

# Memo

**To:** Sean Sullivan, Economic Development Manager  
**From:** Jason Aarsvold, Ehlers  
**Date:** 4-17-20  
**Subject:** Cobblestone Hotel – Request for Assistance

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In January 2020 Ehlers reviewed a request for assistance to construct a 60 room Cobblestone Hotel and Suites project within the COR area on City-owned land. The developer requested the City write-down the cost of the land to \$1 to make the project financially feasible.

Ehlers conducted the January analysis using preliminary information from the developer available at the time. That analysis concluded a lower than average projected return on investment meant the project demonstrated a need for assistance and that providing the land write-down would help facilitate development of the hotel without unduly enriching the developer. Given the preliminary nature of the information from the developer, the recommendation also included the suggestion to include a look-back provision in the purchase/development agreement.

Since the January analysis, several project details have been firmed up as the City proceeds to a final agreement. These include:

- The parcel size is 1.428 acres with a final sales price of \$311,020
- The hotel developer provided its market study which supports the projected revenues and expenses included in its preliminary pro forma
- The hotel developer provided a sworn construction statement substantiating the projected total development costs for the hotel project

In January, Ehlers analysis assumed the developer pays \$1 for the property, so the change in sales price does not affect the conclusions in the analysis. In addition, the market data and confirmation of the development costs further support the previous conclusion that the proposed development may not reasonably be expected to occur solely through private investment within the reasonably near future. The project would not be feasible but for the City assistance. In addition, given the more detailed information submitted by the developer, there is less need to rely on the previously recommended look back provision.

## Tax Increment

We estimate the project will generate approximately \$72,800 annually in tax increment within the COR TIF district. These funds will be available as a result of this project to repay the City for land costs and other investment in the COR area. Based on this, the City can recover the land value within 5.5 to 6 years assuming repayment at 5% interest.