hotel Operator



element™



SPRINGHILL SUITES®



OLIVE  
REAL ESTATE  
GROUP, INC



# Project Overview





# Proposed Area of Redevelopment





# Existing Condition of Tejon and Costilla Streets



## Project Overview

<b>Downtown Marriott Hotel Development</b>		
<b>Facility Use</b>	<b>SF</b>	<b>% of Project</b>
Hotel (261 rooms) & Amenities	166,540	56%
Parking (224 spaces)	91,060	31%
Lobby Areas/Amenities/Support Services (Street Level)	22,425	8%
Restaurant & Outdoor Seating (Street Level)	4,265	1%
Restaurant & Outdoor Patio (8th Floor - Rooftop)	6,725	2%
Conference Facilities (8th Floor)	4,840	2%
<b>Total Gross Building Area</b>	<b>295,855</b>	<b>100%</b>





# Tejon Street Elevation



# Costilla Street Elevation





# Interior Courtyard









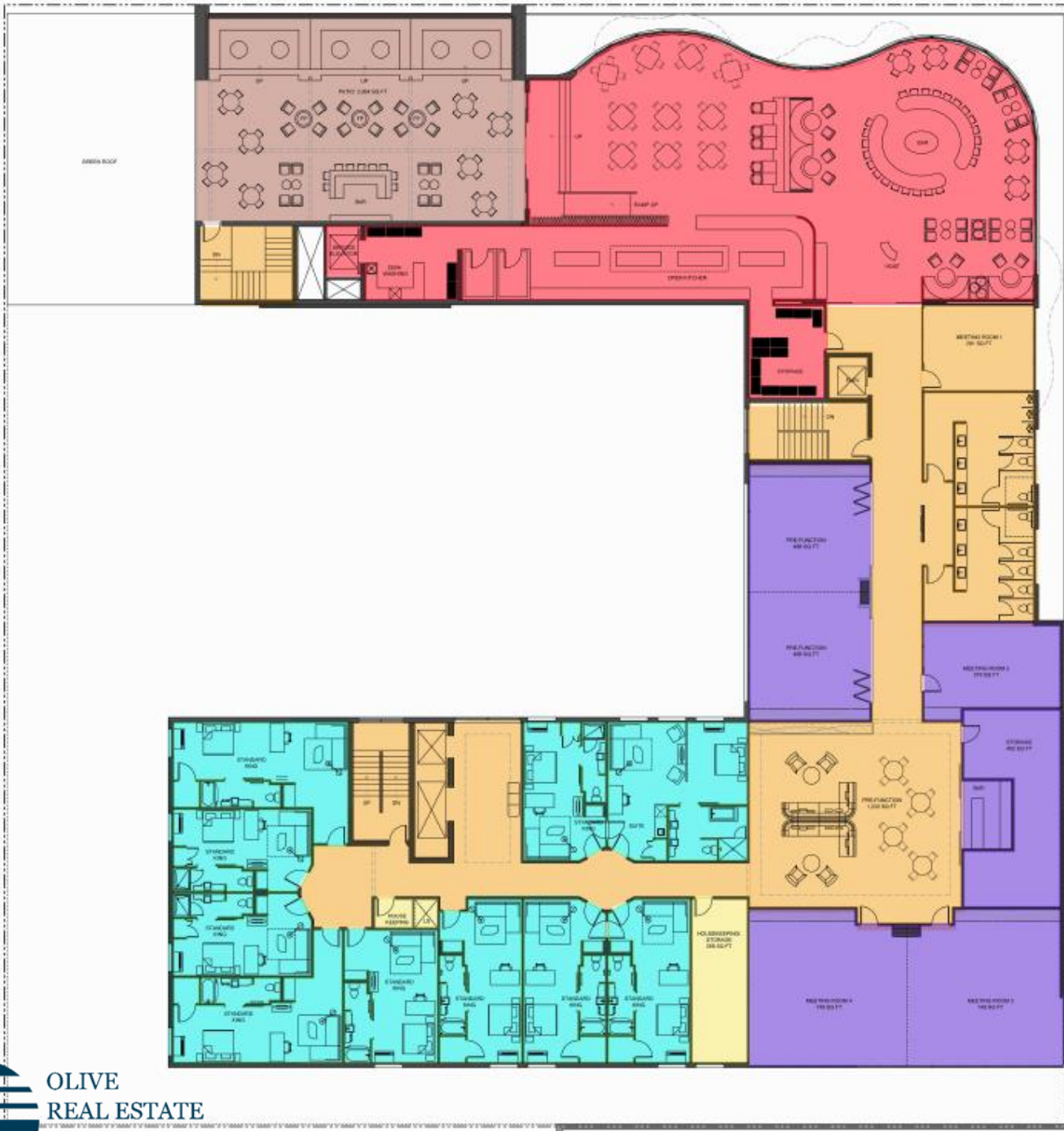


# 5<sup>th</sup>, 6<sup>th</sup> & 7<sup>th</sup> Floors



- FIRST FLOOR RETAIL
- FIRST FLOOR OUTDOOR RETAIL
- PARKING
- COMMON AREA (SHARED PUBLIC AREA)
- SHARED ELEMENT/SPRING HILL AREAS
- SHARED ELEMENT/SPRING HILL OUTDOOR AREAS
- ELEMENT
- SPRING HILL
- EIGHTH FLOOR RETAIL
- EIGHTH FLOOR OUTDOOR RETAIL
- MEETING SPACE

