



STUDY SESSION MEMORANDUM

TO: Members of City Council

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DATE: January 22, 2019

SUBJECT: Study Session for January 22, 2019
Continued Discussion of Proposed University Hill Hotel Partnership

EXECUTIVE SUMMARY

This memorandum presents the progress made to-date on requests made at the Sept. 4, 2018 City Council discussion of a proposed public-private partnership intended to achieve three goals of the current Hill Reinvestment Strategy (HRS) within the University Hill General Improvement District (UHGID). The HRS was initiated as a council priority in 2014 to achieve the following, among other quality of life improvements on the Hill:

- Leverage UHGID ‘catalyst’ sites (**Attachment A**), including the UHGID-owned Pleasant Street and 14th Street surface parking lots, to attract a major attraction or anchor tenant with the potential to diversify the district customer base and bring in year-round customers;
- Address the perceived UHGID parking problem;
- Improve the attractiveness of the area to new customers and visitors by cleaning up the most run-down portions of the district.

The partnership arises out of a proposal from a local developer to assemble multiple parcels of land at University Avenue and Broadway sufficient to construct a 189-room hotel and 10,500 square feet of related commercial space. Current discussions between the parties have determined that the project will not be possible without inclusion of the Pleasant Street lot in the land assemblage and a contribution by the city toward specific project costs. The proposed city participation would be limited to public realm improvements, namely the streetscape (sidewalks, trees, lighting, bus shelters, etc.) along University, Broadway, and Pleasant and the construction of a pedestrian plaza to connect University Avenue and Pleasant Street. The cost of the public improvements is estimated at \$3 million to be repaid solely from new accommodations tax revenue generated by the proposed hotel. Accommodations tax revenues are estimated to be between \$700,000 and \$1 million per year when the hotel is fully operational, all of which would go to the general fund after the public realm improvements were repaid. Options for the period of repayment have been explored and may be further considered by council at the study session.

The scope of the proposed partnership has been reduced significantly in response to comments at the Sept. 4, 2018 council meeting. Specifically, it **no longer includes:**

- City/UHGID construction of a 200-space public garage beneath the hotel;
- Use of Certificates of Participation (COPs) or collateral from other city assets; and
- Leasing the Pleasant Street lot into the land assemblage.

The revised proposal has been reviewed and discussed by the University Hill Commercial Area Management Commission (UHCAMC) at its October, November, and December meetings; by the Hill Reinvestment Working Group (HRWG) at its quarterly meeting in December; and at a public meeting held on Jan. 7, 2019. The primary questions for council at this stage are whether and how to contribute Pleasant Street to the land assemblage and whether to reinvest new hotel accommodations tax revenues into public improvements that make the hotel project financially feasible.

The memorandum will cover the following:

- Responses to City Council requests made on Sept. 4, 2018;
- Overview of the current proposal for council direction;
- Finance Department analysis of the proposed partnership and city investments; and
- City Attorney's Office overview of the statutory ability of the city and UHGID to pursue the proposed partnership and investments.

QUESTIONS FOR COUNCIL

1. Does council wish to pursue the UHCAMC recommendation to sell the Pleasant Street surface parking lot to the developer for fair market value to support the project and to leverage the proceeds to improve district access in a more effective way?

2. Would council support using some portion of the new hotel accommodations tax revenues generated by the proposed hotel estimated between \$700,000 and \$1 million per year to allow the hotel project to move forward, limited to the streetscape along University Avenue, Broadway, and Pleasant Street, and the construction of a public plaza connecting University Avenue to Pleasant Street?
3. Does council wish to follow the HRWG recommendation to make the sale contingent upon (i) city approval of the hotel development and (ii) investment of the proceeds as an equity investment in a joint venture to construct a private, above-ground garage on 14th Street on the Hill in exchange for a lease payment to UHGID of a percentage of the garage revenues?

RESPONSES TO COUNCIL REQUESTS

The requests made at the Sept. 4, 2018 meeting were a combination of specific commitments from the development partners and additional information from staff.

Partner Commitment Responses

Council requested that the developer and hotel operator commit to several actions if the project proceeds. All of the requests have since been accommodated and communicated to council:

- The St. John/Dorrell owners fully support the proposed redevelopment of their properties;
- The developer agrees to a penalty for early sale of the project;
- The developer agrees to create a tenant relocation assistance fund to be administered by the city;
- The hotel operator agrees to create and administer a transportation demand management program, as it has in its other locations, to reduce single-occupancy access to the hotel by its visitors, guests and employees;
- The hotel operator agrees to provide student employment opportunities, as it has in its other locations.

Developer and hotel operator commitments are summarized in a letter from the Nichols Partnership dated Jan. 10, 2019 (**Attachment B**). Landowner support for the project is represented in a signed consent resolution (**Attachment C**). Sage Hospitality additionally responded to the question of why a hotel is an optimal anchor use to revitalize the University Hill district in an email to council dated Oct. 1, 2018 (**Attachment D**).

Staff Information Responses

At the meeting, City Council asked staff to provide additional information on the project, generally focused on the areas of price, people and parking.

Price

Some price-related information is no longer relevant under the current proposal, e.g. annual cash flows for repayment of Certificates of Participation (COPs) for the garage construction, and why COPs were the preferred funding mechanism. Responses to these requests were provided to City Council by email on Sept. 20, 2018. *Additional analysis on the cost of the current proposal is provided in the section below, prepared by the Finance Department.*

People

Potential impacts on existing tenants continue to shift as tenants come and go on the project site. Staff conducted extensive outreach prior to the Sept. 4, 2018 City Council meeting to ensure every tenant was aware of the proposed redevelopment of the property and to begin documenting the specific relocation needs of each business. A map of current vacancies on the Hill (**Attachment E**) illustrates opportunities that currently exist for businesses to remain on the Hill.

Since the memo was prepared for the Sept. 4, 2018 council meeting, four (4) of the 15 potentially impacted businesses have closed their Hill locations (Big Daddy's Texas BBQ, Colorado Rising, Salvaggio's Deli and Waffle Bar) and one (1) new business has opened (B's Grilled Cheese). Of the remaining businesses, two (2) declined to indicate their plans, two (2) plan to close, two (2) plan to relocate elsewhere within Boulder, one (1) has a right of first refusal to return to the project site when the hotel is complete, one (1) has relocation plans already in place to remain on the Hill, and three (3) would like to remain on the Hill but have no plans currently in place.

