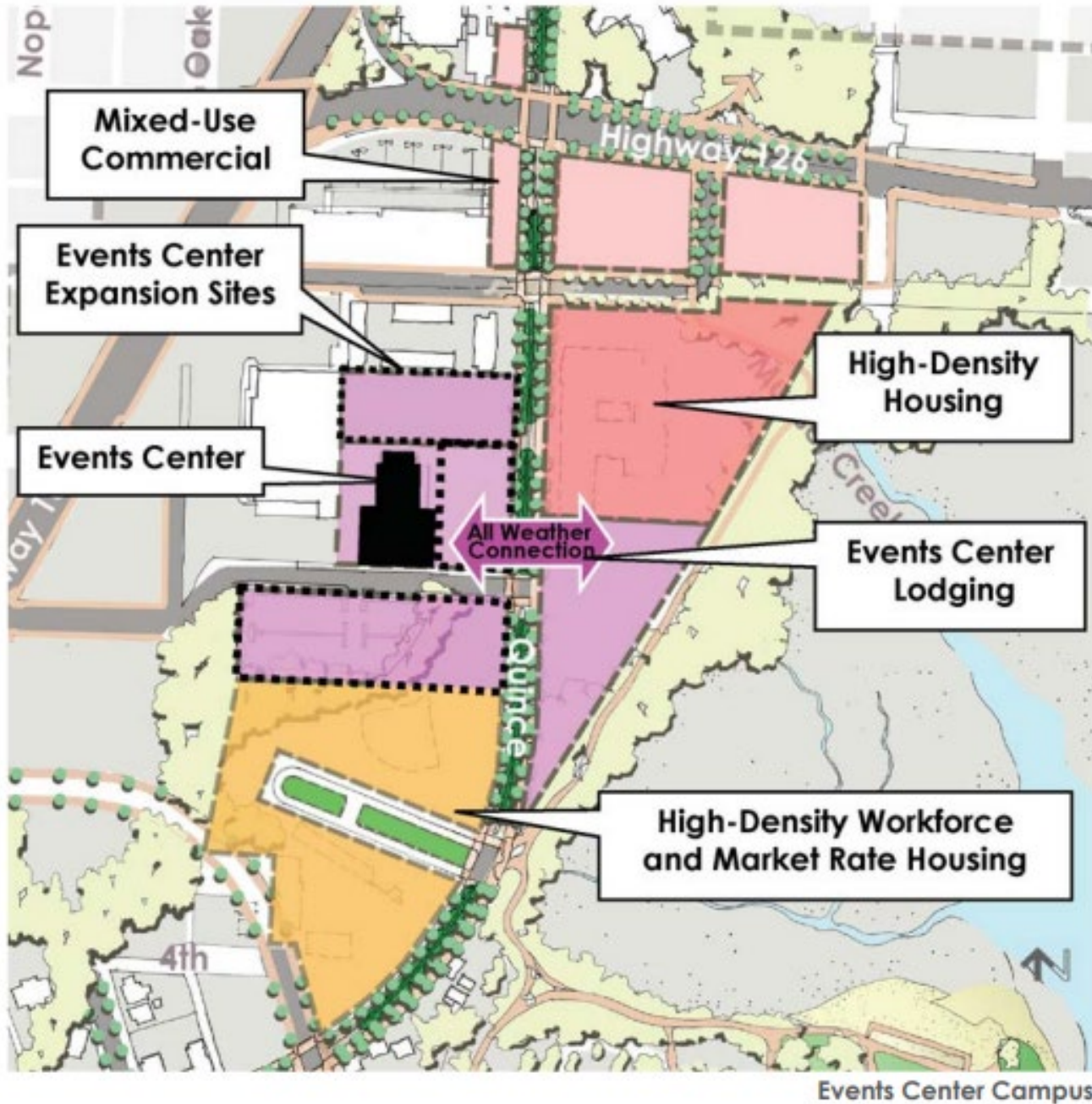


QUINCE STREET DEVELOPMENT PROGRESS UPDATE

FLORENCE URBAN RENEWAL AGENCY
FEBRUARY 23, 2022



Events Center Campus

BACKGROUND

The Florence community has been working towards lodging to support the Florence Events Center for over 25 years.