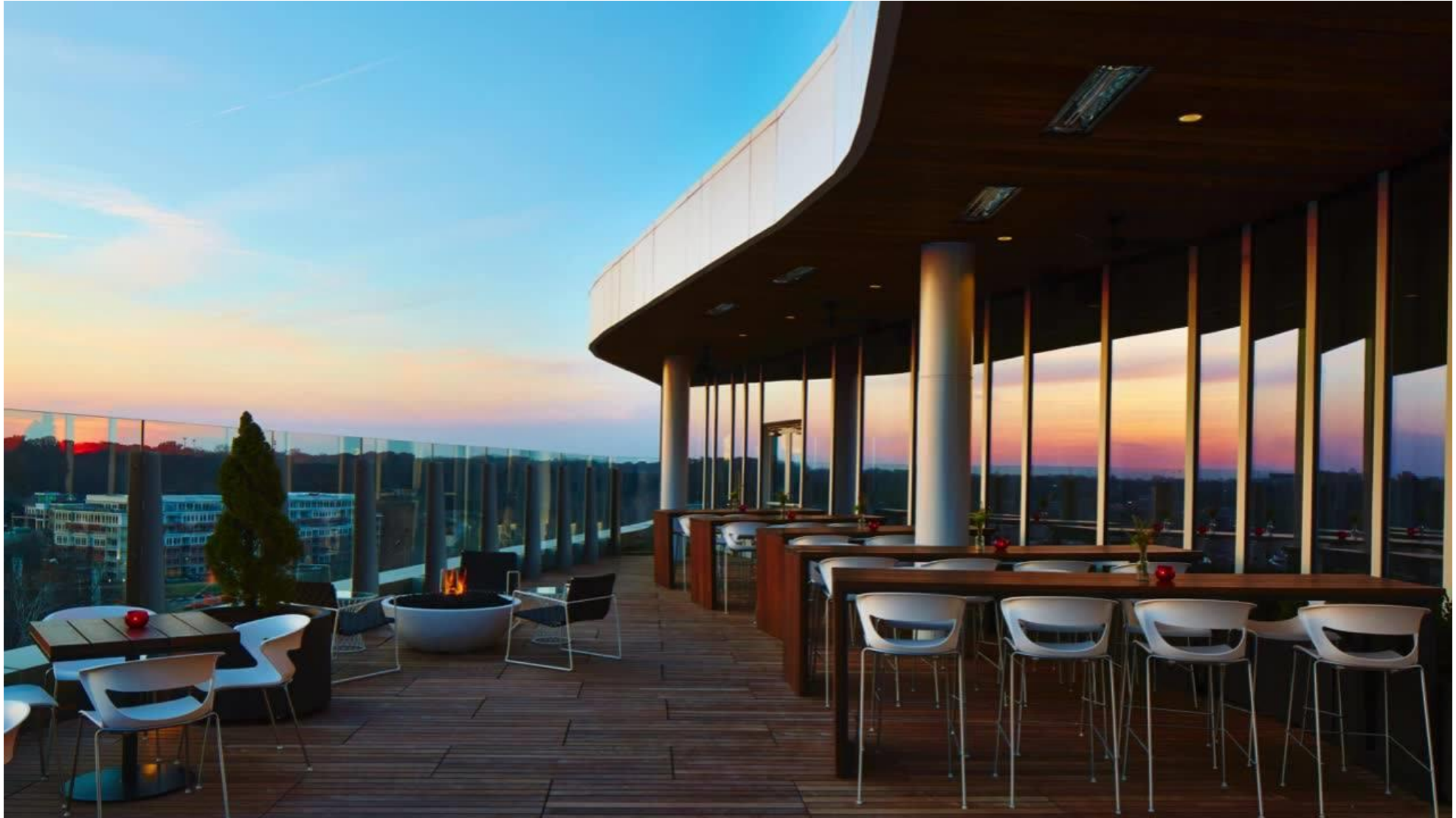
# 8th Floor



- FIRST FLOOR RETAIL
- FIRST FLOOR OUTDOOR RETAIL
- PARKING
- COMMON AREA (SHARED PUBLIC AREA)
- SHARED ELEMENT/SPRING HILL AREAS
- SHARED ELEMENT/SPRING HILL OUTDOOR AREAS
- ELEMENT
- SPRING HILL
- EIGHTH FLOOR RETAIL
- EIGHTH FLOOR OUTDOOR RETAIL
- MEETING SPACE



# Rooftop Restaurant/Bar



# Rooftop Restaurant/Bar





# Design / Project Enhancements

- Eliminated apartments on top floor
- Parking garage is 100% public access on a first come, first served basis
- Pedestrian streetscape has been enhanced
- Public artwork has been integrated into project design
- Project to participate in future public transportation circular



