



STUDY SESSION MEMORANDUM

TO: Members of City Council

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DATE: January 23, 2020

SUBJECT: Hill Hotel Project Update and Next Steps

EXECUTIVE SUMMARY

At the City Council study session on Jan. 28, 2020, staff will provide an orientation on the intent and evolution of the proposed Hill Hotel Project for the new members of council along with an update on the developer's current project concept and anticipated next steps.

Questions for Council

Staff requests council's consideration of the following questions:

- Does council have questions concerning the intent, evolution and current scope of the Hill Hotel Project including the revised role of the city with regard to the project's potential financing and next steps?
- Does council, acting in their capacity as the Board of Directors of the University Hill General Improvement District (UHGID), support the advancement of the Hill Hotel Project for Planning Board consideration requiring, if ultimately approved, the sale of the UHGID-owned Pleasant Street surface parking lot?

BACKGROUND

The University Hill Commercial Area is a roughly three-block district (one-tenth the size of downtown Boulder) that was established and developed concurrently with the University of Colorado-Boulder (CU). In its earlier period, the commercial area was a regional destination for entertainment and shopping, with attractions like the Flatirons movie theater, The Sink restaurant, Tulagi's dance hall and the Kinsley & Company and The Regiment clothing stores. The area thrived with the presence of live entertainment, dancing and many compelling destinations. Over time, however, the Hill experienced the same need as other commercial districts across the country for enhancements to reposition the area in response to competition from shopping malls and changing consumer behaviors.

In 1970, the Hill commercial property owners petitioned the city to form the University Hill General Improvement District (UHGID), involving the imposition of a new tax on commercial properties within the district boundaries to collectively fund the purchase of land for public parking and other district enhancements. The resulting approval eventually led to the purchase and management of two surface parking lots operated by UHGID on 14th Street/College Avenue and Pleasant Street/Broadway. Together, these amenities provide 110 publicly accessible off-street spaces that generate about \$150,000 a year in parking revenue, supplementing the approximately \$35,000 in annual GID property tax revenues.

The City Council serves as the board of directors for UHGID, with an advisory board of district stakeholders: the University Hill Commercial Area Management Commission (UHCAMC). UHCAMC generally meets once a month to discuss parking and access issues, as well as overall district vitality, safety and beautification. The [UHCAMC 2020 priorities](#) were forwarded to the City Council in advance of its annual retreat. By ordinance, UHGID funding is intended to support:

- (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.

Given its relatively small size, UHGID's parking and property tax revenues have been insufficient to support the same level of reinvestment achieved in Boulder's larger Crossroads Mall and Pearl Street Mall shopping districts. In the 1990s, the city funded a streetscape update that included installing the "festival marketplace" style banner poles and creative treatments for sidewalks, crosswalks and railings popular at the time. In 2014, a portion of Community, Culture and Safety Tax revenues went toward reconstructing a half-block area of UHGID known as the "[Hill Event Street](#)," which included updating it with LED (light-emitting diode) lighting, landscaping and decorative features, as well as re-grading and widening its sidewalks to meet the federal Americans with Disabilities Act (ADA) standards.

Despite these investments, and the Hill Commercial Area's typically successful Main Street district characteristics (e.g. historic architecture, creative assets, and a majority of independent and locally owned businesses) the area's vitality and commercial viability have not improved as was envisioned by the city, UHCAMC and other community stakeholders.

A [recent retail consultant report](#) found that the Hill Commercial Area has among the highest vacancy rates in the city (10% compared to 8% in downtown Boulder) and among the highest rate of occupancy costs as a percent of retail sales (18% compared to 15% in downtown Boulder). According to the consultant, the industry rule-of-thumb for a viable retail business is for occupancy costs as a percentage of sales to not exceed 10%. Revitalization of the University Hill Commercial Area was selected as a City Council priority in 2014-2016, prompting funding to create a [Hill Reinvestment Strategy](#) and the staff position of the Hill community development coordinator to facilitate strategy implementation.

As a starting point to inform the strategy, the city funded an economic study to understand why the district was not thriving despite its many positive characteristics. The [2015 consultant's report](#) identified three fundamental steps to achieve and sustain district vitality:

1. Address the perception (or reality) of insufficient parking.
2. Clean up and beautify the most run-down areas of the Hill.
3. Leverage the five under-developed parcels identified by the city as "catalyst sites" to attract an anchor use that attracts year-round customers to the district.

