

Goodyear Hotel & Conference Center Market & Financial Feasibility Study

January 22, 2024





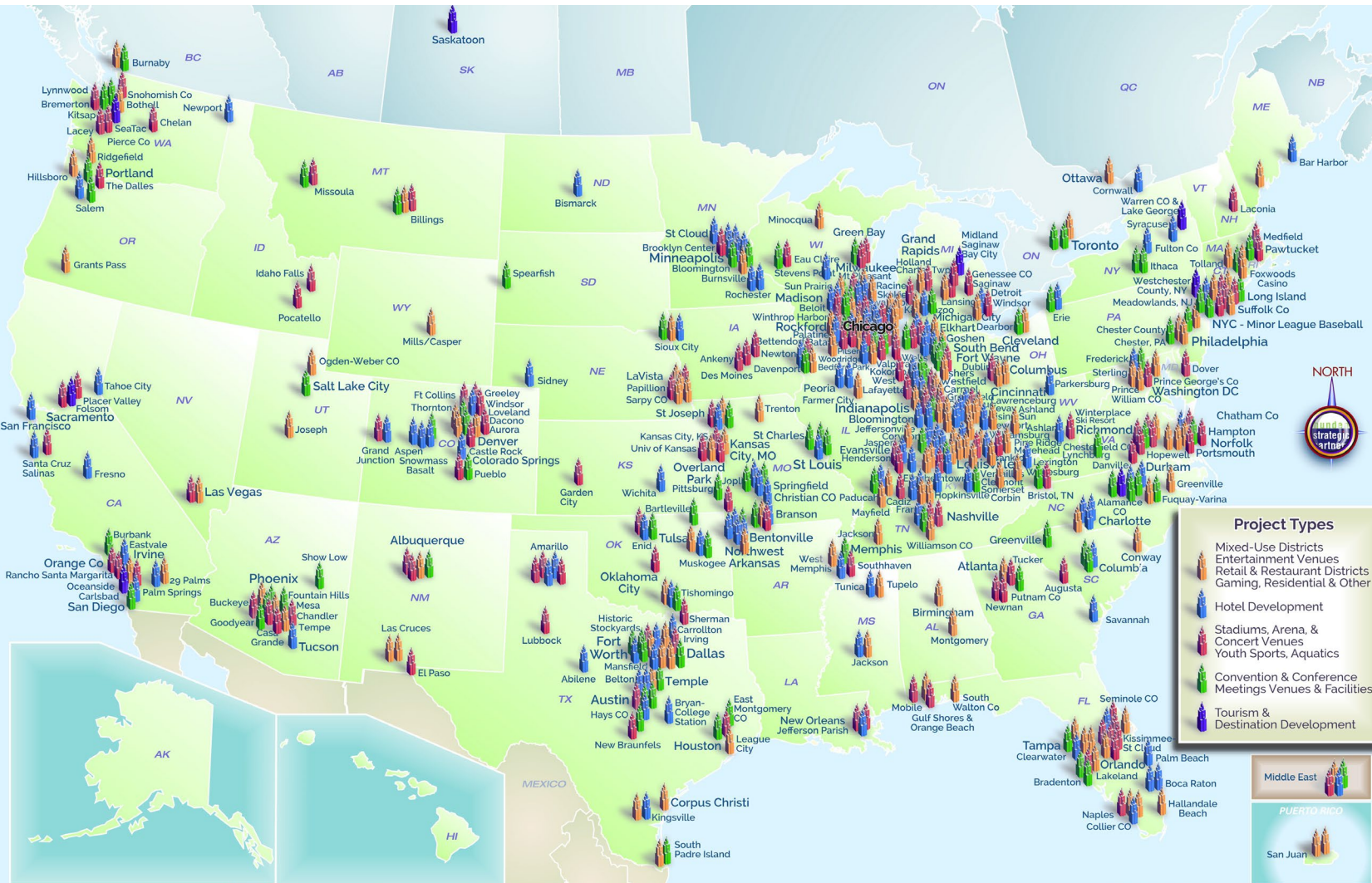
Goodyear, AZ

Hotel & Conference Center Market & Financial Feasibility Study

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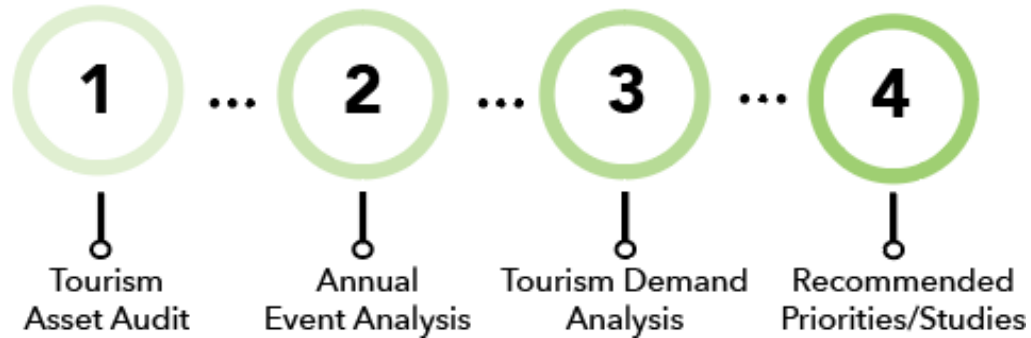
hunden partners



Market Intelligence & Strategy for:

- Convention & Conference Centers
- Stadiums, Arenas & Event Centers
- Mixed-Use Districts
- Amphitheatres & Entertainment Venues
- Tournament Sports Complexes
- Hotels & Unique Event Space
- Retail, Restaurant, Residential, Office
- Tourism & Destination Development Plans
- Fairgrounds & Expos

Destination & Tourism Assessment

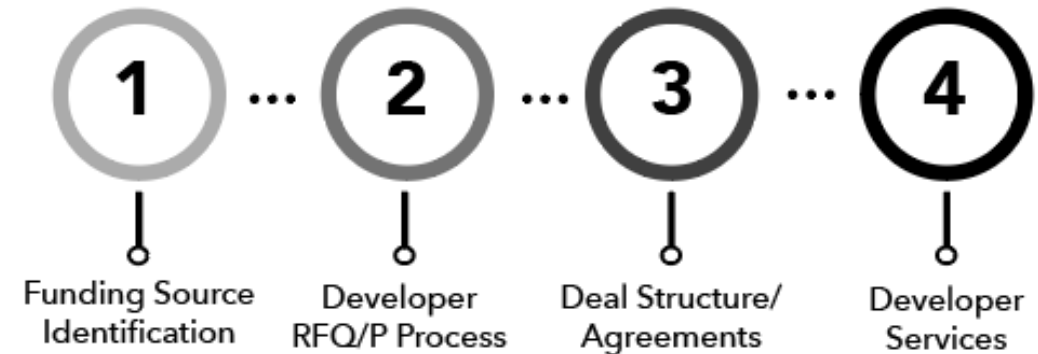


Placemaking & Real Estate Advisory

Feasibility & Impact Study



Project Advisory & Execution





Methodology

Why Now?