# Public Benefit





# Public Streetscape & Pedestrian-Oriented Walkways





# Public Streetscape





# Public Parking



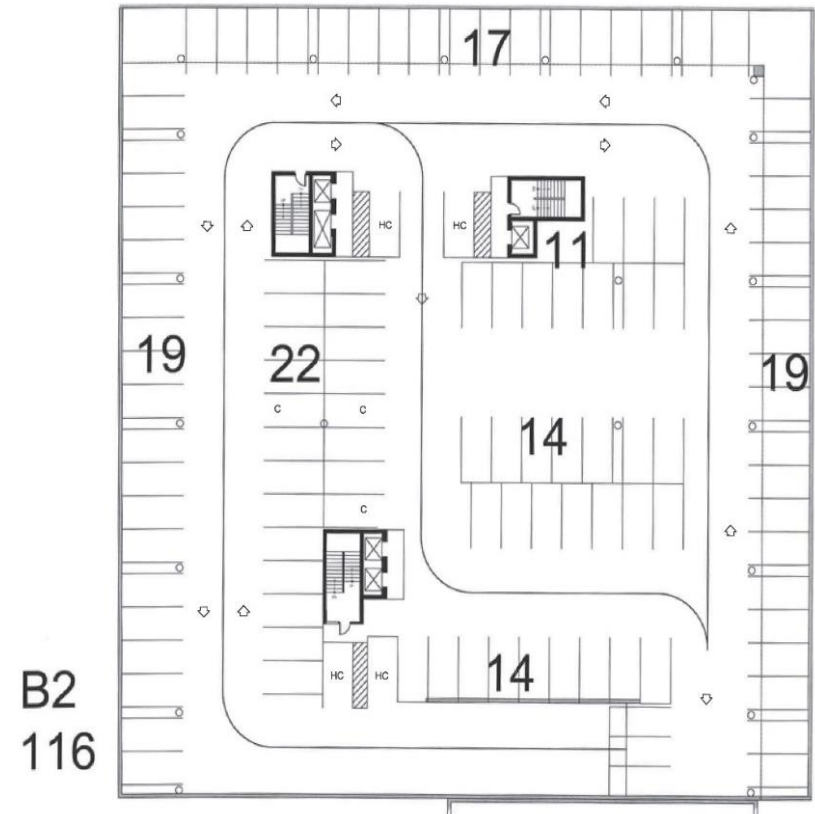
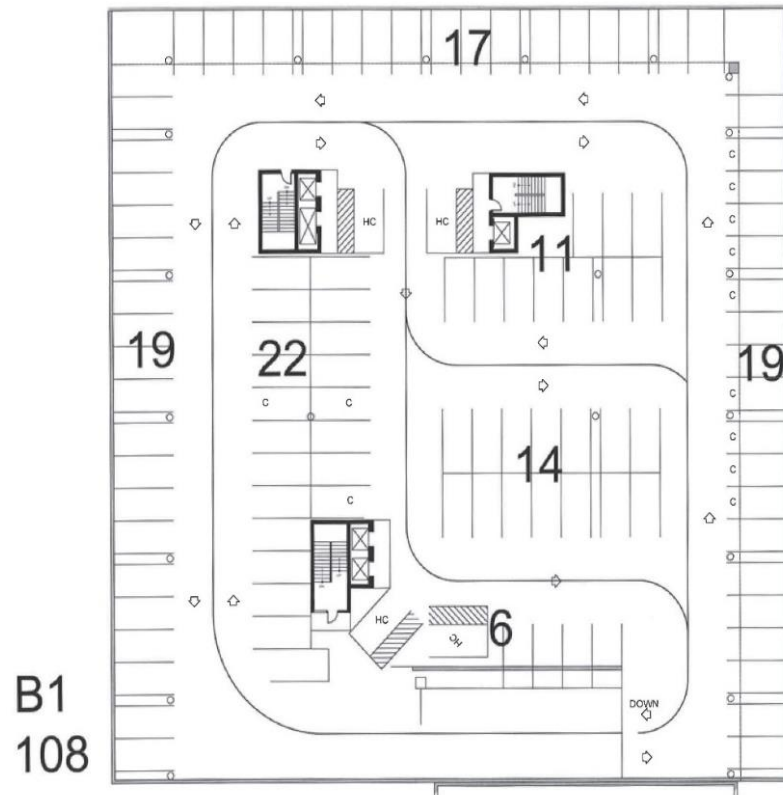
# Public Parking





# Public Parking Garage 2 levels underground with 224± spaces

*First come, first-served.*



# Current Downtown Hospitality Parking Scenarios

## **The Antlers, A Wyndham Hotel**

- \$8,000/month for lease of existing garage built in mid-20<sup>th</sup> century

## **The Mining Exchange, A Wyndham Grand Hotel**

- Agreement with City Parking Enterprise for defined number of spaces
- \$75 / month per space

## **Hilton Garden Inn (Under construction at Bijou & Cascade Avenue)**

- Agreement with City Parking Enterprise for 75 reserved parking spaces
- \$75 / month per space

## **Hyatt Place (Proposed at Kiowa Street & Nevada Avenue)**

- Project stalled due to lack of parking solution





## Urban Renewal Objectives

- Replaces zero-density block with high-density development in CBD
- Provides street activation, plus urban-oriented, pedestrian amenities
- Extends the urban vitality of South Tejon redevelopment
- Creates new, stable employment opportunities for existing residents
- Marriott 'Springhill Suites' brand promotes community arts programs



## Aligns with CBD needs and community goals

- Offers solution to public parking shortage within the New South End
- Advances the goals of the Experience Downtown and Destination COS Master Plans
- Brings Marriott International brand to CBD



