



Legislation Text

File #: 16-0309, **Version:** 1

Resolution of the City of Hampton, Virginia (“City”) (i) Approving the Transfer of a City-Owned Parcel Housing a Former Pump Station, Located at 1910 Commerce Drive, LRSN: 13003968 (“Pump Station Site”) to the Economic Development Authority of the City of Hampton (“EDA”) (ii) Approving the Terms and Conditions of a Development Agreement between the EDA, the City and Hampton Lodging Partners LLC for the Sale and Redevelopment of 1905 Coliseum Drive, LRSN: 7001266 (“Hotel Site”) and Adjacent Pump Station Site (collectively, the “Property”) for a New Hotel, (iii) Approving the Terms and Conditions of a Cooperation Agreement between the City and the EDA and (iv) Authorizing the City Manager or her Authorized Designee to Execute and Deliver the Deed to the Pump Station Site, the Development Agreement, the Cooperation Agreement and any and all Agreements, Deeds, and Other Instruments, that are in Substantial Compliance with the Aforesaid Documents with such Modifications as agreed to by the City Staff with the Concurrence of the City Attorney

PURPOSE/BACKGROUND/DISCUSSION/IMPACT:

Hampton’s current hotel stock is high in extended stay and limited service accommodations which do not necessarily meet the demands of event attendees, convention planners and regional tourists considering Hampton. The number of modern full service and select service hotels is insufficient to support the current and future needs and consequently constrains other tourism related activities in Coliseum Central and throughout the City of Hampton.

A recent study by Hunden Strategic Partners concluded that business at Hampton Roads Convention Center plateaued over the past three to five years due to limitations of the room block potential. According to the study, there are only 440 quality hotel rooms within walking distance of the Hampton Roads Convention Center and a grand total of 850 quality hotel rooms in the City. The appropriate room block for the Hampton Roads Convention Center is 1,500 rooms.

Having new hotel product will improve these metrics, allowing the City to retain more of its tourism-related hotel nights and attract new convention business to the City. In addition to having a net positive benefit to tourism-related activity in Coliseum Central, the project will support other tourism-related assets and activities throughout the entire City of Hampton.

Under Council policy, the EDA is tasked with sale and redevelopment of commercial properties in the City. The EDA staff and City staff have negotiated a Development Agreement for the sale and redevelopment of the Hotel Site and the adjacent Pump Station Site for a new select service hotel under the Hyatt Place flag (the “Project”) with Hampton Lodging Partners LLC (“Developer”).

The Development Agreement calls for a 109 room select service hotel under the Hyatt Place flag. The hotel will include a minimum of 2,000 square feet of meeting space. Deed restriction on the Property will ensure that the Property is developed in accordance with the Coliseum Central Master Plan and the Coliseum Central design guidelines.

The City will transfer the Pump Station Site to the EDA who will in turn convey same to the Developer along with the Hotel Site. The EDA will convey a fee simple interest in the Property at the full value of One Million Three Hundred Sixty-Two Thousand Eight Hundred and 00/100 Dollars (\$1,362,800.00) with a Property Conditions Credit of One Million Three Hundred Sixty-two Thousand Seven Hundred Ninety-Nine and 00/100 Dollars (\$1,362,799.00) towards the purchase price to the Developer and One and 00/100 Dollars (\$1.00) to be paid for in cash at closing.

Additionally, the EDA has negotiated related incentives under an Incentive Grant Performance which is necessary to induce private investment and complete the Project with the Developer. The EDA will provide a maximum of \$2,993,300.00 in discretionary grants pursuant to an Incentives Grant Performance Agreement as follows:

- \$2,400,000.00 Economic Development Grant paid to the Developer after (i) the issuance of a Certificate of Occupancy by the City of Hampton, and (ii) the Hotel opens for business (“EDA Lump Sum Grant”); and
- Maximum of \$593,300.00 over a 10-year period to be paid annually in equal installments of \$59,330.00. The annual payment will be based on the annual percentage of the developer’s actual revenue, in the agreed upon pro forma for the applicable year, from rooms and food and beverage subject to reduction by non-EDA grants, tax credits, and offsets.

The City’s Department of Economic Development will work with the Developer to utilize the Virginia Tourism Zone Gap Financing program as well as the Virginia Enterprise Zone grant program

The Developer will make a minimum capital investment of \$11.2 million dollars and create a minimum of 5 new full-time jobs at an annual salary of \$35,000.00 plus benefits.

A Cooperation Agreement is necessary for the City to cooperatively provide personnel, consulting services, equipment and materials necessary to fulfill the obligations and exercise certain rights under the Development Agreement and to provide sufficient funds to the EDA, subject to appropriation, to perform and administer the EDA’s obligations under the Development Agreement and the Incentives Grant Performance Agreement.

Recommendation:

Approve the Resolution.

WHEREAS, the Council of the City of Hampton (the “Council”) has set as a priority the revitalization of the hotel stock in the Coliseum Central area to attract investment, new business and to support the current and future needs of tourism-related activities in the Coliseum Central area and throughout the City;

WHEREAS, the EDA proposes to accomplish Council’s priorities through the development of a

hotel project containing 109 rooms and a minimum of 2,000 square feet of meeting space under the Hyatt Place flag on property located at Coliseum Drive & Pine Chapel Road (LRSN: 7001266) and Pump Station (LRSN: 13003968) (the "Project") together with the issuance of a performance grant incentive to Hampton Lodging Partners LLC, a Virginia limited liability company (the "Developer") equivalent to a maximum of \$2,993,300.00, \$593,300.00 of which shall be payable over a 10 year period based on capital investment by the Developer and other performance criteria;

WHEREAS, the incentive grant is necessary to assist the Developer in offsetting increased costs associated with the design and construction of a new hotel on the Hotel Site and the demolition of the pump station structure;

WHEREAS, the EDA has determined that the Project cannot be developed without inducements to private developers;

WHEREAS, negotiations between the EDA and the Developer have culminated in a "Development Agreement" and an "Incentive Grant Performance Agreement" ("Grant Agreement"), copies of which are attached to this Cooperation Agreement;

WHEREAS, the Council has determined that the Project will increase tax revenues, allow the City to retain more of its tourism-related hotel nights and attract new convention business to the City, have a net positive benefit on tourism-related activity in Coliseum Central, and support other tourism-related assets and activities throughout the entire City, and is therefore in the best interest of the citizens of the City;

WHEREAS, Council is willing to financially participate in the Project by transferring the Pump Station Site to the EDA and by entering into a cooperation agreement to meet the obligations of the EDA under the Grant Agreement, subject to appropriations; and

WHEREAS, the City Council has determined that the transactions negotiated with the Developer as set forth in the Grant Agreement are acceptable.

NOW, THEREFORE, BE IT RESOLVED, by the Council of the City of Hampton, Virginia, as follows:

1. That it approves the transfer of the city-owned parcel located at 1910 Commerce Drive, LRSN: 13003968, to the Economic Development Authority of the City of Hampton;
2. That it approves the terms of the Development Agreement and Cooperation Agreement attached hereto; and
3. That the City Manager or her Authorized Designee are authorized to execute and deliver to the EDA the Deed to the Pump Station Site, the Development Agreement, the Cooperation Agreement and any and all agreements, deeds, and other instruments, that are in substantial compliance with the aforesaid documents with such modifications as agreed to by the city staff with the concurrence of the City Attorney.