Globe Corp, who partnered with the city to build the city hall, library, and GEN1 office space, recently partnered with RED Development, to expand GSQ east of 150th Drive on approximately 150-acres.

The area currently has a top performing Harkins movie theatre and a high-performing BJ's Restaurant and Cheddar's.

The goal of the project is to expand on these established offerings and develop a dense walkable downtown. The developer aims to add:

- Unique entertainment concepts
- High-end and fast-casual restaurants
- Big-box retail/specialty shops
- Multifamily residential
- Additional office space
- Proposed conference center and hotel

This study aims to confirm the market demand and financial feasibility of the proposed conference hotel at the RED Development project site.



Hunden Approach





Headlines

SWOT Overview

The following SWOT analysis details the strengths, weaknesses, opportunities, and threats of the Project and Goodyear.

STRENGTHS



- Strong population growth
- Affordability for residents and businesses
- Established identity within the baseball industry at both the professional and youth levels
- Goodyear is a community with a Designation of Assured Water Supply – 100 years certified

WEAKNESSES



- Perceptions of East Valley vs. West Valley in terms of entertainment offerings
- Limited destination restaurant, retail, and entertainment in the market currently
- Arizona water supply perception

OPPORTUNITIES



- Creates a central node of activity within Goodyear
- Re-capture lost meetings demand to other areas within the metro and regionally

THREATS



- Failure to create a sense of place, causing development to lack uniqueness
- Development of the VAI Resort and New Desert Diamond Casino in West Valley
- Large number of meetings hotels in the East Valley

Headlines

Goodyear & the West Valley

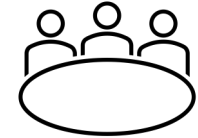
Tourism

- Currently Glendale is the entertainment hub of the west valley and has additional development plans. Goodyear is in the early stages of tourism and entertainment development with tourism revolving around baseball. With a new walkable downtown, Goodyear can extend its identity to include more than just sports.



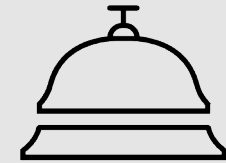
Meetings

- There are few options for meeting planners in the West Valley. The Wigwam, the Renaissance and, soon enough, the VAI will be the only options within the market.



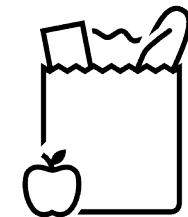
Hospitality

- Hotels have been and are continuing to be developed in the Goodyear area. These hotels have little to no meeting space included in their plans. These hotels are built to cater to the growing employment base and sports tourism, but are not designed to cater to a new segment of meetings groups.



Retail

- Goodyear lacks compelling retail opportunities. If developed correctly, the Project could bring unique dining, retail, and entertainment concepts that can make Goodyear a competitive proposition for meeting planners and event attendees.





Market Overview

Growth Corridors

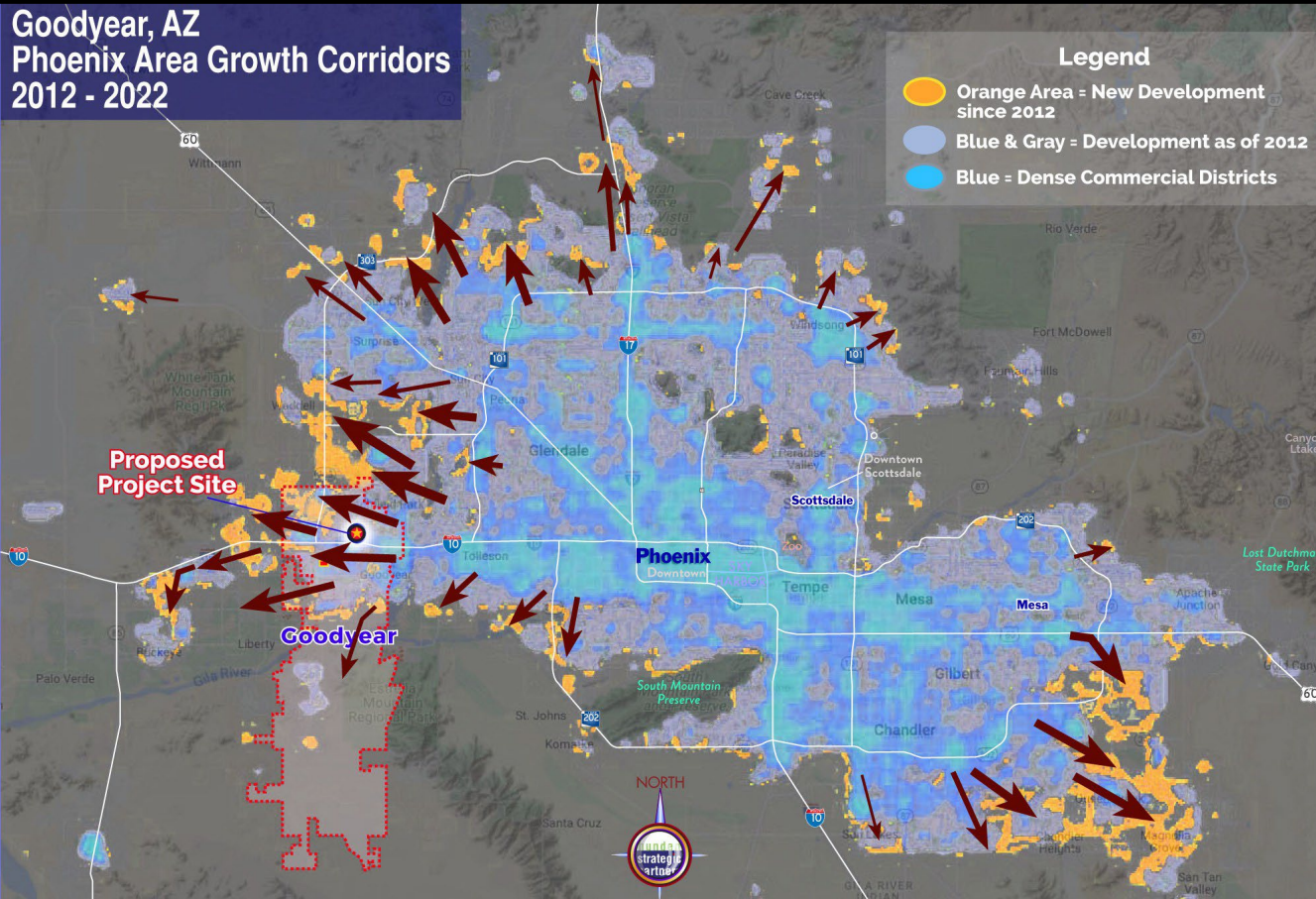
- Arizona’s population is growing at nearly twice the national average.
- The Phoenix MSA has captured a large percentage of this growth. Between 2010 and 2022, the MSA increased its population by over one million residents.
- As urban sprawl has continued, Goodyear’s population has increased by nearly 60 percent from 2010 to 2022.