### 2018 Awards & Recognition

**Aon Global Best Employer Award**, Aon Hewitt

**2018 World's Most Ethical Companies**, The Ethisphere Institute

**2018 Most Innovative Companies**, Fast Company

**Great Place to Work**, Corporate Equality Index

**Top 50 Companies for Diversity**, DiversityInc.

**2018 Fortune 500**, Fortune

**World's Most Admired Companies**, Fortune

**100 Best Companies to Work For**, Fortune

**2018 Workplace Excellence Seal of Approval**, Alliance for Workplace Excellence

**2018 Health & Wellness Seal of Approval**, Alliance for Workplace Excellence

**2018 Diversity Champion Award**, Alliance for Workplace Excellence

**2018 Certificate of Recognition: Best Practices Support Workers of All Abilities**, Alliance for Workplace Excellence

**2018 Certificate of Recognition: Age-Friendly Employer**, Alliance for Workplace Excellence



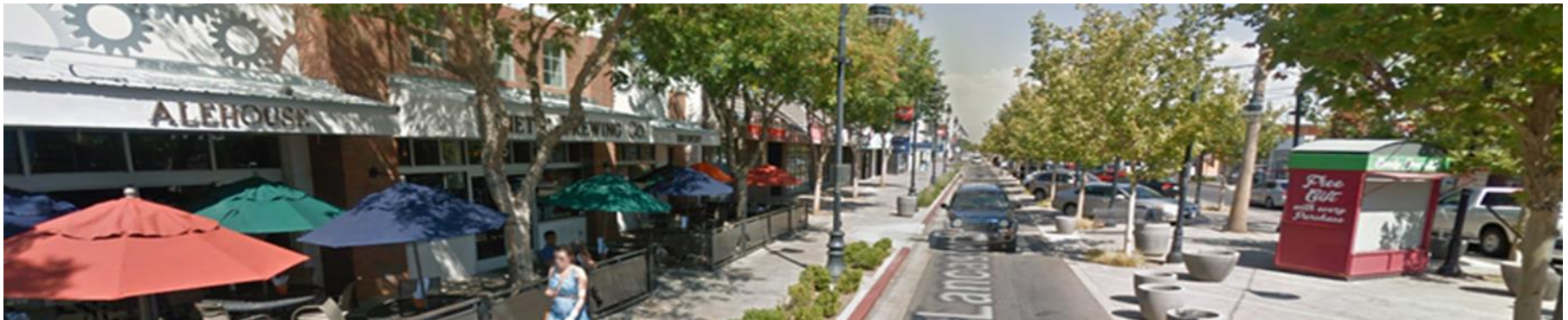


# Economic Impact



## Expansion of existing tax base

- Creates NEW tax revenue that did not previously exist
- Expands property, sales, income and use taxes for City of Colorado Springs
  - Hotel site + “spillover” effect of surrounding properties
  - Secondary sales / “indirect” impact; i.e. restaurants, events, suppliers
- Stimulates growth in related industry clusters; i.e. construction, hospitality
- Provides additional revenue from energy consumption
- Creates long term construction revenues for local market
- Delivers significant outside investment (>\$25M) into Colorado Springs





# Job growth & wage expansion in City of Colorado Springs

Source: *IMPLAN Economic Impact Analysis, Tatiana Bailey, Ph.D. & Summit Economics*

