

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

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Downtown Hotel Development: A Community Partnership Approach

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The development of a lodging facility can contribute significantly to the vitality of a downtown area. Unfortunately, many hotel developers overlook downtown and instead seek highway locations on the edge of town. This issue describes an innovative community approach to downtown hotel development.

Importance of Hotel Development Downtown

A hotel can be an extremely valuable addition in a downtown area. It brings leisure visitors and business people to the heart of a community. It can serve visitors to area businesses and institutions. Hotels can generate sales for nearby retail and service businesses and capture tourism dollars in the community. Hotels also generate significant tax revenues while creating many new jobs for local residents.

Because of its central location, a downtown can provide great market opportunities for hotel development. Downtown sites are typically within close proximity to businesses and industry, colleges, hospitals, attractions, services and entertainment. These are important generators of room-night demand.

If designed and developed properly, a hotel can provide first-class accommodations and services, enhancing the image of the downtown area. It can help build strong community relations and can be a recruiting tool for businesses and individuals. Finally, it can provide an opportunity for business and civic leaders to invest in their community.

Problems with the Typical Hotel Development Process

While hotels may be economically viable and desirable in many communities, the typical hotel development process may not be appropriate in all downtown areas. Most chains will not build an up-

scale property in a secondary market or in an unproven location. Their prototypes typically minimize investment per room and are designed for highway sites on the edge of town. Downtown sites may be perceived as too risky as they don't meet the common criteria of interstate traffic volume, access and visibility.

In addition, chains generally view hotel development as a real estate investment instead of as an investment in a community. Outside developers may not bring an understanding or interest in local community matters (including the future of its downtown). Further, they may view the development of a hotel as a limited-term investment with a predetermined exit strategy.

Lodging Development through Community Partnership

An alternative to typical hotel development brings together local government, business and community leaders and a lodging development firm experienced in assembling a community partnership. Here, local leaders work together to design a development and its financing so that it reflects the long-term needs of the downtown and broader community. These leaders form a "community partnership" to spearhead the formation of the ownership of hotel units as condominiums.



To illustrate, hotel suites/condominiums can be built in the form of a downtown first-class Inn (as in the Beloit, Wisconsin example below). The suites are sold to individual investors, partnerships, corporations and organizations. The owners hold clear title. Further, the suites may be donated, gifted or willed to the partnership or local educational institutions or charities. Owners enjoy the benefit of special guest room rates, complementary rooms and tax deductions. The suites are included in a rental pool and made available to the general traveling public and the businesses that have invested in the Inn. The condominium association hires the management company to carry out the business of the inn and manage the property in a professional manner.

The community partnership can also provide assistance in creating a tax increment financing (TIF) district, securing historic tax credits or grants, securing economic development funds and infrastructure support. Throughout the development process, the partnership is actively involved in introducing the project to community leaders and providing ongoing support.

Summary

In communities with public and private sector leaders that are committed to downtown revitalization, this innovative approach to hotel development can work. It can provide the community and its downtown with a successful first-class lodging establishment that is designed to meet the needs of the community. Its ownership structure assures the community that it will not be sold to outside investors but will remain under the direction of community investors. Further, it can create a legacy of excellence for future generations and enhance the character of downtown.

The Beloit Inn

The Beloit Inn in downtown Beloit, WI is an elegant, first-class hotel with 36 suites/54 rooms. The property opened in January 2001 using the community partnership approach under the guidance of Inn Development & Management (IDM).

Each one or two bedroom suite contains a fireplace, whirlpool, kitchenette, stereo sound system and other guest amenities. The property includes the elegant Café Belwah bistro and wine bar, meeting rooms and massage therapy. The first-class offerings of this Inn provide Beloit new opportunities to enhance its developing downtown.

The \$6 million property has created 30 to 40 new full and part time jobs. Occupancy levels have exceeded expectations and plans are in place for a second phase (retail and office expansion with the possibility of adding additional meeting and banquet accommodations). The attractive building (see photo) fits the landscape of the community and has added new vibrancy to downtown Beloit and provided local leaders with an attractive financial and community investment opportunity.

Source: Inn Development & Management (IDM), LLP, Connie J. Barbian and Craig Neddersen. IDM specializes in Project Feasibility & Concept Consulting, Schematic Design, Pre-Sale, Securities Work, Financing Development Services and Inn Operations.

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