The map to the right visualizes growth corridors in the Phoenix area. **Orange** areas represent land developed between 2012 and 2022. Arrows represent directional pathways of new land development, outward from the city’s core. Thicker arrows represent areas of increased growth.

- The heaviest areas experiencing new urbanization are in Goodyear and Glendale, and along the I-10.
- Other primary areas of growth are to the southeast of Phoenix in San Tan Valley, and northwest, close to the 303 Loop.

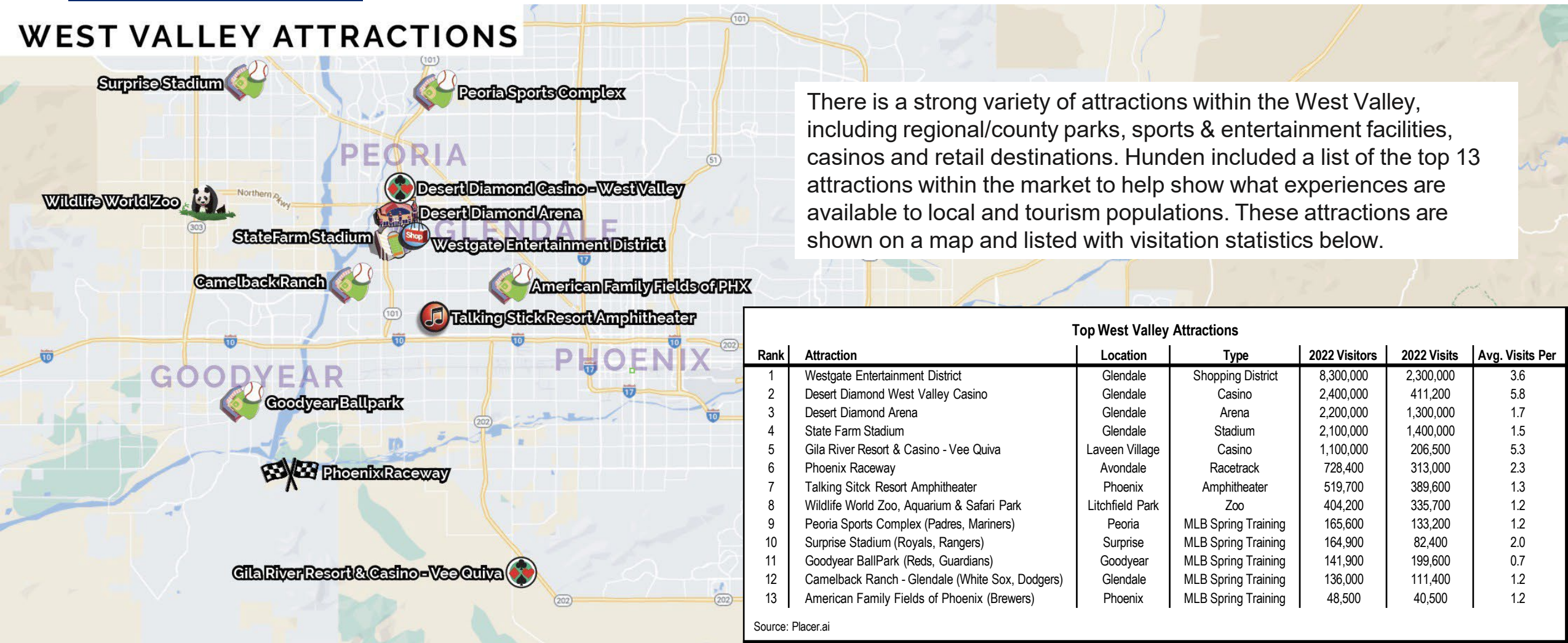
Population and Growth Rates					Percent Change 2010 - 2022
	2010	2020	2022	2027 Projected	
United States	308,745,538	331,449,281	335,707,897	339,902,796	8.7%
Arizona	6,392,017	7,151,502	7,349,266	7,592,389	15.0%
Phoenix-Mesa-Chandler, AZ MSA	4,192,887	4,845,832	5,009,506	5,215,028	19.5%
Maricopa County, AZ	3,817,117	4,420,568	4,567,502	4,741,878	19.7%
Goodyear	66,436	95,294	106,017	113,429	59.6%