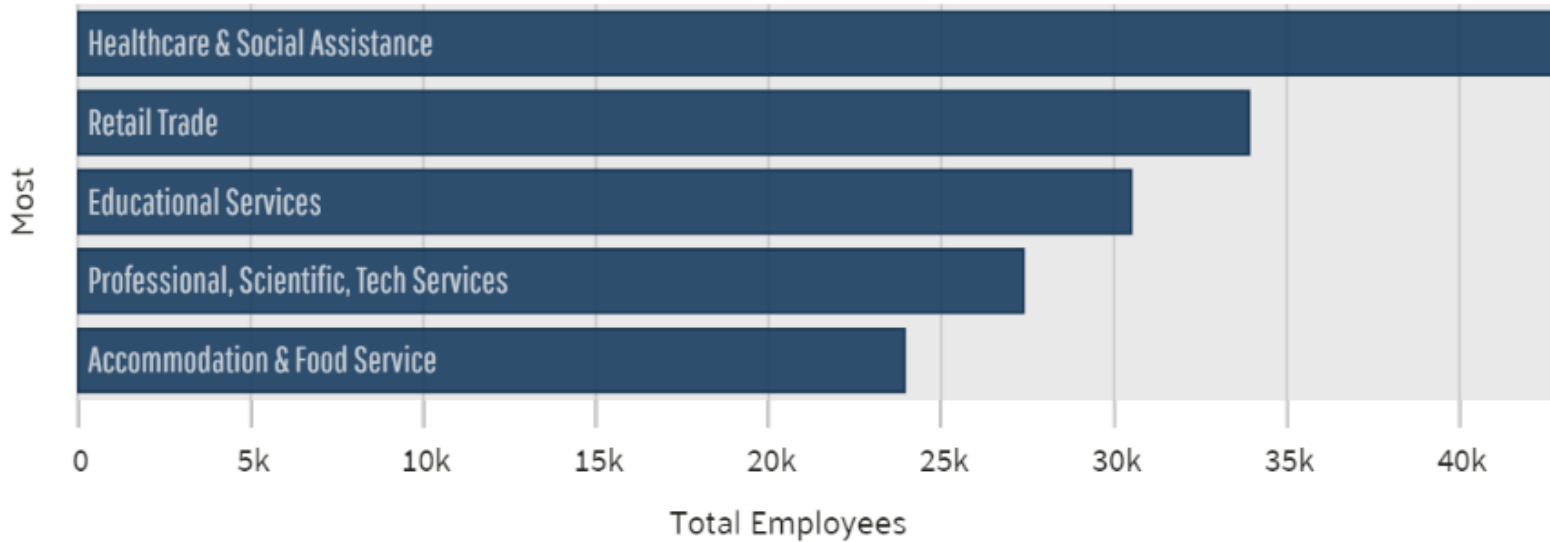
- 200-300 direct annual jobs as a direct result of construction
- 200 additional indirect jobs supporting construction
- \$117M in economic impact from construction
- 150-175 long term, stable, direct permanent jobs, with benefits, in the City of Colorado Springs region as a result of operations
- Will create another 60± additional indirect jobs supporting operations
- Adds \$25M of annual personal income to the regional community



# Expands 5<sup>th</sup> most common industry in Colorado Springs Metro Area

**Accommodation & Food Service = 7.6% or ~24,000 total employees**

Source: Data USA, US Census Data





# Plan to collaborate with local workforce & education programs to offer apprenticeships and employment opportunities

- Pikes Peak Workforce Center Apprenticeship Programs
  - Partnering with National Lodging & Restaurant Association
- Catholic Charities – Pre-apprenticeship Culinary Program
- Pikes Peak Community College Culinary Arts Program
- Mt. Carmel – Transitioning Veterans and Military Spouses
- Springs Rescue Mission



# City of Colorado Springs Master Plan Alignment





# Project aligns with many objectives of various community Master Plans & Economic Development Initiatives to:

- **Encourage Infill & Mixed Use Redevelopment**
- **Improve Regional Economic Growth**
- **Promote Tourism**

- ✓ **Vision COS**
- ✓ **City for Champions**
- ✓ **Experience Downtown**
- ✓ **2001 Comprehensive Plan**
- ✓ **El Paso County Strategic Plan**
- ✓ **Downtown Form-Based Code**
- ✓ **Colorado Springs Urban Renewal Authority**
- ✓ **Destination COS (Convention & Visitors Bureau)**



## City of Colorado Springs additional benefits :

- ✓ Provides partial public parking solution for New South End redevelopment, City for Champions, US Olympic Museum, local employers, future construction, etc.
- ✓ Increased PPRTA revenue from hotel supports City of Colorado Springs long-term transportation initiatives.
- ✓ A Marriott-branded, downtown hotel:
  - Provides extended-stay, ‘government rate’ lodging for nearby City facilities and downtown businesses
  - Supports regional tourism, Olympic Museum and City for Champions
  - Offers stable, long-term employment opportunities with potential for career advancement in a well-respected, international company