If the partnership proceeds and the hotel is approved for construction, city staff will resume its active efforts to assist with relocation planning. The city will additionally have the resource of the developer's relocation assistance funding to help those who wish to remain on the Hill.

Parking

A request from council for recent district parking studies prompted staff to engage a transportation consultant to update district-wide parking utilization data; to conduct survey work to obtain information on the current users of the Pleasant Street lot; and to estimate the demand for district employee parking permits if the current cap (57 permits on the Pleasant Street lot, none on 14th Street) was no longer in place. Additional traffic impact analysis will be conducted as part of the city's required development review process for a project of this size, if and when the project moves forward. Staff would continue to communicate regularly with CU to ensure that the planning and traffic impact analysis for the hotel project is conducted in coordination with their planning for the proposed CU conference center, if and when that project proceeds.

The UHGID parking study was completed in November, timed to take place under typical parking conditions, i.e. when students are present on the Hill. A memo from the consultant (**Attachment F**) describes key observations and data collected by the study.

District Parking Utilization Study Findings

Preliminary findings from the parking utilization study were provided to the University Hill Commercial Area Management Advisory Committee (UHCAMC) at their meeting on Dec. 4, 2018. These included:

- There are 301 parking spaces in total available to the public within UHGID (153 on-street and 148 off-street);
- District parking demand is highest at midday and when parking is free in the evenings (starting at 7:00 p.m.). Parking in a majority of the district is below 85% occupancy, or the point at which a customer may experience difficulty finding a parking space. Exceptions are 14th Street during University of Colorado-Boulder (CU) class time, on the CU parking lot located at 13th Street and Pennsylvania Avenue, some on-street blocks midday on weekdays, and on-street when parking is free in the evenings. The Pleasant Street lot never approaches peak occupancy (highest was 66% on a week-day);
- The users of the Pleasant Street lot are primarily employee permit holders; and
- The estimated demand for employee parking permits is between 50-85 permits.

The consultant's memo includes additional consideration for unknowns that could impact parking demand. The unknowns include the impact of the additional customers generated by the hotel on existing vacancy rates and the future of the CU lot.

In response to finding that the users of the Pleasant Street lot were primarily employee permit holders, staff inquired about the feasibility of supplying permits for UHGID employees in the proposed CU conference center garage, which is still in the planning stage but would be located immediately opposite the Hill hotel at the intersection of Broadway and University Avenue if it proceeds. CU expressed a willingness to coordinate with the city on usage of various CU and city parking assets on the Hill, including the conference center garage and right-of-way spaces on 15th and Grandview currently used by CU for permit spaces under a Memorandum of Understanding with the city.

Pleasant Street User Survey Findings

A second goal of the study was to determine what types of users would be impacted by the loss of Pleasant Street if it were leased or sold into the hotel land assemblage. The 62 respondents were mostly hourly parkers who relayed the following information:

- 54% parked to dine in or pick up food;
- Those who came to shop or eat stayed for an average of 45 minutes;
- Students who parked to go to class stayed for an average of two hours and 20 minutes;
- All used the Pleasant Street lot an average of three times a month; and
- All were residents of Boulder.

The consultant recommends that if the proposal to sell Pleasant Street moves forward, that the city conduct a survey of current employee permit holders (who mostly declined to take the survey because they needed to get to work) to inform employee permit coordination with CU.

REVISED PARTNERSHIP PROPOSAL

On Dec. 4, 2018, UHCAMC reviewed the parking study findings that Pleasant Street was not operating at peak occupancy and was mostly serving employee permit holders who could be accommodated in the proposed CU conference center garage, or on Grandview if the conference center does not proceed. The commission voted unanimously to support moving the hotel project forward by selling the Pleasant Street lot to the developer for fair market value and leveraging the proceeds to improve district access in a more effective way. UHCAMC is the advisory board to City Council on matters related to UHGID, and it is made up of representatives who own property or businesses in the district as well as at-large community members.

On Dec. 20, 2018, the HRWG invited the public to attend its quarterly meeting to preview the scaled-back partnership proposal for public feedback. The HRWG is an interdisciplinary group of Hill stakeholders, including members of City Council, CU administration, CU student government, The Hill Boulder merchants association, and commercial and residential property owners. The group meets monthly to develop mutually acceptable approaches to solving quality of life problems on the Hill. The December meeting was attended by 20 people. Discussion centered on expanding on the UHCAMC recommendation to make the sale of Pleasant Street contingent on (i) city approval of the hotel development and (ii) investing the proceeds from the sale of Pleasant Street into an equity partnership with a private developer who would construct a private, above-ground parking garage on the UHGID's 14th Street lot. The district's equity investment in a new parking facility could support its obligations to provide sufficient parking for its customers and employees, while creating a potential new revenue source for district cleanliness, safety and marketing programs.

On Jan. 7, 2019, the city hosted a public meeting to get feedback on the UHCAMC and HRWG proposals. The meeting was attended by seven members of the public and the conversation primarily focused on three considerations:

1. Appreciation of the continued need for parking problem on the Hill. Even though the parking study showed moderate utilization of parking under existing conditions, the elimination of 62 spaces on Pleasant Street and future unknowns (i.e. decreased vacancies and the future of the CU lot) necessitates a commitment to investing UHGID funds toward replacing the lost parking elsewhere. It was mentioned that a new private garage on 14th Street would have the added benefit of providing a means to introduce electric vehicle (EV) charging stations on the Hill, and that the proceeds of the sale of UHGID's Pleasant Street lot could be held until it was determined whether a joint venture on 14th

Street was feasible (although they would not want to delay pursuing a joint venture indefinitely); and

2. Desire to keep up the momentum of recent improvements on the Hill. The Hill Event Street brought fresh life to the district with new lighting, landscaping and wider sidewalks. The hotel would continue to build on this momentum and provide a benefit to the broader community by creating a gathering place that is attractive to students, visitors and residents alike. The Elizabeth Hotel in Ft. Collins (operated by Sage) is a good example of how this can be done. The hotel redevelopment would reduce the amount of retail square footage in the district to potentially positively impact commercial vacancies.
3. Coordination with CU on conference center development is key. If the project is approved to proceed, the site plan and traffic review processes should be considered in close coordination with CU as they move forward with planning for the CU conference center and garage.