Source: U.S. Census Bureau



West Valley Attractions

WEST VALLEY ATTRACTIONS



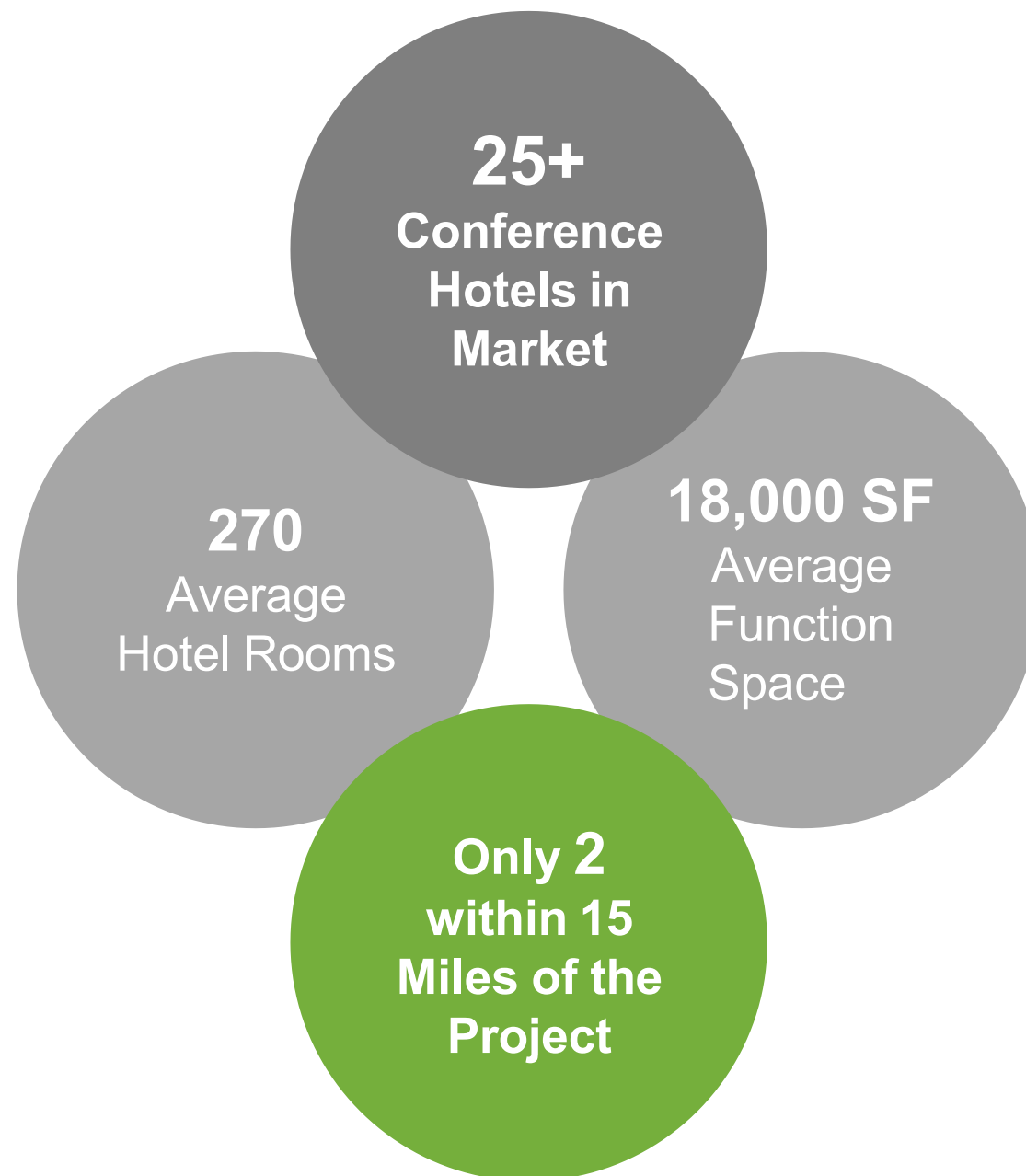


Conference & Meetings Market

Local Relevant Supply

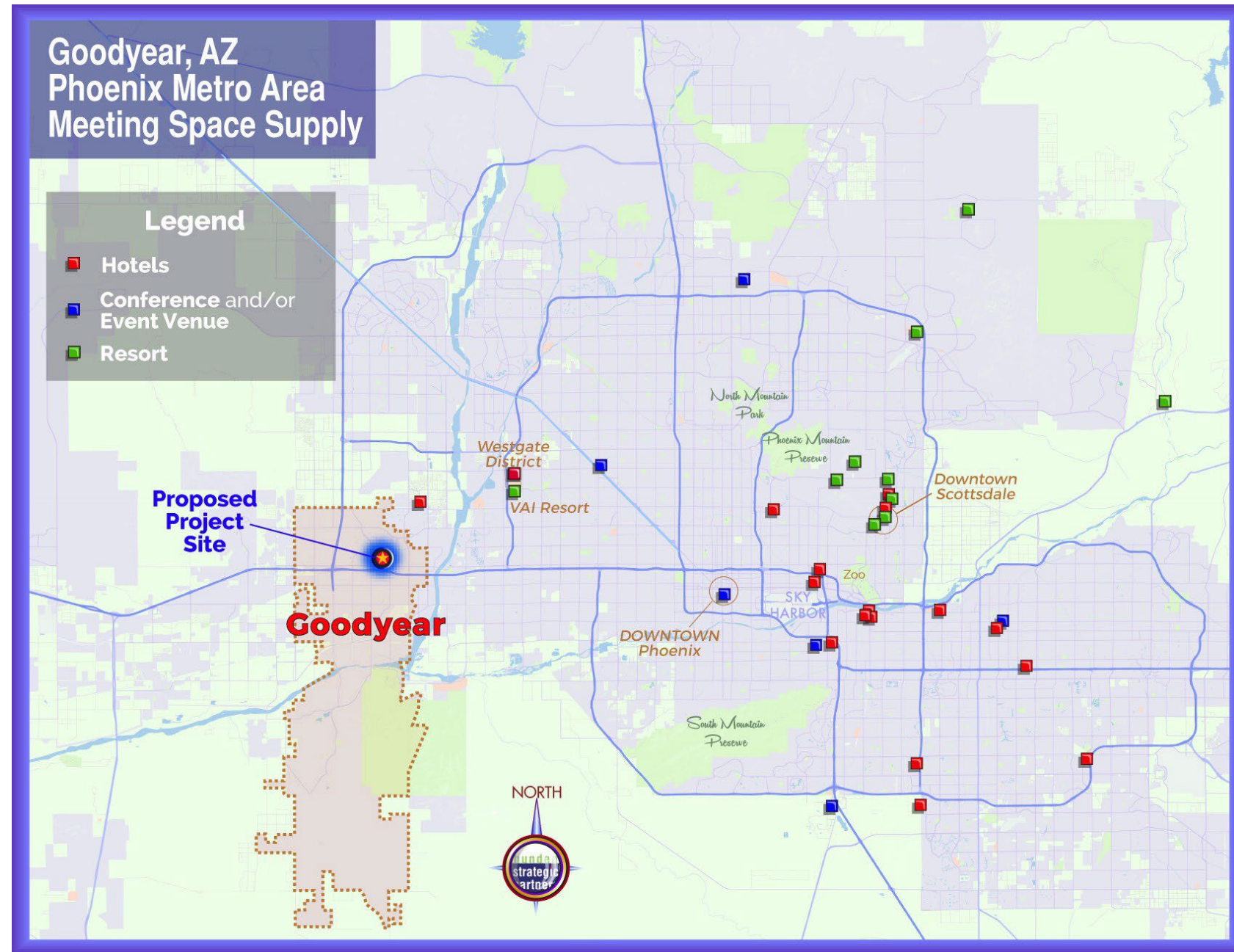
Most of the Phoenix metro consists of hotels and resorts with meeting space, though there are additional smaller conference and event centers in the market without attached or connected hotels.

- There are 25+ conference hotels with 10,000-35,000 SF space currently in the market.
- Only two of these properties are located within 15 miles of the Project site.
- There are only a few properties in this range that offer over 10,000 SF of contiguous ballroom space.