# Public Cost Sharing via Tax Increment Financing (TIF)



# Qualified Public Improvement Costs

<b>Downtown Marriott Hotel Development Urban Renewal Qualified Reimbursable Expenses</b>		
Parking Garage	\$	8,546,459
Demolition of development site		551,932
Streetscapes and pedestrian ways		1,193,505
Public entries		1,218,863
ADA improvements		287,737
Building exterior façade enhancements		288,518
Alley improvements		498,995
Construction Estimates		12,586,009
Public art (budget)		55,000
Tenant Relocation Expense		100,000
Indirect costs associated w/ above		
Design Fees		166,584
Consulting Fees		71,392
10% Contingency on Construction Estimates		1,258,601
<b>TOTAL REIMBURSABLE EXPENSES</b>	<b>\$</b>	<b>14,237,586</b>



# GAP Sensitivity Analysis

<b>Downtown Marriott Hotel Development</b>		
<b>Financial Overview @ 70% Property Tax &amp; 2% Sales Tax TIF</b>		
Estimated Total Project Cost		\$ 74,724,330
Project Debt	65%	\$ (48,570,815)
Equity Required		\$ 26,153,516
Qualified Public Improvement Costs		\$ 14,237,586
Bond Capacity @ 70%/2% TIF		\$ (7,462,788)
<b>Public Improvement Gap</b>		<b>\$ 6,774,798</b>
<b>Downtown Marriott Hotel Development</b>		
<b>Financial Overview @ 100% Property Tax &amp; 3% Sales Tax TIF</b>		
Estimated Total Project Cost		\$ 74,724,330
Project Debt	65%	\$ (48,570,815)
Equity Required		\$ 26,153,516
Qualified Public Improvement Costs		\$ 14,237,586
Bond Capacity @ 100%/3% TIF		\$ (10,894,484)
<b>Public Improvement Gap</b>		<b>\$ 3,343,102</b>





# Project Request to City of Colorado Springs

➤ **Property Tax:**

- Provide **100% Property Tax Increment** for **25 Years**

➤ **Sales Tax:**

- Provide **1.75% Sales Tax Increment** for **25 Years**



# TIF Assistance

Requesting City of Colorado Springs's participation a public-private partnership to reimburse a portion of developer's qualified public costs through TIF.

City of Colorado Springs's TIF Funds will help to:

- Redevelop a blighted, yet strategically important downtown corner (connecting community, services & tourists to New South End)
- Expand the current tax base for future decades
- Construct a public parking garage in an underserved part of downtown
- Improve pedestrian walkways and streetscapes
- Improve utility corridors and alleyways
- Upgrade aging utility infrastructure
- Display public art



# Economic Impact Analysis

*Bob Cope, Economic Development Officer*





# 25 Year Economic Impact Analysis

Construction (Temporary) Jobs	Jobs	Average Wage
Direct	618	\$50,056
Indirect	136	\$60,966
Induced	175	\$42,035
<b>Total Construction (Temporary) Jobs</b>	<b>929</b>	<b>\$50,149</b>

Permanent Jobs	Jobs	Average Wage
Direct	172	\$31,639
Indirect	27	\$48,409
Induced	30	\$42,054
<b>Total Permanent Jobs</b>	<b>229</b>	<b>\$35,015</b>

Economic Impact	Average Annual	25 Years
Construction Impact	\$2,296,963	\$57,424,080
Permanent Impact	\$14,764,156	\$369,103,900
<b>Total Economic Impact</b>	<b>\$17,061,119</b>	<b>\$426,527,980</b>



# Dedicated Revenue – 1.75% @ 25 Years

<b>Dedicated Revenue</b>	<b>25 Years</b>	<b>Average Annual</b>
Retail Sales 2%	\$1,620,385	\$64,815
Room Sales 2%	\$3,856,555	\$154,262
Property Tax	\$766,263	\$30,651
<b>Total</b>	<b>\$6,243,203</b>	<b>\$249,728</b>