Lastly, an additional consideration raised at a prior HRWG monthly meeting is to ensure that the design of the building respects the historic nature of University Hill. If the project proceeds, the development review process will provide opportunities at both the Planning Board and City Council public meetings for members of the public to weigh in on the project design.

Table 1. Alternative Partnership Scenarios

LOI Scenario (Sept. 2016)	UHCAMC Scenario (Dec. 4, 2018)	HRWG Scenario (Dec. 20, 2018)
UHGID leases Pleasant Street to development partner.	UHGID sells Pleasant Street to development partner, allocates proceeds to addressing district access needs more effectively.	UHGID sells Pleasant Street to development partner, contingent on (i) approval of hotel development and (ii) use of proceeds to attract a developer to construct a private garage on UHGID's 14 th Street lot for a ground lease payment of % garage revenues.
Requires \$22M in general fund support to construct a 200-space underground garage and streetscape improvements.	Requires \$3M in general fund support to construct streetscape improvements and a public plaza.	Requires \$3M in general fund support to construct streetscape improvements and a public plaza.
General fund repaid in 30 years through 100% dedication of accommodations tax, property tax, sales tax, UHGID mill levy and parking revenues generated by the project site.	General fund repaid in 3-5 years through 100% dedication of accommodations tax revenues generated by the project site. <i>Decreasing the % would extend the repayment period.</i>	General fund repaid in 3-5 years through 100% dedication of accommodations tax revenues generated by the project site. <i>Decreasing the % would extend the repayment period.</i>

FINANCIAL CONSIDERATIONS OF THE REVISED PROPOSAL

The Finance Department has prepared the following analysis of the financial considerations of the revised proposal.

Elimination of Significant Fixed Investment in Underground Parking

The revised proposal does not include a city-owned and operated garage. To meet the hotel's operating needs, the developer will need to construct an approximately 50-space garage at their own cost, to be owned and operated by the hotel partners. The developer anticipates that these spaces would be largely available during daytime hours.

The development team indicates in their letter to council (**Attachment B**), however, that the revised development concept results in a \$6 million feasibility gap for the project's return on investment. For the project to be attractive to equity and debt investors, the project needs to meet a market capitalization threshold of 10%. In order to meet a capitalization threshold, a developer can do one of two things; increase annual cash flows or reduce the purchase (or construction) price. In this situation, the development team is proposing both.

Public Improvement Fee - \$3 million

The developer proposes increasing annual cash flows through the imposition of a Public Improvement Fee (PIF). A Public Improvement Fee is a private fee that a developer requires its tenants to charge on retail transactions. The PIF is specifically a fee and not a tax; therefore, it becomes a part of the overall cost of the sale/service and is subject to sales tax. The PIF is not collected by the city, but by a third-party administrator hired by the developer. PIFs are widely used throughout Colorado, including in projects in Lakewood, Loveland, Aurora, Ft. Collins and in Denver's Union Station, where PIF funds support historic preservation of the building.

City-Funded Public Improvements - \$3 million

The current design concept includes significant improvements in the public right of way, including streetscape improvements, the creation of pedestrian flows through the development, and large open plaza(s) conducive to gathering and perception of safety. To reduce the construction cost of the project to make it financially feasible, the development team proposes expanding its original commitment to fund the streetscape improvements on the project site (\$1.2 million) to additionally fund the construction of public plaza space and pedestrian pathways that connect University Avenue to Pleasant Street through the project site (\$1.8 million). The \$3 million in public realm improvements could be repaid over time through a portion of the incremental accommodations tax revenue generated by the new hotel.

Sale of Pleasant Street Parcel and Reinvestment of Proceeds

The revised proposal eliminates the construction of an underground parking garage and includes recommendations from UHCAMC and HRWG to allocate UHGID resources to more effectively leverage its assets to improve district access.

UHCAMC Recommendation

Based upon the results of the November 2018 parking study, UHCAMC voted unanimously to recommend that council consider selling the Pleasant Street lot rather than lease it to the developers for the project site land assemblage. Based upon a preliminary offer from the

development team and internal analysis, staff estimates the fair market value of the Pleasant Street lot to be between \$3 million and \$4.5 million. An independent appraisal would be required if council supports further exploration of this concept.

HRWG Recommendation

HRWG proposes using the city-owned land at 14th Street and proceeds from the sale of the Pleasant Street lot to attract a Joint Venture Partner (JVP) to construct and operate a new, private parking garage on the 14th Street lot. The proceeds from the sale of the Pleasant Street lot could subsidize the construction cost, while the long-term sustainability of the district could be enhanced through a ground lease based on a percentage of parking revenue. The HRWG proposal eliminates the need for the UHGID or the city to finance the construction of a parking garage and shifts the burden of development financing to an external partner. Prior to proceeding with this concept, a feasibility study would be necessary, including a parking demand analysis and an estimate of the net operating income (NOI) of the garage.

Long-Term Financial Sustainability of UHGID

The loss of parking revenues from the two surface lots would significantly reduce UHGID annual income. In 2017, the Pleasant Street and 14th Street lots generated a combined revenue of \$176,000. This loss in income would have to be offset by a combination of new revenues and reduced costs under the new scenario. New revenues and cost savings could include:

- Increased UHGID mill levy revenues generated by the redeveloped hotel site;
- Reduced operating and maintenance costs from elimination of the two surface lots;
- Ground lease revenue from the 14th Street joint venture (if feasible); and
- Share of parking revenue from the 14th Street parking joint venture.

As part of its 2019 work plan, the city will be exploring ways to enhance UHGID fund sustainability; looking at parking revenues, district operations and maintenance and the cost of priority safety and infrastructure improvements. If the proposed partnership proceeds, the exploration could additionally look at the potential impact of enhanced mill levy revenues from the hotel development and potential revenues from a joint venture on 14th Street.

STATUTORY AUTHORITY TO ENTER INTO THE PROPOSED PARTNERSHIP

Below is a review of the statutory authority of UHGID and responses to several specific questions and comments staff has received about the scope of the authority of UHGID within the context of the current partnership proposal.