Supply Map

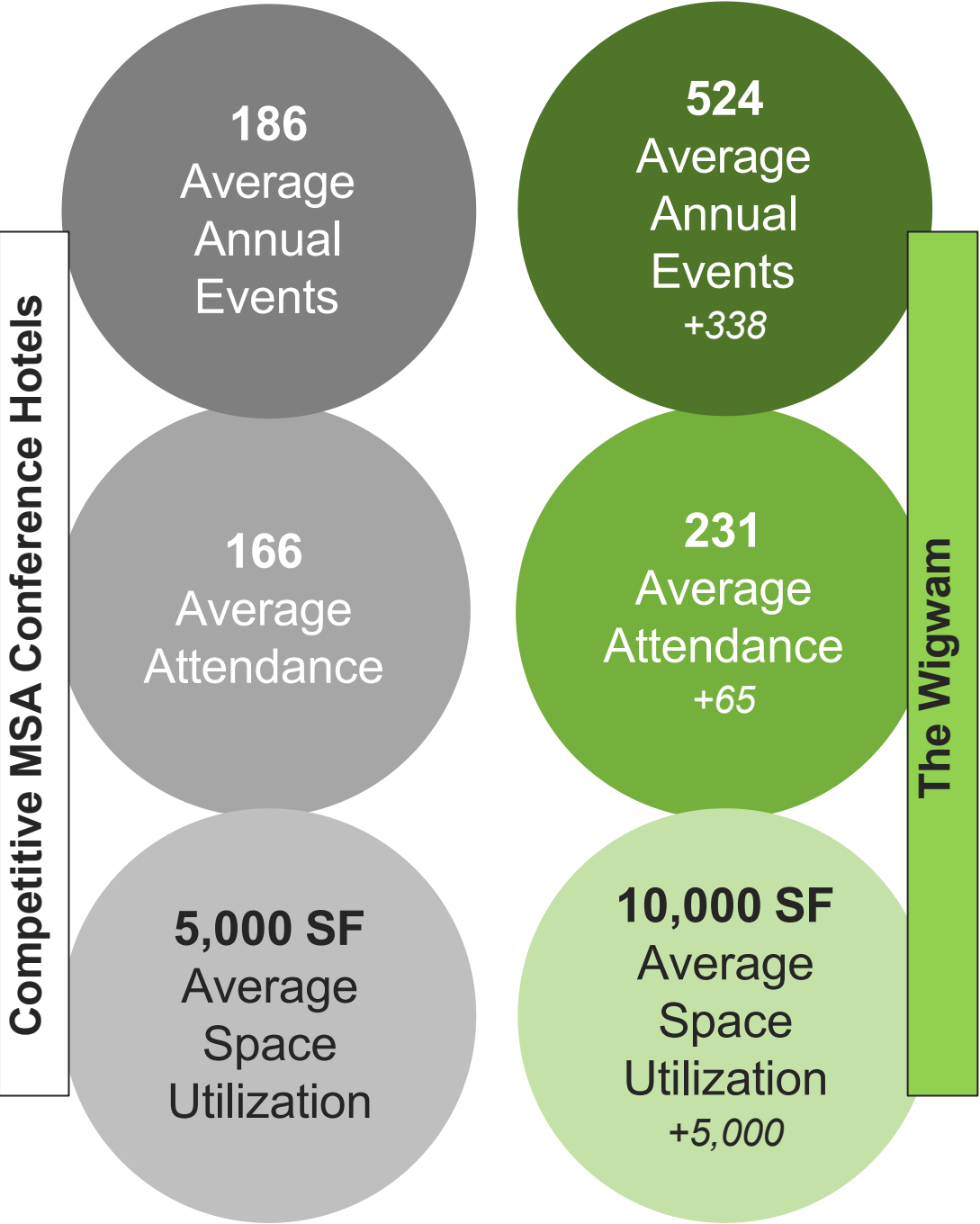
The map to the right shows the location of facilities with meeting space between 10-35K of meeting space in the Phoenix Metropolitan Area. As shown, almost all facilities are located in or east of Phoenix.



Group Business

Hunden compiled meetings data to determine the historical number of events, attendance, and space utilization for the hotel competitive set among various event types.

- Approximately 74 percent of groups within these meetings hotels are corporate groups.
- SMERF groups are the second strongest segment within the competitive set, followed by associations. The least popular group within the competitive set is government-related groups.
- The Wigwam hosted significantly more events and attendees and utilized more space compared to the competitive set, showing increased demand due to the lack of facilities in the West Valley.

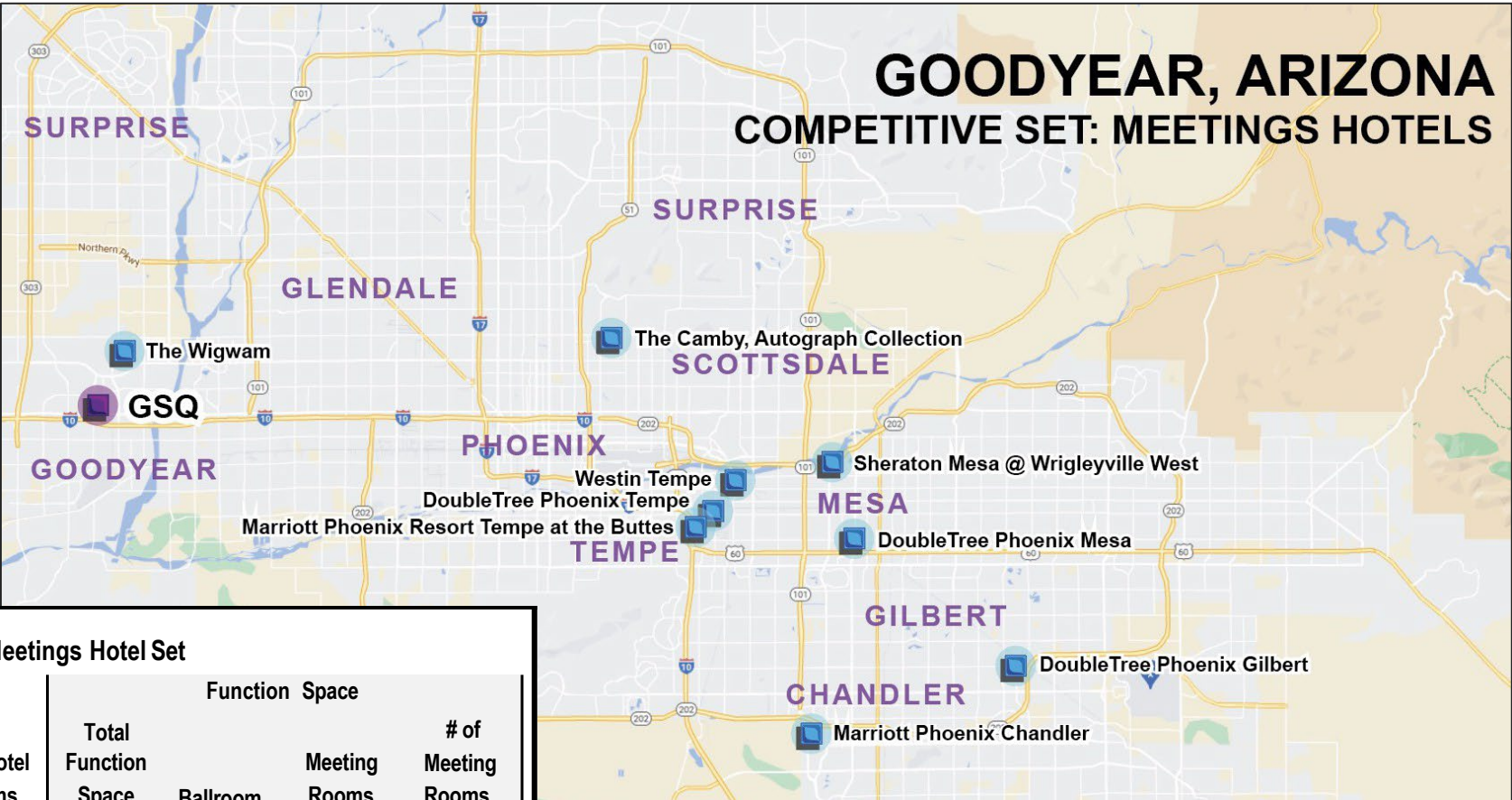




Hotel Market

Competitive Set

Hunden determined a competitive set of hotels within the Phoenix Metropolitan Area that include 10-35K SF of function space and under 400 keys. The chosen set also focused on non-resort style properties, as facilities with such amenities would not be directly competitive to the Project.