# City Net Revenue – 1.75% @ 25 Years

## No Sunset of Special Fund Taxes

City Revenue Source	25 Years	Average Annual
New Retail .25%*	\$231,484	\$9,259
New Retail 1.12%	\$1,037,047	\$41,482
Hotel Rooms .25%*	\$550,936	\$22,037
Hotel Rooms 1.12%	\$2,468,195	\$98,728
Construction Materials 2%*	\$550,000	\$22,000
Construction Materials .1.12%	\$308,000	\$12,320
Construction Jobs 2%*	\$260,787	\$10,431
Construction Jobs 1.12%	\$146,046	\$5,842
Permanent Jobs 2%*	\$902,370	\$36,095
Permanent Jobs 1.12%	\$505,327	\$20,213
Spillover Property Tax*	\$40,330	\$1,613
<b>Total Net New Tax Revenue City</b>	<b>\$7,000,522</b>	<b>\$280,021</b>
<b>General Fund Portion*</b>	<b>\$2,535,907</b>	<b>\$101,436</b>
<b>PPRTA (Estimated Revenue 70 % City)</b>	<b>25 Years</b>	<b>Average Annual</b>
New Retail (\$925,934)	\$648,154	\$25,926
Hotel Rooms (\$2,203,746)	\$1,542,622	\$61,705
Construction Jobs (\$130,398)	\$91,279	\$3,651
Permanent Jobs (\$451,185)	\$315,830	\$12,633
<b>Total Net New PPRTA Revenue City</b>	<b>2,597,885</b>	<b>\$103,915</b>
	<b>25 Years</b>	<b>Average Annual</b>
<b>Total New Revenue City</b>	<b>\$9,598,407</b>	<b>\$383,936</b>





# City Net Revenue – 1.75% @ 25 Years

## Sunset of Special Fund Taxes

City Revenue Source	25 Years	Average Annual
New Retail .25%*	\$231,484	\$9,259
New Retail 1.12%	\$388,893	\$15,556
Hotel Rooms .25%*	\$550,936	\$22,037
Hotel Rooms 1.12%	\$929,981	\$37,199
Construction Materials 2%*	\$550,000	\$22,000
Construction Materials .1.12%	\$308,000	\$12,320
Construction Jobs 2%*	\$260,787	\$10,431
Construction Jobs 1.12%	\$55,028	\$2,201
Permanent Jobs 2%*	\$902,370	\$36,095
Permanent Jobs 1.12%	\$190,400	\$7,616
Spillover Property Tax*	\$40,330	\$1,613
<b>Total Net New Tax Revenue City</b>	<b>\$4,408,209</b>	<b>\$176,328</b>
<b>General Fund Portion*</b>	<b>\$2,535,907</b>	<b>\$101,436</b>
<b>PPRTA (Estimated Revenue 70 %</b>	<b>25 Years</b>	<b>Average Annual</b>
New Retail (\$201,290)	\$140,903	\$5,636
Hotel Rooms (\$400,641)	\$280,449	\$11,218
Construction Jobs (\$130,398)	\$91,279	\$3,651
Permanent Jobs (\$82,025)	\$57,418	\$2,297
<b>Total Net New PPRTA Revenue</b>	<b>\$570,049</b>	<b>\$22,802</b>
	<b>25 Years</b>	<b>Average Annual</b>
<b>Total New Revenue City</b>	<b>\$4,978,258</b>	<b>\$199,130</b>



# Questions



# TIF is essential to this project because:

- 1. Without parking, Marriott will not brand this project**
  - Underground parking costs associated with urban hotels are extraordinary
  - Downtown's south end lacks adequate street parking
  - Downtown's south end is undergoing a renaissance which poses pressure to provide parking
- 2. Without utility & street upgrades, the project does not work**
  - Existing utility infrastructure is 100+ years old undersized for future growth
- 3. Without TIF the developer cannot attract equity investment and debt financing to deliver a Marriott-branded, community asset**
  - The hotel market is highly competitive, sensitive to economic growth cycles, and dependent on proven brands, flags and rewards programs. If not now, when?



# Floor Plans