Background

The University Hill General Improvement District (UHGD) is a general improvement district created by the city in 1970 under authority that exists in the city charter. UHGID is a quasi-municipal corporation, separate and apart from the City of Boulder, and is a government of limited powers. In other words, UHGID only has the power that was granted to it by the council. UHGID's powers derive from two places: 1) its originating legislation, described below, which includes powers related to UHGID's mission; and 2) the powers described in Chapter 8-4,

“General Improvement Districts,” B.R.C. 1981, which are the general corporate powers for the city’s general improvement districts.

Originating Legislation

The powers of UHGID are described in its originating legislation. UHGID was created in 1970 by Ordinance 3638, and its boundaries increased in 1978 by Ordinance 4299. Its powers were then modified by Ordinance 4958 in 1985. UHGID’s powers are described in Section 4 of Ordinance 4958 as follows:

A general description of the improvements to be constructed and installed within the district or outside the district for the special benefit of the district is a *general program of providing parking, pedestrian, bicycle, mass transit, aesthetic and related improvements for the district area*, which may include, but shall not be limited to:

- (a) parking and off-street parking facilities;
- (b) acquisition or lease of necessary land or interests therein, and improvements thereto in connection with said facilities both within and outside the district; and
- (c) other incidental and appurtenant facilities and improvements designed to improve parking and improve the convenience of the district area;
- (d) pedestrian and bicyclist amenities including benches, trees, landscaping, bike racks, signage, banners and trash receptacles;
- (e) improvements to increase the attractiveness and convenience of the district;
- (f) incentive programs to encourage use of means of transportation to and from the district other than the under-occupied private automobile; and
- (g) maintenance of any of the above described types of facilities and improvements located in the public right of way within the district.

Authority for General Improvement Districts

In addition to the originating legislation creating UHGID, its powers are also described in Section 8-4-11, “Powers of District,” B.R.C. 1981. This section of the code describes general corporate authority and addresses a number of issues including perpetual corporate existence, the ability to sue or be sued, to borrow and repay debt, construct improvements, manage district assets and services, to acquire and dispose of property, improve public streets and property, repair, operate and maintain improvements, create and charge rates for services, adopt and enforce rules, to name a few.

Staff Responses to Questions Related to the Revised Proposal

Specific questions and comments received by staff are as follows, with staff responses below.

There is a desire to spend some city money on streetscaping and a public plaza in conjunction with the hotel, and there is a need for better street lighting in the Hill commercial district.

Question 1: If UHGID's surface parking lot on Pleasant Street were to be sold to the hotel developer, are there legal restrictions on what the sale proceeds may be used for? Could the proceeds of the sale of the Pleasant Street parking lot be used for these public improvements within UHGID, or is there a legal requirement that the parking lot sale proceeds be used only for further parking-related investments? Do certain funds have to stay on either side of a City of Boulder General Fund/UHGID line?

Response: Any funds collected by UHGID from a sale of the parking lot must stay within UHGID. However, UHGID could use the funds for anything that furthers the powers and responsibilities granted to it in Ordinance 4958, Section 4 – that is, anything from transportation to aesthetic improvements. Ordinance 4948 specifically allows for maintenance of facilities and improvements located in the public right of way within the district that are consistent with purpose of the district, including improvements to increase the attractiveness and convenience of the district.

General fund money (appropriated from the city budget as opposed to the UHGID budget) can be spent without the limitations placed on UHGID. Once funds are transferred to UHGID, then such funds need to further an objective of the district.

In addition to the proposed sale of the Pleasant Street surface parking lot, UHGID owns a surface parking lot on 14th Street. The HRWG has recommended that the city attempt to lease this lot to a private third party so that party may build a private parking garage on the site.

Question 2: Are there any legal restrictions on UHGID's ability to sell or lease a revenue-generating asset?

Response: UHGID is authorized to do what it considers best for the area, which includes selling and leasing assets. Under the general corporate powers of UHGID, it has the power to “acquire and dispose of real and personal property and any interest therein.” Subsection 8-4-11(e), B.R.C. 1981. UHGID is subject to the city's purchasing procedures if it decides to sell any of its property. Other than the city's standard purchasing procedures, there are no limitations related to the sale of revenue generating assets.

Question 3: Would a ground lease on the 14th Street lot be subject to the 20-year/30-year city charter lease term restriction?

Response: Such a ground lease would not be subject to the 20-year/30-year lease term restriction in the city charter. UHGID owns the parking lot, not the city. The authority to create general improvement districts comes from the city charter. General improvement districts are given their power and authority by the Boulder City Council

and have all powers that are granted to them. There are no limitations or restrictions on leasing arrangements. UHGID's authority to "acquire and dispose of real and personal property" places no limitations or restrictions on leasing arrangements. Subsection 8-4-11(e), B.R.C. 1981.

If the Nichols/Sage hotel project is approved (through the standard concept and site review process), it is anticipated that the hotel may ultimately generate as much as \$1 million in incremental accommodations tax once it is fully operational.

Question 4: Are there any legal restrictions on what the accommodation tax proceeds can be used for?

Response: No. The accommodation tax is a city revenue source. The revenue may be used on anything in the city, as the stated purpose of the tax is to "increase the revenue base for the city to provide municipal improvements and services to the residents and visitors of the city." Section 3-3-1, B.R.C. 1981.

Question 5: Does council need to authorize UHGID to engage a private partner for a joint venture garage on the 14th Street lot?

Response: The originating ordinances for UHGID are silent on the process for approving a joint venture. There is clear authority in Chapter 8-4, B.R.C. 1981 giving UHGID's general manager the authority to "enter into contracts and agreements affecting the affairs of the district." Any contract would require the UHGID Board of Directors (the City Council) to approve an appropriation. Also, UHGID is required to follow the purchasing procedures of the city. The typical approach to important decisions affecting UHGID is to bring them to the council for its consideration and approval.

NEXT STEPS

Prior to returning to council for a final decision whether to pursue the UHCAMC recommendation to sell Pleasant Street, staff would commission an independent appraisal of the Pleasant Street parcel to establish its fair market value.

Prior to returning to council for a final decision whether to proceed with dedicating a portion of the accommodations tax increment to funding public realm improvements on the project site to make the project financially feasible, staff will provide additional modeling of the proposed financing mechanism, including varying repayment periods and revenue percentages.

