



Legislation Text

File #: 18-281, **Version:** 1

TO: Honorable Mayor & Members of the North Port Commission

FROM: Peter Lear, City Manager

TITLE: Limited Service Hotel - Request for Assistance

Recommended Action

For Commission to consider a fiscally sustainable form of City support for an investor to build a hotel in the City of North Port.

Background Information

Lodgco Hospitality, LLC is proposing a hotel development project at Tuscola Commons, a master-planned development that Economic Development helped bring to the City of North Port, starting in the summer of 2014. The proposed hotel brand belongs to a major flag and it will be what is called a 'limited service hotel.' After doing market analyses and feasibility studies, and talking to several funding sources, the developers determined that some form of impact fee assistance is necessary to lessen the comparatively higher risk that they face for the North Port location. Such high risk consists of several factors: one of which is the newness of the North Port market. No hotel currently exists in North Port and this is the first time that a hotel developer is being presented to a North Port City Commission.

The reality is North Port's hotel recruitment efforts are occurring in a very competitive market. Some communities around us are equipped with a better 'toolbox,' including at least one that has the ability to grant land to developers. We do not have that capability nor desire in North Port. In addition, there is a lack of existing comparable real estate within the area of what is considered the North Port trade area. It is very difficult for any feasibility study - on the part of consultants, appraisers, or bankers - to pin down what the true hard numbers are. Because it is a brand-new real estate product, there is naturally the need to rely partly on projections and estimates to complete the final analysis which typically are reliant upon financial and market data. It does help that the North Port economy is doing well and other data points exist including residential and commercial growth indicators. But the bottom line is, in the world of hard facts and risks versus returns on investment, there is currently a data gap in the hotel development sector (in North Port) which translates to higher risks for the financial institutions. While the following request is to assuage the concerns of the financing institution and the appraiser of the project, it is eventually the hotel developer that is and will be carrying most, if not all, of the risks.

After a careful analysis of their business projections and working with their consultants, the development group feels that if the City is able to defer the estimated North Port impact fee over 4 years, such accommodation will help them with their initial outlay and improve their cash flow situation. Just enough to make the numbers work better for the bank and also for them to have a better set of pro forma for the first 4 years of the business. As we all know these are crucial years for any new business venture. Lodgco Hospitality, LLC is headquartered in Mt. Pleasant, Michigan and has been in business for over 20 years in the hospitality sector and already are operating in the Sarasota and Florida marketplace. They are a well-integrated company involved in all aspects of the hospitality business from site identification, through design and construction, to maintaining and operating their portfolio of properties. In other words, we are gaining a new corporate neighbor.

Upon review of City Code, it has been determined that while there are existing provisions for impact fee waiver or

reduction, there is no specific provision for impact fee deferment. So, if Commission deems it a fiscally sustainable action to provide the requested impact fee deferral, then staff will be looking to City Commission for direction to amend the code in order to convert this developer request into a compliant agreement.

Strategic Plan

Diverse Local Economy
Enhanced Public Trust through Responsible City Government

Financial Impact

The following schedule of impact fee payment is an illustration of what the proposed deferment may look like:

Construction: No fees are due

Opening year: Impact fees are due but we will collect \$0 (instead of the total estimate \$115,200)

Year 2: \$38,400 (estimated 1st third of the actual impact fees due)

Year 3: \$38,400 (estimated 2nd third of the actual impact fees due)

Year 4: \$38,400 (estimated final third of the actual impact fees due)

Attachments: 1) Letter of request for impact fee deferment from the developer
 2) Cover email from the hotel developer
 3) Estimated Impact Fee Calculation (based on 100-room hotel)
 4) Response to request for Legal Services - Impact fee deferral for hotel developer

Prepared by: Ruth Buchanan

Department Director: Peter Lear