The third task directly addressed an over-arching challenge for the district: the Hill Commercial Area's gradual shift in tenancy from year-round residential and commercial uses toward those primarily serving a seasonal population of university students. This shift eliminated the diversity of customers that once made the Hill Commercial Area feel more welcoming and inclusive to people throughout the region. It also helped explain why millions of dollars of private student housing investment in the Hill Commercial Area from 2011-2013 did not improve the vitality of district businesses. Property owners in the Hill Commercial Area cite the impact of the adoption

of stricter liquor rules in 2014 that, in their view, have made the Hill Commercial Area less appealing than other areas of the city to restaurants that enjoy broader customer appeal. UHCAMC has discussed revisiting these rules in light of other city goals.

Some of the five catalyst sites, however, have already been, or are in the process of being repositioned with uses that attract a broader customer base to the Hill Commercial Area:

- 1111 Broadway - The re-occupancy of the former Colorado Bookstore building in 2015 as a Walgreen's reintroduced a neighborhood-serving pharmacy to the Hill district since the closure of the Jones Drugstore, in addition to providing an array of retail offerings.
- CU parking lot at Pennsylvania/Broadway– There are currently no plans to redevelop this site, although, in 2019, the university purchased an adjacent building, 1135 Broadway (formerly occupied by Meininger Art Supply). 1135 Broadway will be the future home of the [Renee Crown Wellness Institute](#), which will likely bring additional foot traffic.
- UHGID 14th Street lot – A [2018 parking utilization study](#) found that, between the two UHGID parking lots, this lot operates the closest to peak utilization (85% occupancy) of its 55 spaces; primarily by students during class hours; and by neighboring student residents when parking is free in the evenings. There are currently no redevelopment plans for this lot, although the city explored the feasibility of a public-private partnership with adjacent property owners in 2015 and 2017 to construct a multi-level public parking garage as part of a mixed-use development with office space and affordable housing. Plans were ultimately abandoned because of cost concerns and parking requirements for the housing units.
- UHGID Pleasant Street lot – This lot hosts the bulk of the UHGID employee parking permits, 30 permits across 65 spaces. The [2018 parking utilization study](#) found that the lot is primarily used by permit holders, lunchtime hourly parkers and neighboring student residents when parking is free in the evenings. Since 2015, the city has been exploring the feasibility of a public-private partnership with adjacent landholders and a development team from Denver to construct a hotel and related commercial uses across three privately held parcels and the UHGID lot. The city's role in the project has evolved: at first, the goal was to address all three keys steps to revitalization (parking, beautification of a run-down area of the Hill and bringing in an anchor use) by constructing a publicly owned and operated garage beneath all four parcels. When the cost of constructing a garage was determined to be cost-prohibitive, the city exited the project as a joint developer. The current concept is for the city to sell the land to the development team at fair market value, with no additional role in the project or financial involvement. A [2019 parking demand projection study](#) assessed the short-term and long-term district parking impacts if this lot were redeveloped as a different use.
- Grandview/Broadway – CU selected a master developer in 2019 to develop, design, construct, own and operate a conference center and 250-room hotel with related commercial uses including a 500-space garage on the east side of Broadway. In a

Memorandum of Understanding (MOU) signed by the city and CU in 2016, the university agreed to build the conference center on the Hill rather than at an alternative location to support the city's Hill Reinvestment Strategy, and the city agreed to rebate to the university a portion of the accommodations tax generated by the conference center's hotel. The city is actively coordinating with CU on an update to the MOU and exploring the possibility of shared parking agreements to accommodate UHGID Pleasant Street lot permit holders if the Hill hotel project moves forward. The university has expressed written support in a September 2018 letter from CU Strategic Relations for the catalytic potential of the Hill hotel and its ability to provide additional capacity to support visitors to the CU conference center.

Completed Council-Requested Analyses and Other Updates

At the April 24, 2019 meeting, City Council requested that staff return with two studies to confirm whether the sale of the UHGID Pleasant Street lot to facilitate a hotel and related uses would leverage its catalytic potential as intended, and to project the short-term and long-term parking impacts of eliminating the Pleasant Street lot. The results of the studies were provided to the City Council in an [August 2019 Information Packet](#).