Prior to returning to council for a final decision on whether to pursue the HRWG recommendation to reinvest the proceeds from the sale of Pleasant Street as an equity investment in a joint venture to offset the lost parking from Pleasant Street in a private above-ground garage on 14th Street, staff would conduct the following analyses to determine feasibility:

- Architectural test fit
- Construction cost estimate

- Parking demand analysis
- Net operating income estimate

If the sale of Pleasant Street is certain, staff will:

- Model the financial impact of the hotel development on UHGID fund sustainability;
- Survey current permit holders to inform employee permit coordination with CU;
- Begin actively assisting impacted tenants with their relocation planning; and
- Develop criteria for allocating the developer-funded tenant relocation assistance.

ATTACHMENTS

Attachment A – UHGID Parking Assets

Attachment B – NP Project Summary

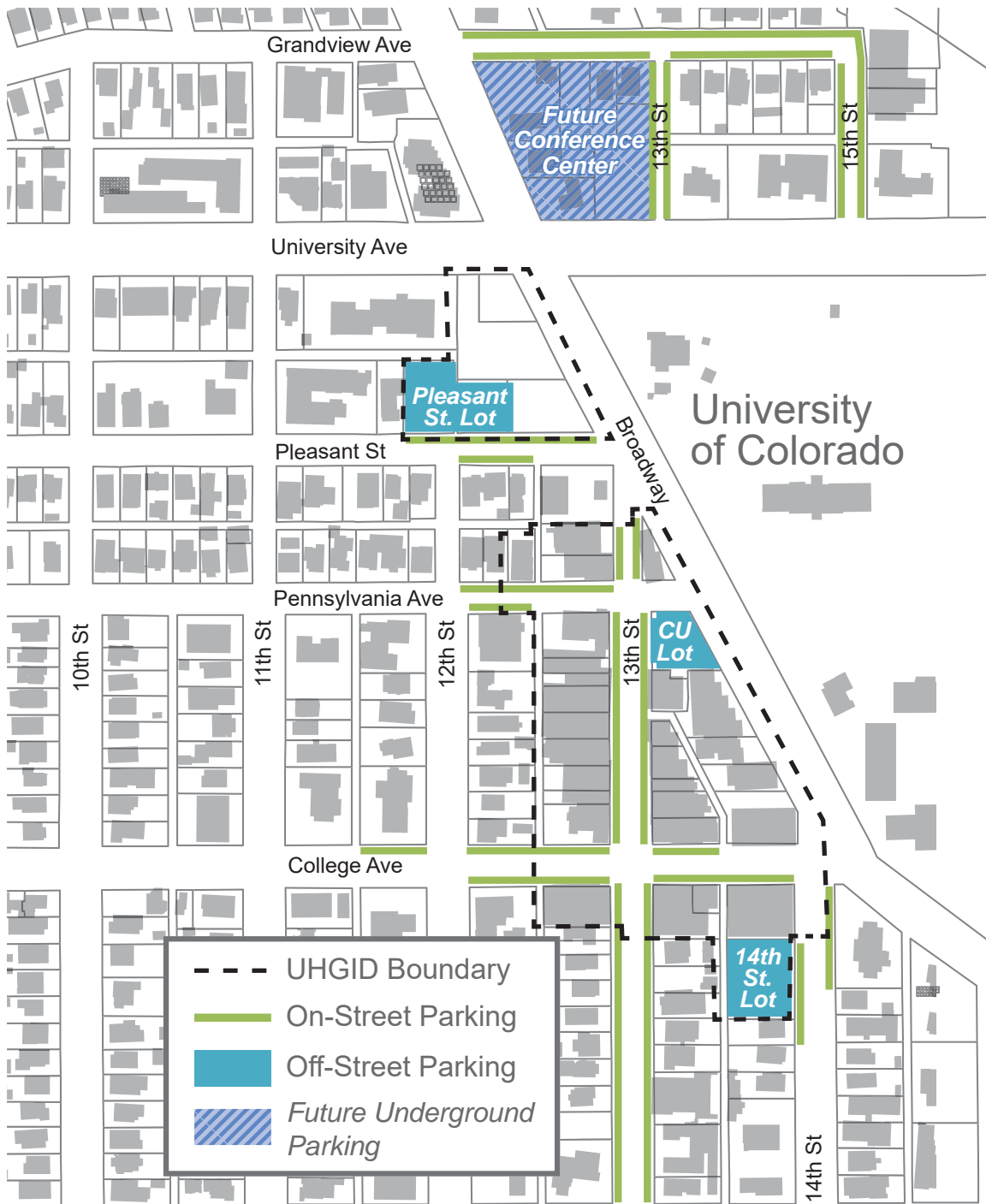
Attachment C – Consent Resolution

Attachment D – Sage Hospitality

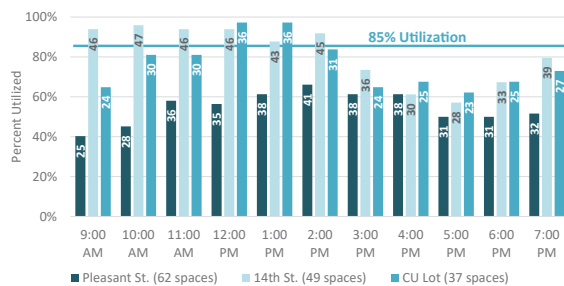
Attachment E – Relocation Opportunities

Attachment F – UHGID Parking Study

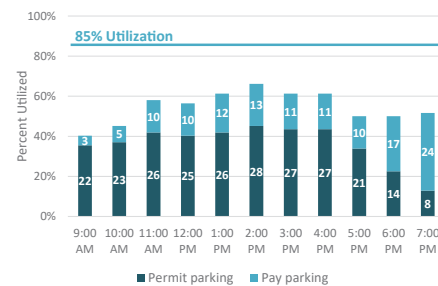
UHGID PARKING



Average Weekday Off-Street Public Parking Utilization by Lot



Average Weekday Pleasant Lot by Payment Type



NICHOLS PARTNERSHIP

1/10/2019

Hill Hotel: Modified Project Concept Proposal

Hill Hotel Partners are proposing a scenario where UHGID sells its Pleasant Street property to Hill Hotel Partners at fair market value or leases the property to Hill Hotel Partners for a period of 99 years at a lease rate of \$75,000 per year (reflecting current district revenues from the property) escalating at 3% annually or CPI upon Hotel certificate of occupancy. Hill Hotel Partners would then construct a project consisting of a 189 key select service hotel on 3 levels above grade and 10,500 sf of at-grade retail. The project would have a 50-space publicly accessible parking garage on one level below grade, which would be owned and operated by the Hill Hotel Partners. The project would feature an extensive outdoor plaza connecting University Ave. to Pleasant Street. See attached Pedestrian Circulation and Public Spaces plan.