- Florence Downtown Implementation Plan (1999, p. 15) - Events Center District:
 1. Provide for mixed use infill and redevelopment of sites around the Florence Events Center.
 2. Strongly encourage hotel development on the Middle School site.
- ← ▪ Florence Outreach Project (2007, p. 10) – Event Center Campus:
 - The Events Center campus would serve to strengthen the viability of the Events Center, provide for a range of housing and hospitality options and identify areas for mixed-use commercial development as shown in the plan [here].

STRATEGY & GOALS

Established at the November 20, 2019, FURA Board Meeting

- Goal: Attract a 90+ room hotel (or other similar sized lodging facility), with opportunities for the following ancillary developments:
 - Mixed use development
 - Residential facilities
- Objectives:
 - Increase property values & transient room tax revenue to support future housing and economic development projects.
 - Support the Florence Events Center to allow it to be more marketable to outside events.
 - Support the development of the Siuslaw Estuary Trail.

Request for Expressions of Interest

for

Redevelopment Site

in

Florence, Oregon

Issued July 1, 2020

by

Florence Urban Renewal Agency

DEADLINE FOR FIRST REVIEW:

Friday, August 14, 2020

at 12:00 p.m.

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

CURRENT PROGRESS

September 1, 2021. FURA Board Selection

September 27, 2021. Entered into ENA

January 24, 2022. ENA Extension #1

Late February. Land Use Application

Late March. FURA Consideration of DDA Terms



Quince Street Update February 23, 2022

Schedule

- Land Use Submission – 2/23/2022
- Execute DDA – 5/6/2022 (or sooner?)
- Complete financing - 6/15/2022
- Submit Construction Permit – 6/16/2022
- Break Ground – 7/14/2022
- Construction duration – 13 months



