



## City of Harrisonburg, Virginia

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Kurt D. Hodgen  
City Manager

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### MEMORANDUM

TO: Mayor Byrd and City Council Members  
FROM: Kurt D. Hodgen, City Manager  
DATE: October 7, 2014  
RE: Overview of Hotel Conference Center Project Proposal

#### I. History of the Project

In April of 2012, the City received an unsolicited PPEA Proposal (Public-Private Education Facilities and Infrastructure Act) to construct a 205-room Hotel and Conference Center in downtown Harrisonburg. As outlined in the proposal, the conference center portion of the project would be financed by the City, with the remainder of project costs being paid for by the developer. A downtown location was specified as one of the stated goals was to "enhance economic expansion and activity in the downtown area while improving the quality of life of residents and retaining the character of the City". The developer proposed to complete the project and own/ lease and operate the Hotel and Conference Center following its completion.

The proposal also listed the benefits to the City of accepting the proposal including, but not limited to:

1. Revitalizing Downtown
2. Job Creation
3. Synergies with Harrisonburg-based businesses
4. Synergies with JMU (Hospitality Program, room commitments, etc.)
5. New Tax Revenues, new activity in the City
6. Compatibility with the Comp Plan
7. No cost to City Budget

At its Sept. 11, 2012 meeting, City Council accepted the project at the "conceptual phase" of the PPEA process. At this point the City posted a public notice which indicated that the proposal had been received and started a 60-day period during which others could submit competing proposals. No other proposals were subsequently received.

A report was then made to City Council on January 8, 2013, outlining the City's options relative to acting on the Hotel Conference Center proposal. Staff recommended proceeding to the "Detailed Stage" of the PPEA process and this was approved by Council.

In the spring of 2013, James Madison University received and accepted an unsolicited proposal for a Hotel and Conference Center project to be located on the corner of Martin Luther King, Jr. Way and Main Street, introducing a third party to the proposed project along with a specific project location. As was the case with the proposal to the City, no competing proposals were received by JMU and the University also proceeded to the "Detailed Stage" of their proposal process.

## II. Role of Project Partners

While there were now two PPEA proposals moving forward simultaneously, the project essentially merged into a single project with a partnership involving the developer, JMU, and the City of Harrisonburg.

The "Detailed Phase" of the process involves more specific discussion relative to project financing. The proposal to the City required that the City would issue bonds to cover the cost of the conference center and service the debt for those bonds by the revenue that would be created from the operations of the hotel and conference center. Neither staff nor Council was in favor of the City issuing bonds for the project as that amount would count against the City's outstanding debt capacity. Subsequently, the idea of having the JMU Foundation fund and own the conference center came forward and the Foundation was open to considering this possibility.

Under a Foundation funding scenario, the structure of the project moving forward would be as follows: The developer would build both the Hotel and Conference Center. The estimated \$30M cost of the Hotel would be the responsibility of the developer. The estimated \$10M for the Conference Center would come from the JMU Foundation. The City would then agree to provide annual grants to the Foundation through its Industrial Development Authority (IDA) to reimburse them for the cost of constructing the conference center. Finally James Madison University would provide the land needed for both of the facilities as well as construct a 1,000 space parking garage to provide parking for the Hotel and Conference Center.

With regard to the reimbursement to the Foundation via annual grants from the IDA, that methodology was established so that the existing city tax base (or future tax base outside of the project area) would not be impacted by the project. The grants will be made solely from the revenues that are created by the completed and operating Hotel and Conference Center (i.e. real estate taxes, personal property taxes, meals taxes, lodging taxes, sales taxes, & BPOL).

The JMU Foundation agreed to become the fourth partner to this project as outlined above. Initial concerns on the part of the Foundation and the City regarding language in the various legal documents for the project led to the termination of negotiations in early summer. However, further discussions between all parties have led to contractual language that is acceptable to all and brings us to the point of holding a public hearing for the project. The City has confirmation from its bond counsel that the grant procedure can be utilized and that all associated contractual language is acceptable. The City has also drafted an "Economic Development Program" for the project that will for-

mally establish the parameters for the IDA to make the grants for this project. That document is attached.

### III. Revenue Projections

Category of Taxes	Projected Tax Receipts (Year 1 of Operations)	Projected Tax Receipts (Year 10 of Operations)
Lodging (Rooms)	379,363	582,490
Meals (Food & Beverage)	210,600	291,013
Business License	18,625	27,526
Real Estate	221,297	288,744
Personal Property	81,408	24,422
Personal Property (Computers)	11,236	225
<b>TOTAL:</b>	<b>\$922,529</b>	<b>\$1,214,420</b>

### IV. Tentative Project Schedule

#### First 6 months

- Architectural design and permitting
- Conceptual interior design
- Engineering design and approval for the site plan, erosion control, storm water management, sewer, water, storm drainage and road widening
- Establishment of a GMP construction contract with WM Jordan

#### Next 3 months

- Finalize construction documents
- Finalize interior design documents
- Begin construction in the 3<sup>rd</sup> month

Next 17 months

- Site work
- Construction

Final 2 months

- Installation of FF&E
- Install OSE
- Staff hiring and training

Total project time is 28 months.

Attachments:

1. Notice of Public Hearing
2. Memorandum of Understanding with Exhibits
  - A. Summary of Ground Lease and Sublease Terms
  - B. Anticipated Development Budget
  - C. Predevelopment Agreement
  - D. City Support Agreement
3. Economic Development Policy
4. Proposed Industrial Development Authority Economic Development Policy