Project Objectives

- To introduce an anchor / gateway to The Hill along public transit corridor to attract **year-round customers/visitors to support existing businesses.**
- To orient access points to **maximize connectivity** to downtown, CU & The Hill
- To **acknowledge the character, history and culture of University Hill**
- To provide naturally active retail and hotel uses
- To be ecologically and economically sustainable
- To improve a run-down commercial property to enhance district **vitality**

Project Feasibility Analysis

Costs						
Construction Hard Costs :				\$37,000,000		
Environmental Cleanup Costs :				\$1,000,000		
R.O.W and Plaza Public Improvement Costs :				\$3,000,000		
Hotel OS&E and FF&E:				\$4,200,000		
Soft Costs :				<u>\$20,800,000</u>		
Total Cost				\$66,000,000		
Revenue / Value						
Annual NOI :				\$6,000,000		
Market Cap :				10%		
Required Total Project Cost				\$60,000,000		
Feasibility Gap				\$6,000,000		

Tax Increment

Hill Hotel Partners estimate the completed project will generate \$1,700,000 more tax revenue annually to the City of Boulder than is generated by current uses on the site.

UHGID Contribution to Project Costs

Hill Hotel Partners is asking UHGID to maintain its commitment to partner in the project by contributing \$3,000,000 to fund the construction of landscape and other improvements to the public realm, including ROW improvements envisioned to be funded by the city in the approved LOI (September 2016) and the public plaza space that enhances connectivity through the site.

To address the remaining \$3,000,000 gap, Hill Hotel Partners will explore imposing a Public Improvement Fee such as that used in the Union Station redevelopment project on sales within the project boundary to be collected from the consumer at the point of sale.

The developer agrees to the following requests from City Council at the September 4, 2018 check-in:

Payment to UHGID in Event of Early Sale

If Hill Hotel Partners sell the project within 5 years of Certificate of Occupancy, they will agree to repay UHGID the \$3,000,000 UHGID spent on the public benefit improvements. The amount payable to UHGID will be reduced from \$3,000,000 in year 1 by 20% per year so the payment to UHGID in the event of a year 5 sale will be 20% of \$3,000,000 or \$600,000.

Relocation Assistance

Nichols Partnership will provide financial assistance to help with tenant relocation, up to a total of \$200,000. The fund would be administered by the city or a third party based on a set of eligibility criteria developed by the city in coordination with its efforts to support the sustainability of small, independent and affordable retailers.

TDM Program Commitment

- Employee Parking: the hotel operator commits to being in Boulder's EcoPass program and will provide the passes to all of its employees at no cost to them. Based on what they see at other hotels with similar programs, they estimate a vast majority of employees will utilize the program and only about 10 employees during a typical day shift will end up parking in the hotel garage.
- Guest Transportation to the Hotel: When guests arrive at Denver International Airport, they will be encouraged to travel to the hotel by the following means:
 - RTD SkyRide
 - Boulder SuperShuttle
 - Taxi/Uber/Lyft
- Overnight parking will be charged which helps deter some guests from arriving by car. In urban environments, approximately 20% of overnight guests park on-site. Hotel parking usage also tends to be counter to typical parking garage usage, meaning that guests usually park overnight and are out during the day when typical area users would be using the same garage.
- Guest Transportation while at the hotel: to further encourage alternate modes of transportation, the hotel operator will:
 - look to partner with Boulder B-Cycle to have a station in front of the hotel;
 - partner with a local bicycle shop to purchase bikes that can be rented by guests free of charge from the front desk;

- actively partner with Uber/Lyft and other rideshare businesses; and,
- actively partner with a local limo service to be on-call for guest transportation.