1 VIEW FROM SW CORNER



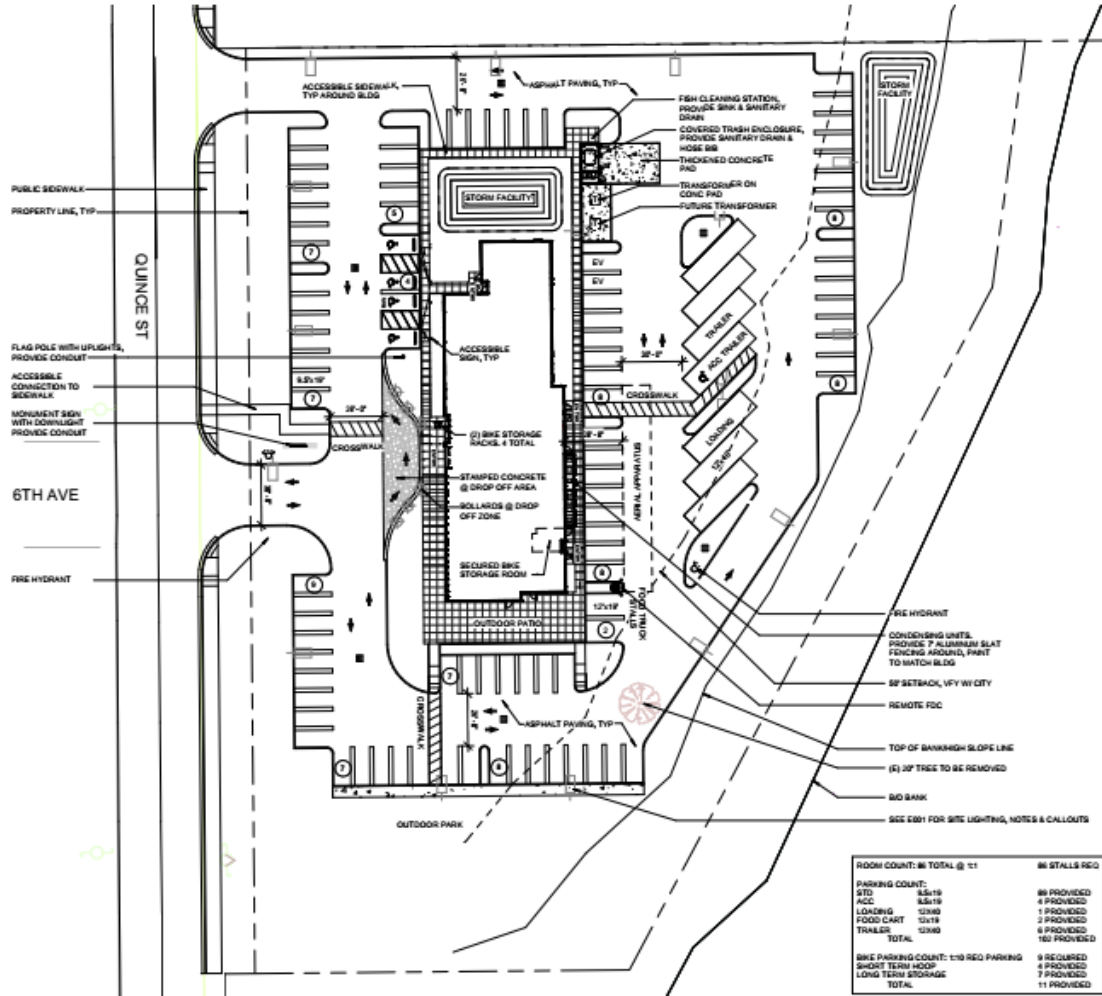
3 VIEW FROM SE CORNER



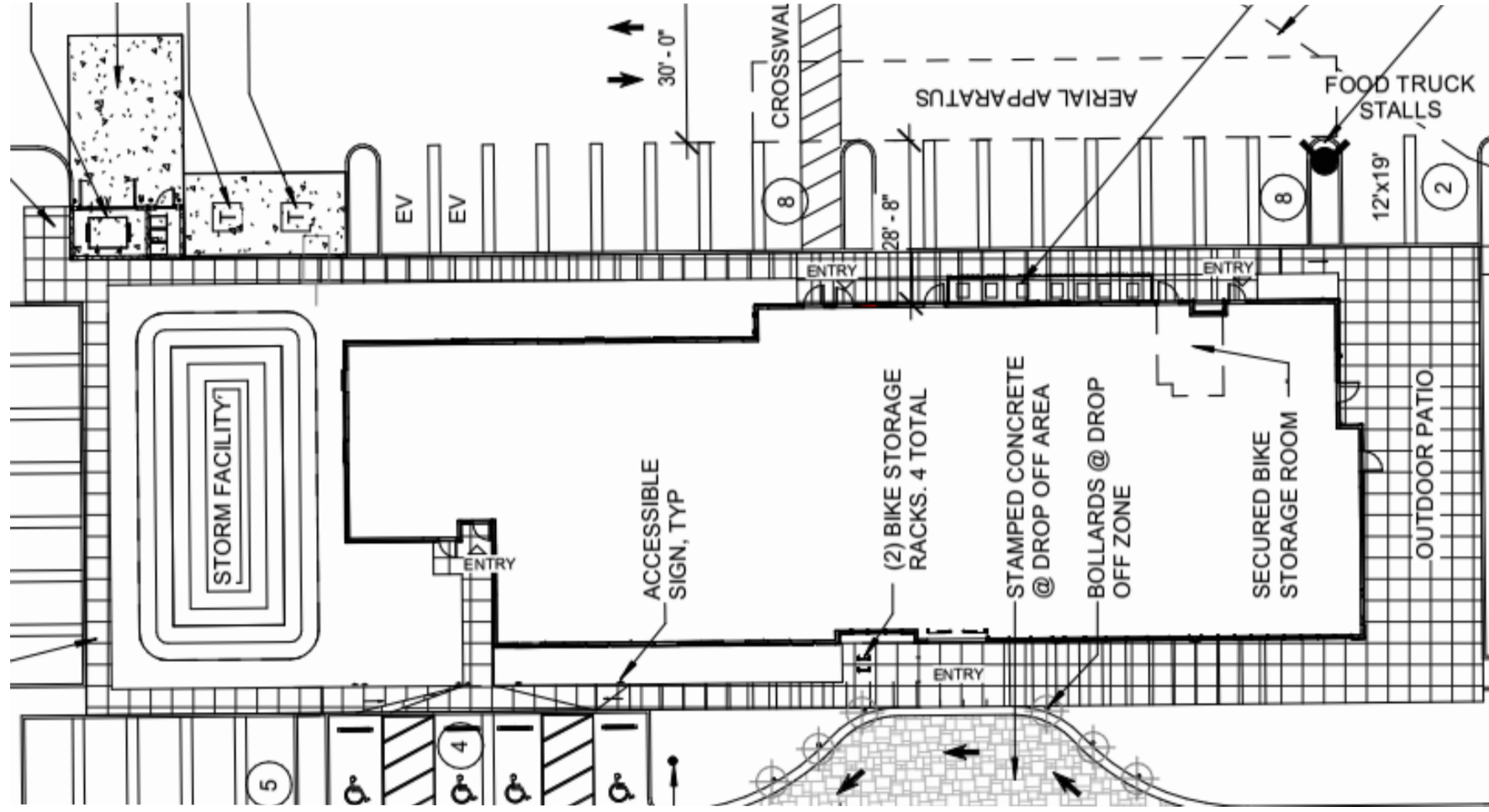
2 VIEW FROM NW CORNER

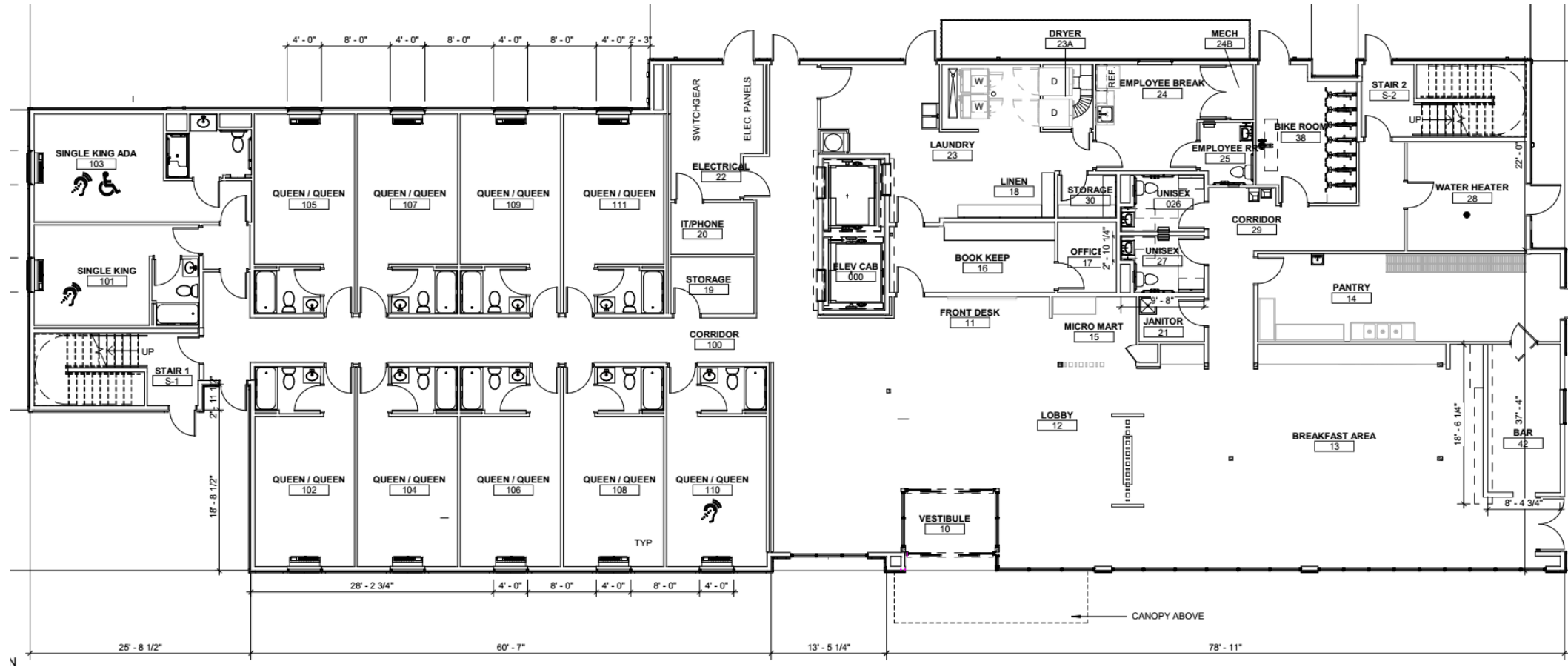


4 VIEW FROM NE CORNER



ROOM COUNT: 86 TOTAL @ '11		86 STALLS REQ
PARKING COUNT:		
STD	8.5x19	86 PROVIDED
ACC	8.5x19	4 PROVIDED
LOADING	12x30	1 PROVIDED
FOOD CART	15x19	2 PROVIDED
TRAILER	12x30	6 PROVIDED
TOTAL		101 PROVIDED
BIKE PARKING COUNT: 110 REQ PARKING		
SHORT TERM HOOP		4 PROVIDED
LONG TERM STORAGE		7 PROVIDED
TOTAL		11 PROVIDED







February 23, 2022

Florence Urban Renewal Agency Meeting

Agenda Item #2

Public Comments

Speaker's Cards & Written Comments Received

Speaker's Cards - *None*

Written Comments - *In order of receipt*

- **Comment 1**– Ron Moore

February 20, 2022

Members of the FURA Board, Florence City Council, Florence City Manager, and Florence city officials:

Correctly solving complex issues can be complicated. The “Quince Street Project” is a complex issue. As a Florence citizen, and local business owner, I welcome changes that create a better Florence. As a hotelier, I also provide a reasonably