Goodyear, Arizona Competitive Meetings Hotel Set						
Property Name	Hotel		Function Space			# of Meeting Rooms
	City	# of Hotel Rooms	Total Function Space	Ballroom	Meeting Rooms	
1 The Wigwam	Litchfield Park	331	33,306	21,274	12,032	18
2 The Camby, Autograph Collection	Phoenix	277	16,896	7,728	9,168	12
3 Marriott Phoenix Resort Tempe At The Buttes	Tempe	353	21,513	17,700	3,813	6
4 DoubleTree Phoenix Tempe	Tempe	270	17,923	13,279	4,644	6
5 The Westin Tempe	Tempe	290	10,480	6,856	3,624	6
6 Sheraton Mesa at Wrigleyville West	Mesa	180	15,888	12,480	3,408	5
7 DoubleTree Phoenix Mesa	Mesa	266	15,096	7,200	7,896	12
8 Marriott Phoenix Chandler	Chandler	264	16,950	10,100	6,850	9
9 DoubleTree Phoenix Gilbert	Gilbert	121	15,252	14,627	625	1
Average		261	18,145	12,360	5,784	8

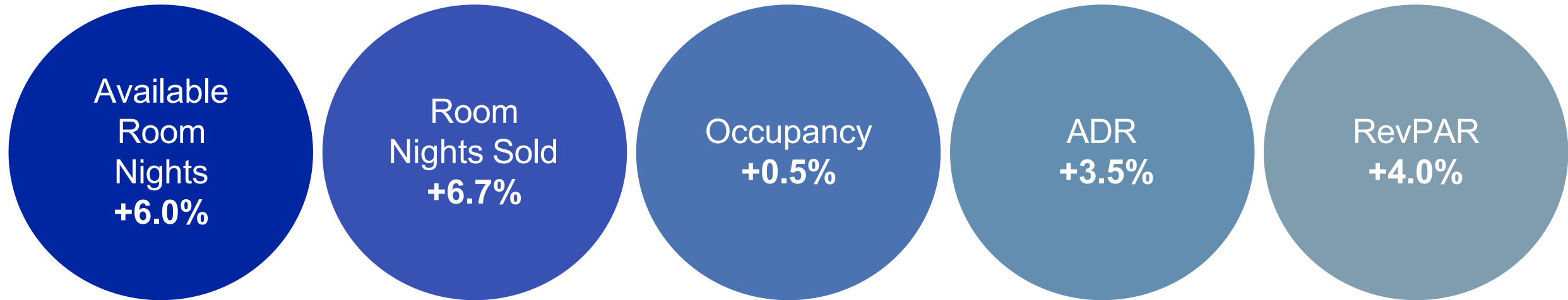
Source: CVENT, CoStar, Various

Performance Overview

HSP utilized Smith Travel Research (STR) to analyze the historic performance of the competitive set of hotel properties within the Greater Phoenix market between 2015 and March 2023.

Competitive set performance indicates the demand within the competitive set has increased an average of six percent annually since 2015. With both rising supply and demand of hotel rooms, occupancy has continued to increase, reiterating the strong demand for overnight accommodations in the meetings market in the area. Rates have continued to increase an average of 3.5 percent per year.

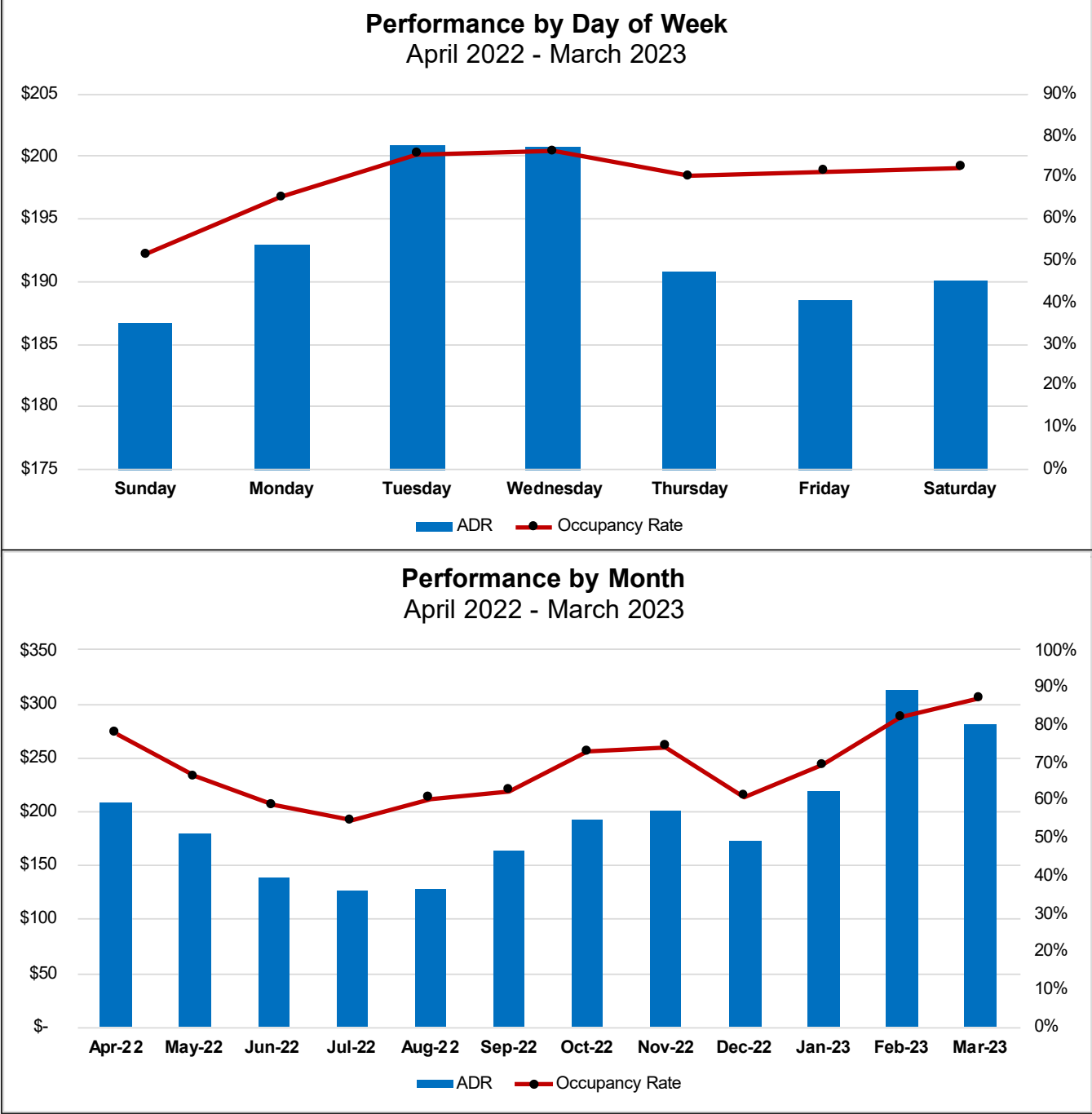
Compound Annual Growth Rate (2015-22)



Performance Heat Charts

The charts shows occupancy and rate by day of the week and month from April 2022 through March 2023.