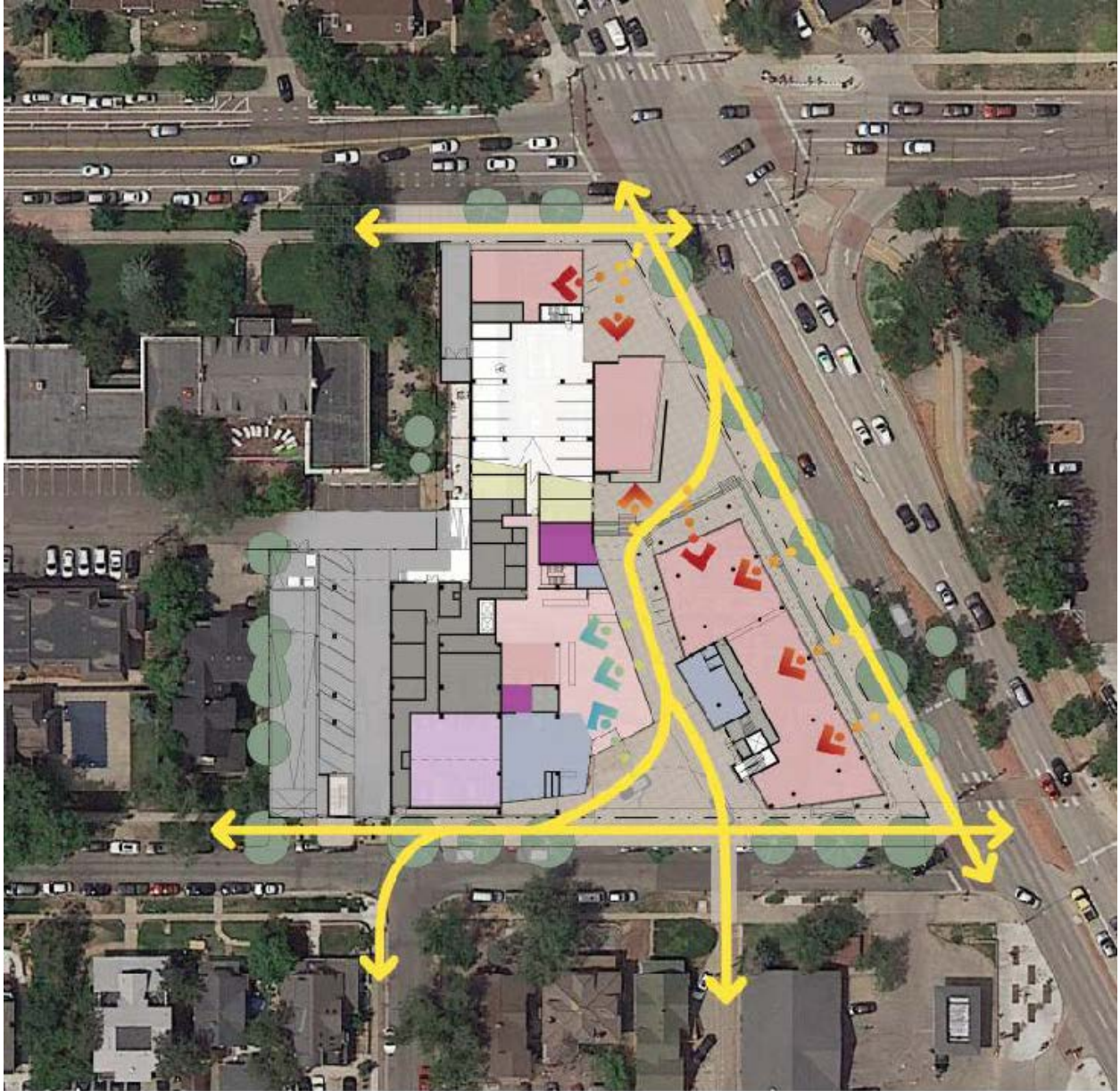
Student Engagement

The hotel operator has demonstrated its commitment to student engagement in the SpringHill Suites developed at Metro State University in Denver. The hotel partners as a learning laboratory for students and faculty and it is physically connected to the university's School of Hospitality, Events and Tourism program. The hotel employs students with work study programs, management training programs, and actively teaches students with access to the hotel over the course of the school year. The hotel General Manager and Director of Sales & Marketing are adjunct professors that teach classes at the school and countless school events are hosted within the hotel's ballroom and meeting rooms.

Although the SpringHill Suites Metro State is a purpose-built learning hotel, the hotel operator commits at the Hill Hotel to provide work study opportunities and management training programs to students. Work study would entail an actual position at the hotel ranging from sales and marketing, food and beverage, rooms department, and human resources. In a management training program, they would actively groom students to rotate between hotel departments, so they are positioned to become Sage managers upon graduation.

They will also actively encourage students and community engagement with the hotel by opening up the lobby and food & beverage spaces for public use, much like what they do at Union Station Denver and The Maven at the Dairy Block. Students and the public will have the ability to use the lobby and other public areas to work, meet, and lounge. They will work with the University of Boulder to establish preferred rates and access for visiting professors and speakers and establish a program for faculty and staff that are relocating to Boulder with extended stay options while seeking permanent housing.

Landscaped Public Realm: Pedestrian Circulation Areas and Public ROW



**WRITTEN CONSENT
OF
THE MEMBERS AND MANAGERS
OF
ST. JOHN-DORRELL, LLC**

[_____] , 2018

The undersigned, constituting not less than a majority of all of the members and managers (each, a "**Manager**," and collectively, the "**Managers**") of St. John-Dorrell, LLC (the "**Company**"), acting pursuant to that certain Operating Agreement of the Company, dated as of October 21, 2000 (as amended, the "**Operating Agreement**"), in each case in lieu of a meeting of the members and managers of the Company, which meeting is hereby expressly waived, do hereby consent to the adoption of and hereby adopt the following resolutions:

WHEREAS, the Company is the owner of certain real property located at 1313 Broadway, Boulder, Colorado (the "**Property**");

WHEREAS, the Company entered into that certain Lease for Condominium Unit of the Hill Hotel Development, by and among the Company, 1335 Broadway, LLC and The Hill Hotel Partners, LLC (the "**Tenant**"), dated as of December __, 2016 (the "**Original Lease**"), pursuant to which the Tenant has the right to develop a hotel, retail facilities and parking garage on the Property as more fully set forth in and defined in the Lease, and subject to the terms and conditions of the Original Lease (the "**Project**");

WHEREAS, the Managers wish to (a) ratify and approve the execution of the original Lease on behalf of the Company, and (b) authorize Jamieson St. John (the "**Authorized Representative**") to represent the Company in connection with the Project, subject to written consent of a majority of the Managers prior to execution of any documents related to the Project from and after the date hereof; and

WHEREAS, the Company desires to memorialize its consent to and support of its participation in the Project pursuant to the terms of the Lease;

WHEREAS, the Company now desires to negotiate the terms of a First Amendment to Lease (the "**First Amendment**," and the Original Lease as amended by the First Amendment, the "**Lease**");

WHEREAS, the Project requires certain approvals by various governmental authorities, including, without limitation, the City Council of the City of Boulder (collectively, the "**Governmental Authorities**"), and such approvals will be in the best interest of the Company, and will directly benefit the Project, the Lease and the Company;

NOW THEREFORE, BE IT RESOLVED, that the form, terms and provisions of the Original Lease as executed by the Authorized Representative is hereby authorized, adopted, ratified, confirmed and approved in all respects; and further


RESOLVED, that the Members and Managers, on behalf of the Company, hereby express their support for the continued development of the Project by the Tenant, and the approval of the Project by the relevant Governmental Authorities; and further

RESOLVED, that the Authorized Representative is authorized to negotiate the terms of the First Amendment on behalf of the Company, which First Amendment must be executed by a majority of the Managers to be effective and bind the Company; and further

RESOLVED, this Written Consent may be executed in one or more counterparts, each of which shall be an original, and all of which together shall constitute a single consent, and facsimile signatures shall be acceptable and shall be binding on the parties hereto to the same extent of original signatures.

The undersigned have executed this Written Consent as of the day and year first above written.