qualified perspective in evaluating the possibility of making a hotel an integral part of the Quince Street Project. For clarity, I want to stress our support for a project which promotes Florence as a destination and hope the city will choose an option that minimizes negative impact, or preferably creates a positive impact on existing hotel businesses. In the hopes of finding the right development path, the city should ask key questions and evaluate the completeness of the answers obtained. In consideration of your time, I provide detailed endnotes allow highlighting my main concerns while still providing enough details for those wanting further insights before making an informed decision.

- What possible options has the city explored for the Quince Street Project?
- Why is Florence’s desire for a hotel, motel, or resort part of a viable option?
- How will a proposed development impact Florence’s local economy now and in the future?
- What sacrifices must the city make in order for the right development to take place?

What possible development options exist for the Quince Street Project?

Development options are virtually endless. Some more useful options include expanded parking and meeting halls for the Florence Events Center, a vacation resort, a hotel/motel, residential housing, restaurants, shopping, education facility, amusement attraction, a vacation RV park, or any mix of the above. What are the criteria of acceptable possibilities?ⁱ A chosen option should solve at least one major issue facing Florence, and any chosen project will likely have unintended consequences.ⁱⁱ My hope is that the city has, or will, spend sufficient time evaluating more than one possible solution.

Why is a hotel, motel, or resort a viable option?

As CEO of Hoagland Properties, Inc. (HPI) which has two successful Florence motels, the possibility of a hotel, motel, or resort is an option the city should consider. In fact, we have approached the city multiple times in the past three years about this possibility.ⁱⁱⁱ The right hotel project makes sense and at the same time caveats exist.^{iv} I have tried to understand the multi-faceted impact a hotel would have on the area, and determine what, as a hotelier, I believe the best possible hotel solution would include.