- Demand is at its highest during the winter months, when temperatures in Arizona are at their coolest.
- Occupancy rates during the week follow typical meetings- and corporate-driven hotel patterns with strong occupancy rates Monday through Friday.
- Data also reflects strong weekend demand, signaling leisure demand.

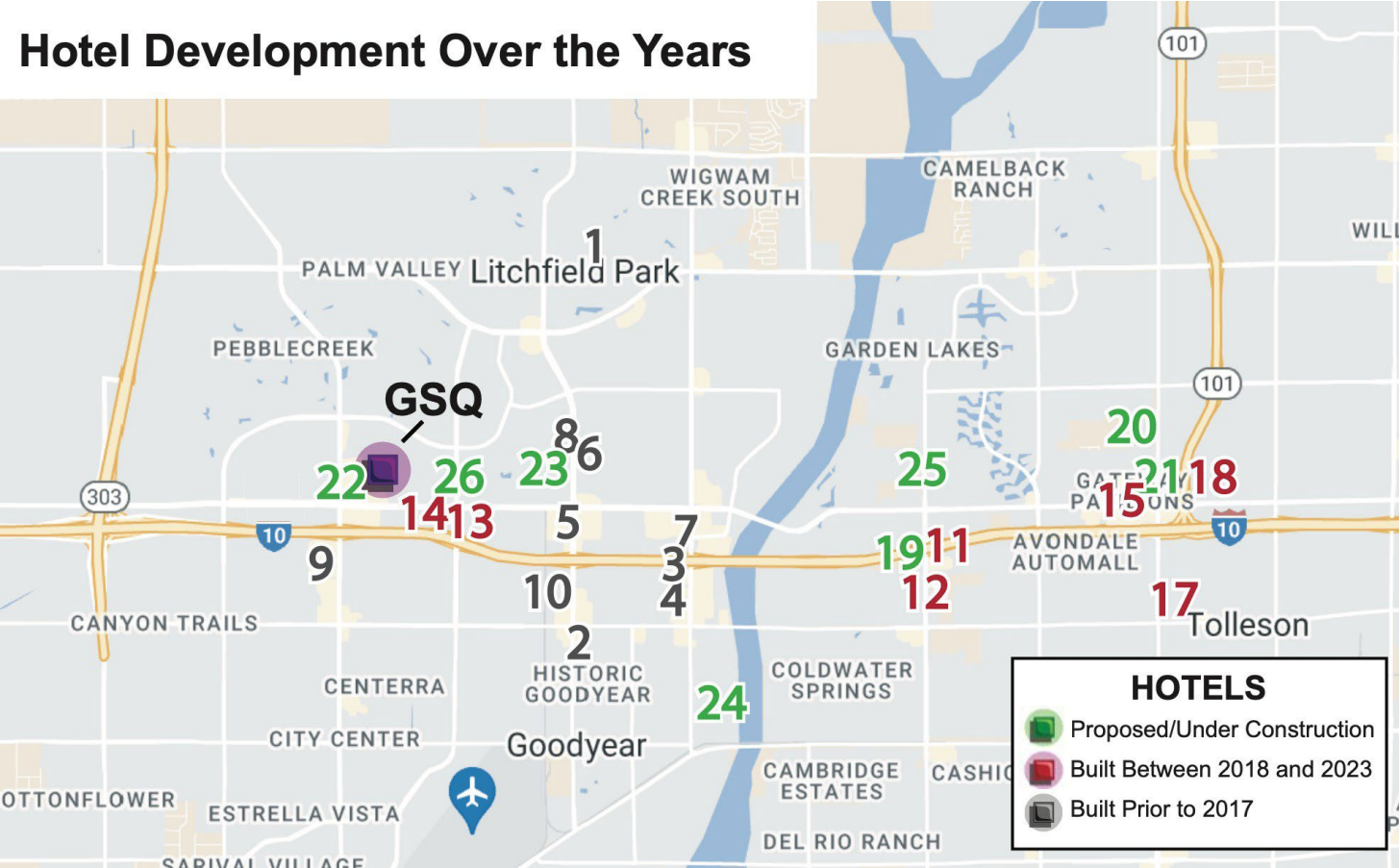


Development Pipeline

Hotel Ages

The development pipeline for hotels along I-10 is active. Near GSQ, a SpringHill Suites and Tru by Hilton was built in 2020. Three additional hotels are proposed/under construction near GSQ, those being the Element, Home2 Suites, and Staybridge Suites.

Hotel Development Over the Years



Goodyear Area Hotel Developments

#	Hotel	City	Year Built	Room Count	Meeting Space (SF)
1	The Wigwam	Litchfield Park	1929	331	33,306
2	Best Western	Goodyear	1963	85	450
3	Quality Inn & Suites	Goodyear	1980	157	1,400
4	Super 8	Goodyear	1985	90	0
5	Red Lion Inn & Suites	Goodyear	1996	90	710
6	Hampton Inn & Suites	Goodyear	1999	110	3,400
7	Holiday Inn & Suites	Goodyear	2002	101	981
8	Residence Inn	Goodyear	2004	78	100
9	Comfort Suites Goodyear	Goodyear	2007	84	2,770
10	TownePlace Suites	Goodyear	2008	118	350
11	Residence Inn	Avondale	2019	102	500
12	My Place Hotel Phoenix	Avondale	2020	63	0
13	SpringHill Suites	Goodyear	2020	88	350
14	Tru by Hilton	Goodyear	2020	90	0
15	Home2 Suites	Avondale	2021	127	0
17	WoodSpring Suites	Tolleson	2023	122	0
18	Holiday Inn Express	Phoenix	2023	108	346
19	Avid Phoenix West	Avondale	2024	95	0
20	Four Points by Sheraton	Avondale	2024	120	0
21	SpringHill Suites	Avondale	2024	130	0
22	Element Goodyear	Goodyear	2025	107	0
23	Home2 Suites	Goodyear	2025	112	0
24	Microtel Inn & Suites	Avondale	2025	100	0
25	Atwell Suites	Avondale	2025	96	0
26	Staybridge Suites	Goodyear	2025	110	0