- *Economic Impact Study* (a comparison of the economic benefits of the proposed hotel development to three alternative scenarios – office/retail, affordable housing, and the status quo – which found that the hotel development would generate both the highest one-time and ongoing fiscal benefits, as well as the greatest retail demand to support existing businesses in the Hill Commercial Area);
- *Parking Demand Projection* (estimated parking demand at mid-day and in the evening both during construction and after completion of the hotel development, which found that the greatest impacts would be on evening demand when parking is free and on UHGID employee permit holders).

There have been six updates on the hotel project to City Council since 2015, which have provided council and the community with the following:

- *Proposed project scope and intent*
- *Parcel ownership descriptions*
- *Pleasant Street lot current utilization and UHGID financial impacts of the proposed project*
- *Summary of community input and outreach (including council-directed outreach to existing tenants on the project site)*
- *Overview of project concept bulk and mass comparisons to other Boulder hotel properties*
- *Property appraisal of fair market value of the Pleasant Street lot*

- *Developer letter* (from the Hill Hotel Partners, LLP, eliminating the request for financial support for the project and confirming their commitment to requests from council such as funding \$200,000 in tenant relocation assistance to be administered by the city; providing student hospitality training opportunities; and implementing a Transportation Demand Management (TDM) program for hotel employees and guests)
- *Affordable housing feasibility analysis* (preliminary “test fit” analysis which determined purchasing the Pleasant Street lot from UHGID to develop affordable housing as an alternative use would be undesirable because of its high land value and small parcel size), and
- *Additional correspondence from one of the landowners on the project site.*

Community Engagement

Throughout the evolution of the Hill hotel project, staff and the development team have worked to provide regular community and stakeholder updates, including informing the community of possible outcomes and upcoming opportunities to provide valuable input. This outreach included opportunities for current commercial tenants on the project site to meet with staff (with interpreters as needed) to discuss the businesses’ location needs and the timing of the project if approved. There have also been public meetings with Hill neighbors, the university and students. Project updates and new information about the project are posted regularly on a dedicated [city webpage](#).

Most recently, updates and notice of the planned council study session on January 28, 2020 were mailed to the commercial tenants on the project site, and emailed to all Hill Commercial Area businesses, CU, the neighborhood association and UHCAMC. As has previously been the case, outreach to commercial tenants on the project site included an opportunity to meet with staff in advance of the study session with the aid of city-funded interpreter services if requested.

ANTICIPATED NEXT STEPS

At the April 24, 2019 City Council meeting, staff was directed via a nod-of-five members to proceed with negotiating an offer from the Hill Hotel Partners, LLP to purchase the Pleasant Street parking lot for fair market value. Preliminary negotiations are complete, and a draft Letter of Intent (LOI) is ready for forwarding to the City Council for its consideration at the appropriate time. The draft LOI maintains the commitments agreed to by the developer in past communications with city council, namely:

- Relocation assistance for commercial tenants on the project site to be administered by the city (a total contribution of \$200,000, calculated as \$10/square foot for approximately 20,000 square feet of commercial space);
- Transportation demand management program for hotel employees and guests; and
- Student employment opportunities.

The developer has also indicated that they intend to commit to an architectural style that is compatible with university design standards (given the proximity of the Hill hotel to campus and the CU conference center) and with the historic architecture of the adjacent Hill neighborhood.

It is staff's understanding that the development team will submit a concept plan in time for a March 2020 review with the Boulder Planning Board. At a public meeting, the Planning Board will review the project's proposed:

- Site plan
- Building design
- Site access

While the application is still under review by city staff, and subsequent to the Planning Board review, the City Council is authorized at its discretion to "call up" the concept review application for additional public input as part of a regular City Council meeting.

If, following its review of the concept plan application, the City Council (acting in the capacity of the UHGID Board) wishes to move forward with a sale of the UHGID Pleasant Street lot to facilitate the development of the catalyst site as a hotel and related commercial uses, staff will work with the development team to finalize the negotiation of all necessary agreements for city council consideration and a public hearing. The City Council, at its discretion, may require that closing of the land sale is subject to the project achieving Site Plan approval.