Unfortunately, the “Field of Dreams” hope “if you build it, they will come” is common among those who insist new hotel construction is necessary to promote additional convention and event business.^v How valid is this assumption? What are the positive and negative impacts, and what is the right mixture of convention and event business for Florence’s current and future vision?^{vi} Without providing additional meeting room and floor space that convention business and facility experts say is required, why does there persist a belief that any hotel will automatically increase our convention business revenues, and therefore be good for Florence?

How will the chosen project impact Florence’s local economy now and in the future?

The city should consider relevant transient lodging history^{vii}, current data^{viii}, and likely future travel patterns in determining the best development opportunity. Analysis representing centuries worth of industry experience trying to match a viable hotel, motel, resort with Quince Street's prime location, and Florence's previous vision, has been difficult to construct in recent or current marketplaces. What information does the city have that hasn't yet been properly considered by the "so-called experts", or what may experts understand that the city has yet to evaluate?

Some Key Questions Demanding Answers

Every successful doctor has their first patient, every successful coach has their first team, every worker has their first job. This required someone to exercise the faith necessary to contribute to someone's future success. Braun Hospitality, a newcomer to the hospitality industry, was chosen over others with expressed interest. A reasonable explanation regarding the criteria city officials used for their selection process ought to be a matter of public record. Determining the right questions to ask a newcomer may require reaching out to a variety of others in the field to obtain important insights.^{ix}

Realistic Market Capacity Considerations

What can be expected with a new hotel development?^x The correct project could result in a small increase in overall tourism revenues. The wrong project might decrease overall hotel revenues by more than what would likely be gained with the correct project.^{xi}

What is the city willing to further sacrifice in order for development?

Ideally, no concessions to new developers and businesses that are not also given to existing businesses would be necessary.^{xii} A viable project should be so without having to create an unlevel playing field for existing businesses.

Considering the four questions originally posed, and the additional questions which followed, it should be apparent that the Quince Street Project is a complex issue, and the right solution is complicated by having to choose among multiple development possibilities, finding the right project among those possibilities, understanding the impact on local economic conditions in the near- and long-term, and determining what price is willing to be paid to accommodate a developer. It may involve having to go back to the drawing board and rethinking previous visions for development. Because of this complexity, the city must anticipate possible positive and negative consequences of their actions. I urge you to strive for competency and accuracy in understanding available data and evaluating it properly. Details matter, and striving for accuracy in both thought process and analysis, aided by experience are necessary. An understanding that doing right may sometimes require you to give up a belief that you are right, may help FURA, Council, and staff members pursue the appropriate course of action.

Sincerely,

Ron Moore
Hoagland Properties, Inc.
CEO & President

ⁱ For instance, residential housing, and multiple business uses are likely to bring in more property tax revenue than a single project like a hotel, but a hotel will also bring in additional transient lodging tax revenue (TLT). A hotel will likely bring in more tourists, which will strain the existing local supporting tourism infrastructure such as

restaurants during the busy tourist season, while residential housing will likely provide greater support to such businesses on a year-round basis.

ⁱⁱ Some of the major issues currently facing Florence businesses are a lack of people to fill current entry level, lower income job positions, typical of operating a hotel, a lack of affordable housing, heavy reliance on seasonal businesses which have seasonal employment needs, and a demographic with an above average median age. Unintended consequences might include shuttering of some existing local businesses to favor a new business, especially if the new business is also given a competitive advantage by the city in terms of tax structures, paying for infrastructure costs, forgoing fees, etc. that they would not provide to existing businesses.

ⁱⁱⁱ Conversations started with City Manager, Erin Reynolds, in 2019. Hoagland Properties, Inc. missed the public notice for RFEI in 2020, much to my chagrin. Although a personal invitation by the city or its consultant concerning the RFEI wasn't obligatory, it would have been a nice gesture given our previous expressed interest. It is our understanding other local hotel owners and local real estate agencies were not notified by the city or its consultant during the 2020 RFEI process either. Hoagland Properties, Inc. submitted an expression of interest in 2021.