MANAGERS and MEMBERS:



Jamieson S. St. John, Manager and Member

James E. St. John, Manager and Member

Carter E. Dorrell, Manager and Member

Daniel Dorrell, Manager and Member

RESOLVED, that the Members and Managers, on behalf of the Company, hereby express their support for the continued development of the Project by the Tenant, and the approval of the Project by the relevant Governmental Authorities; and further

RESOLVED, that the Authorized Representative is authorized to negotiate the terms of the First Amendment on behalf of the Company, which First Amendment must be executed by a majority of the Managers to be effective and bind the Company; and further


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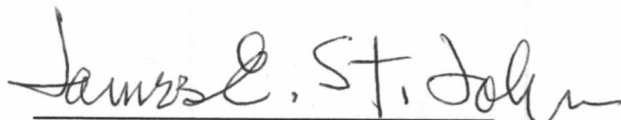
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Carter E. Dorrell, Manager and Member


Daniel Dorrell, Manager and Member

From: William Balinbin
To: [Dan Schuetz](#)
Cc: [Wiebenson, Sarah](#)
Subject: RE: Hill Hotel council meeting
Date: Monday, October 1, 2018 12:24:42 PM
Attachments: [Article 1 - 5280 Magazine June 2018 - Sage Hospitality.pdf](#)
[Article 2 - Pittsburg Inside Business June 2018 - Sage Hospitality.pdf](#)

Hi Dan and Sarah,

Following up to your request below, Sage has gathered the following facts for the Boulder City Council's review of the Hill Hotel Development Project:

Hotel Employee Count

60 total employees spread over 356 days, 7 days a week, and 24 hours a day

- 20 employees working on a typical Monday through Friday during a day shift and 15 employees on a typical Saturday/Sunday day shift
- 10 to 15 employees working on a typical evening shift
- 2 to 3 employees working on a typical overnight shift

Employee & Guest Transportation

- Employee Transportation & Parking: We will commit to participating in Boulder's EcoPass program and will provide passes to all of our employees at no cost to them. Based on what we see at other hotels with similar programs, we estimate that a vast majority of our employees will utilize the program and only about 10 employees during a typical 24-hour period may park at a garage near the hotel.
- Guest Transportation to the Hotel: When guests arrive to Denver International Airport, we will encourage guests to travel to the Hill Hotel by the following means:
 - RTD SkyRide
 - Boulder SuperShuttle
 - Taxi/Uber/Lyft
- Guest Parking: Overnight parking will be charged which should help to deter some guests from utilizing that option. We typically see in urban environments that approximately 20% of overnight guests utilize parking on-site. It is important to note that hotel parking garage usage tends to be counter to typical parking garage usage, meaning that guests usually park overnight and our out during the day when typical area users would be using the same garage.
- Guest Transportation while at the Hotel: To further encourage alternate modes of transportation, we will make it easier for our guests to get around by doing the following:
 - We will look to partner with Boulder B-Cycle to have a station in front of the hotel
 - We will partner with a local bicycle shop to purchase bikes that can be rented by guests free of charge directly from our front desk
 - We will actively partner with Uber/Lyft and other rideshare businesses. As an example, we will coordinate with the rideshare local operations center to provide them our outlook on hotel occupancy and event dates so they know to pre-position riders in the area.
 - We will actively partner with a local limo service to be on-call for guest transportation

- We may partner with car share programs like eGo or others that may be in Boulder in the future like Car2Go and Maven to position a car in a valet parking spot that can be used exclusively by hotel guests.

Student Engagement

The perfect example to Sage's commitment to student engagement is the SpringHill Suites we developed at Metro State University in Denver. The hotel is an active hotel which also partners as a learning laboratory for students and faculty. The hotel is physically connected to the university's School of Hospitality, Events and Tourism program. The hotel employs students with work study programs, management training programs, and actively teaches students with access to the hotel over the course of the school year. Our hotel General Manager and Director of Sales & Marketing are adjunct professors that teach classes at the school and countless school events are hosted within the hotel's ballroom and meeting rooms. Although the SpringHill Suites Metro State is a purpose-built learning hotel, we can commit at the Hill Hotel to provide work study opportunities and management training programs to students. Work study would entail an actual position at the hotel ranging from sales and marketing, food and beverage, rooms department, and human resources. In a management training program, we would actively groom students to rotate between hotel departments so they can be positioned to become Sage managers upon graduation and be offered positions at that hotel our 60+ hotels around the country. We will actively encourage that students and the community engage with the hotel by opening up our lobby and F&B spaces for public use, much like what Sage does at Union Station Denver and The Maven at Dairy Block. Students and the public will have the ability to use our lobby and other public areas to work, meet, and lounge. We will work with the University of Boulder to establish preferred rates and access for visiting professors and speakers and we will establish a program for faculty and staff that are moving to Boulder from other cities with extended stay options while those individuals seek out permanent housing.

Catalytic Role of Hotels

Rather than provide Sage's biased views on hotels being a catalyst to neighborhoods and cities, we've attached a June 2018 article from 5280 Magazine that profiles Sage's role in a number of hotel developments around the country including the Renaissance Hotel Pittsburgh that was developed by Sage in 2001 during the depth of Pittsburgh decline which served as a flare to lure other businesses back downtown. Developed by Sage, Denver Union Station and its Crawford Hotel spurred billions in development in the surrounding area and is the must go-to place for visitors and locals alike. Also profiled is Sage's strong ability in 'place-making' in which Sage is able to create unique spaces that reflect the character of the local community whether it is music scene in Fort Collins at The Elizabeth Hotel or the local maker-experience reflected in the art and retail experiences at Dairy Block and its Maven Hotel in Denver.

Dan and Sarah, please let me know if you need other information.

Best regards,

Will

WILLIAM BALINBIN
Principal of Development

D 303.595.7274 C 305.799.8171
www.sagehospitality.com

From: Dan Schuetz <dan@nicholspartnership.com>
Sent: Tuesday, September 18, 2018 1:13 PM
To: William Balinbin <william.balinbin@SageHospitality.com>
Cc: Wiebenson, Sarah <WiebensonS@bouldercolorado.gov>
Subject: Hill Hotel council meeting

CAUTION: This email originated from an outside sender. It has been checked by [FireEye Email Threat Protection](#). However, you should still not click links or open attachments unless you are sure the contents are safe.

Will : We are tentatively scheduled to appear in front of council on October 2nd. Do you think you or someone with Sage (that council will recognize as credible) would be available to stand up and make a few statements on these topics :

- the catalytic role that hotels have played in urban revitalization;
- opportunities for student hospitality internships (The city would like to hear we can get some students involved in the project some how)
- estimated number of employees in the hotel
- a commitment to promoting alternative modes of access to the hotel by its staff and guests.

Let Sara and I know your thoughts on this.

Thanks, Dan

Dan Schuetz

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Denver, CO 80202
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dschuetz@nicholspartnership.com
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RELOCATION OPPORTUNITIES