Source: CoStar



Recommendations

Recommendations

Goodyear, AZ Conference Hotel Recommendations

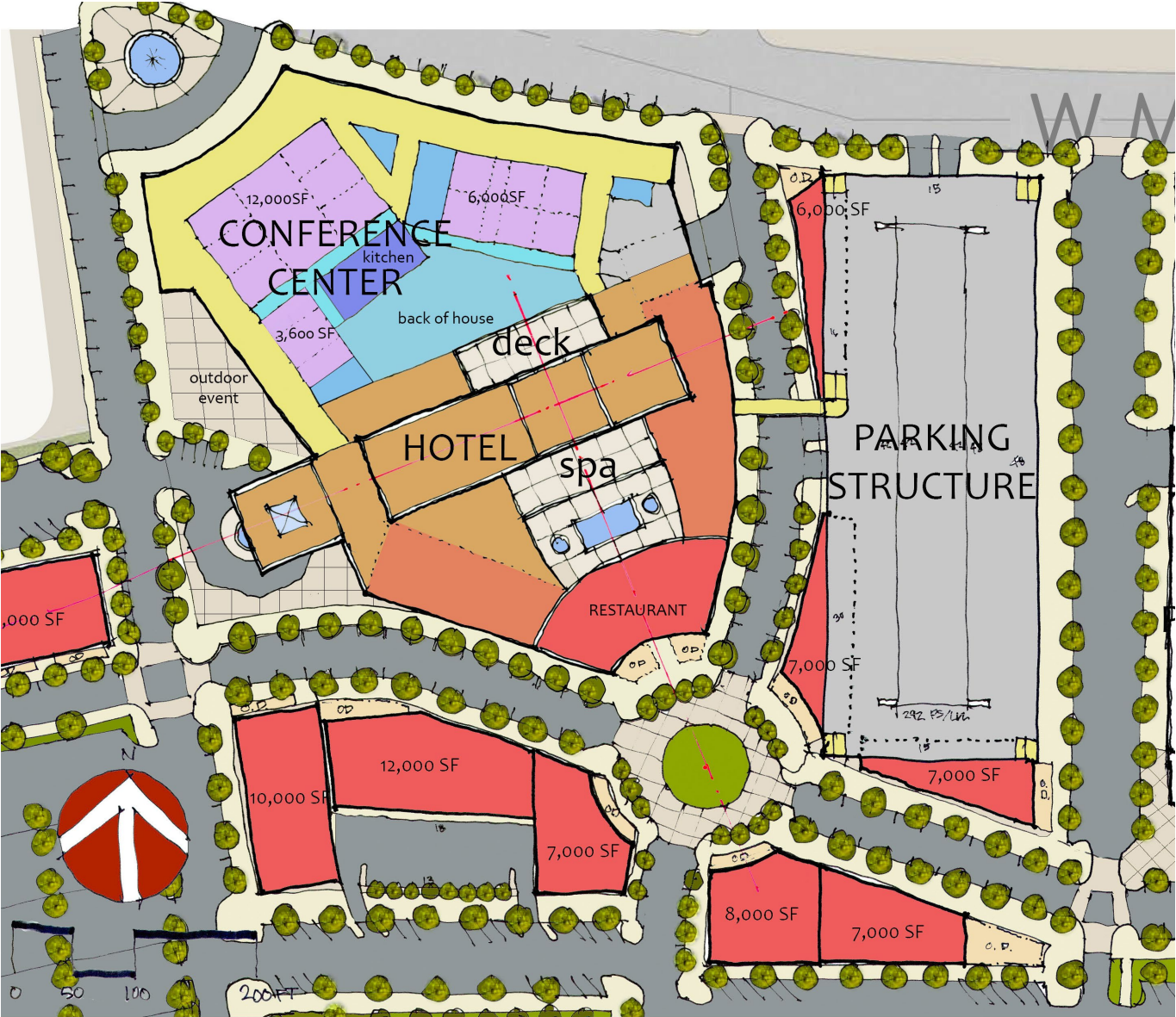
Rooms	240 keys
Ballroom	12,000 SF, divisible by 6
Jr. Ballroom	6,000 SF, divisible by 5
Meeting Rooms	3,600 SF, divisible by 3
Outdoor	5,000+ SF outdoor / rooftop event or F&B space
Parking	420 total spaces (240 for hotel, 180 for meeting space)

Source: Hunden Partners

Conference Hotel Site Layout & Costs

The visual to the right shows a more detailed possible layout of the recommended conference hotel.

- Gross square feet of the conference center is estimated at 50,000 SF, which includes front of house, back of house, and circulation space.
- A 420-space parking structure is included east of the conference hotel.
- Order of magnitude costs for the hotel, conference center, and parking structure is estimated at \$130.2 million.



Component	Qty.	Unit	Unit Cost	Const. Cost	Soft Cost	Project Cost
Hotel	240	keys	\$ 290,000	\$ 69,600,000	\$ 17,400,000	\$ 87,000,000
Conference Center	50,000	SF	\$ 480	\$ 24,000,000	\$ 6,000,000	\$ 30,000,000
Parking Structure	420	PS	\$ 25,000	\$ 10,500,000	\$ 2,630,000	\$ 13,200,000



Projections & Impacts

Supportable Financing Hotel

Hunden ran a scenario analysis of best, base and worst-case scenarios based on targeted debt service coverage and returns on equity. For the best and worst-case scenarios, rates, occupancy and number of events vary by ten percent.

- With an assumed cost of \$117 million (hotel and conference center only), the funding gap for a hotel may vary between \$52.8 million to \$76 million for such a Project.
- Given interest rate changes or varying goals for equity returns, supportable financing may vary.

Scenario Analysis: Supportable Funding						
Scenario	Stabilized Occupancy	Year 3 ADR	Number of Events	Estimated Construction Cost	Supportable Private Financing	Estimated Funding Gap
Best Case	78%	\$236.92	187	\$ 117,000,000	\$ 64,119,450	\$ (52,880,550)
Base Case	71%	\$215.39	170	\$ 117,000,000	\$ 50,154,745	\$ (66,845,255)
Worst Case	64%	\$193.85	153	\$ 117,000,000	\$ 40,538,489	\$ (76,461,511)
Source: Hunden Partners						

Summary of Impacts

- Over 20 years the Project is expected to generate nearly \$587 million in net new spending to Goodyear, \$330 million in net new earnings supporting an average of 282 net new full-time equivalent jobs.
- Over 20 years, the City of Goodyear is projected to generate an additional \$26.15 million in tax revenues as a result of the development.
- This analysis may underestimate the true impact of the Project as it would be a catalyst for additional development in the GSQ area and across Goodyear. This Project will be a staple in the overall GSQ vision.

20-Year Summary of Impacts Including Construction Proposed Goodyear, AZ Hotel	
Net New Spending	(millions)
Direct	\$338.47
Indirect	\$124.31
Induced	\$124.11
Total	\$586.89
Net New Earnings	(millions)
From Direct	\$136.43
From Indirect	\$96.16
From Induced	\$97.56
Total	\$330.14
Net New FTE	Average
From Direct	161
From Indirect	61
From Induced	60
Total	282
Net New Taxes	(millions)
Sales Tax	\$0.91
Restaurants & Bars	\$5.26
Transient Lodging & Sales Tax	\$8.90
Contracting/Construction Tax	\$0.61
Property Tax	\$10.47
Total	\$26.15
Source: Hunden Partners	

Next Steps

Project Approval

Public Funding Plan

Developer Solicitation

Project Construction