^{iv} Some of the reasons we have looked at the property for future hotel development are: the location offering proximity to the convention center, and Siuslaw river views, the possibility of creating housing for employees, future possibilities for residential housing, a restaurant pad, business locations, as well as mixed use possibilities. What we consider potential caveats are: an inability to find sufficient employees, a negative impact on local business by developing before the needs actually exist, industry key performance indicators aren't yet sufficient to move forward without taking unnecessary risks, changing traffic patterns to safely provide for increased traffic flow, and not knowing whether the land will accommodate a project without requiring unexpected engineering costs (quick analysis has indicated there may be some areas which of potential concern).

^v While this is a nice concept, it is misquoted from the line, "if you build it, he will come".

^{vi} On multiple occasions, I have asked experts familiar with convention business and convention centers in the state of Oregon what prevents Florence and its Event Center from bringing in additional convention center business? The answers have been pretty uniform: Having an event center is a positive for the city. The current events center does not provide enough floor or meeting room space to entice larger conventions. Currently, a lack of convention business activity during the non-summer months is more a function of meeting room and floor space, not available hotel rooms. Unless a hotel development as part of the Quince Street project included additional meeting rooms that could be used for Event Center overflow, a hotel/motel would be more of a convenience and not a necessity. Other considerations were that additional rooms in Florence would probably be occupied during the busy summer season with or without summertime events at the Florence Events Center. On another note, our support of off-season events has shown that despite providing large blocks of rooms for artists to support events like the Winter Music Festival, Seacoast Entertainment (now defunct), and other events either complimentary, or at huge discounts, seldom leads to our properties being completely sold out. For local hoteliers, these should be ideal activities as they are late night events which encourage staying in Florence for non-locals, they best utilize the existing space by having a theater specific event, and they receive local sponsorship from many of the local hotels. There are no better events that could lead to hotels being sold-out during the winter and shoulder seasons, and yet this does not happen often. For reference, to promote the latest Winter Music Festival, FACE received enough donations of complimentary rooms from local hotels to provide accommodations for all its invited artists, and even with all the artists accommodated, most hotels had empty rooms during the event.

^{vii} Historically, previous considerations by Wyndham Resorts and Shilo Inn and Suites never materialized into existing hotels. Land supposedly targeted for hotel development near Florence Golf Links, and Three Rivers Casino remains vacant. Our own conversations with LaQuinta by Wyndham, and the recent exclusive negotiating agreement (ENA) with Sychan B Corp indicate that those familiar with owning and operating hotels, while understanding the allure of Florence have been unable to match a viable concept that met the city's supposed vision and was well-suited for the premium location of Quince Street.

^{viii} Driven by data, there are several other things to consider. According to the Market Demand and Economic Feasibility Analysis provided to Sychan B Corp by CBRE, the value of their project would be worth about 27% less than construction costs on the day of completion. CBRE calculated an annual rate of return of approximately 8.1% over a 10-year period, creating a 12-year pay back cycle. This is sub-standard for hotel construction as payoffs of less about 8-10 years are the norm, while some projects can generate that in under 6 years. An evaluation of the CBRE data shows their expectations for key performance indicators like occupancy (OCC), average daily rate (ADR), and revenue per available room (RevPAR) made assumptions that overstated what I have noticed evaluating our own data for the past 10 years in the Florence hotel market. CBRE's data likely overstated occupancy and revenue projections between 10-15%. Their estimation of net operating income also was far greater than what we have been able to experience. Several reasons may account for this including hotels selected for Florence's competitive set market. The Best Western – Pier Point was the only Florence hotel selected by CBRE in their competitive set for a new hotel construction. Unfortunately, that only represents 55 of over 800 rooms available in the Florence transient lodging market. The other members included in CBRE's competitive set were 4 hotels in Newport, 1 hotel in Coos County, and 1 in Douglas County. Of these seven hotels, four were Best Western branded hotels. While both of our facilities in Florence are top-rated on Trip Advisor, and are award winning hotels, the Best Western – Pier Point tends to be among the priciest options available in Florence. The rate of ADR growth used by the CBRE report is possible, but our experience over the past 10-years shows slightly lower growth than reported in the CBRE report.

^{ix} What advanced hospitality expertise does Braun Hospitality bring to the table that allows them to successfully develop a project when many with much more industry experience have found developing a viable project in Florence difficult? How come Braun's deal with Wyndham wasn't announced until nearly two months after the city's cut-off for expressions of interest? Why did Braun feel that Microtel by Wyndham, a budget class motel, was a good fit for a prime location in Florence? Why did Wyndham feel that operating two of their budget brand hotels a short distance from each other was a good fit for the Florence hotel market, when one of their mid-class brands, LaQuinta by Wyndham decided the revenue projections fell short three years earlier, and in the interim the lodging industry has been pummeled from the impact of a global pandemic? Why did Braun choose to start development in Florence, which has less destination appeal than the other four locations they've chosen (Ashland, Bend, Hood River, and Salem)?

^x The central Oregon coast currently gets about 2.5 million visitors per year, most of that between mid-May and the end of September. Average room nights stayed in Florence is about 1.25 nights per guest, indicating that Florence is a stop-over location, not a long-stay destination by most of its visitors. Current restaurant capacity is limited and therefore over-crowded during the summertime, with many locals avoiding Bay Street restaurants during the summer. Due to COVID-19, there has been virtually no international travelers to the Oregon coast during the past 24 months and local travelers have visited the coast more frequently. As travel options expand for both local, domestic, and international travelers, there is likely to be a net negative impact on local tourism business starting in 2023. Assuming no expansion of the convention center or meeting room space, there is not likely to be a big change in convention traffic. Add to these travel assumptions, the assumption that Florence's available labor market, especially for entry level jobs is in short supply what could be predicted about the likely outcome of adding extra hotel space in the current market? For existing hoteliers, it probably means less summertime revenue, and greater competition for winter and off-season guests. One of the unknowns is how hotels operate as a new hotel business recruits the same employees currently working in Florence's challenging labor market. For the past two years, Hoagland Properties, Inc. hotels have been required to operate from a risky position. During our busiest season it has been necessary to keep 25% of our rooms offline each day, until we could determine available staffing. Our business requires cleaned hotel rooms to satisfy guest needs, and without knowing how many of our team members would be able to report to work on any given day we had to be prepared to leave some rooms unoccupied. What made it more difficult is that comparatively speaking, our pay and benefits are among the highest in our industry, especially in Florence, and yet we had to rely on last minute sales because we knew an extra employee call off would prevent us from having all rooms guest ready. You will find many of Florence's local restaurants had to shut down unexpectedly due to having an insufficient number of employees as well. While there was the constant hope that employee levels would return to pre-pandemic levels,

there has been no noticeable relief. Yet, this is not a condition which can continue to exist in Florence without causing businesses to close unexpectedly or operate below capacity.

^{xi} Most local businesses are currently paying well above the state's minimum wage requirements for entry level positions. While wages are a hot topic currently, keep in mind that for our business, and from conversations with my colleagues in the industry, wage increases, as well as, cost of goods expenses are outpacing revenues both on a gross and net basis.

^{xii} In order to understand how bad a city can get burned by making concessions, a good case study is the deal Sears made with state of Illinois and the City of Hoffman Estates, IL, to move its headquarters there from Chicago. Additionally, keep in mind the concessions Florence required local businesses to make during the recent Florence Revision Project where the loss to our businesses was more than \$250,000 plus numerous headaches dealing with angry guests whose stay in Florence became less enjoyable because of the project. The proper concessions to give away and accurately anticipating revenues put burdens of predicting the future on city managers that may not be necessary.