

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 26, 2018

TO: CHAIR AND MEMBERS OF THE PLANNING COMMISSION

FROM: MARK B. JINKS, CITY MANAGER 

SUBJECT: DRAFT MEMORANDUM RELATED TO PROVIDING A FINANCIAL INCENTIVE FOR THE CONVERSION OF 699 PRINCE STREET BACK INTO A HOTEL

Since the Planning Commission has a number of land use decisions docketed in regard to converting 699 Prince Street back into a hotel, City and Alexandria Economic Development Partnership staff wanted to make the Planning Commission aware of a related financial incentive proposal that City Council will be considering on October 13th contingent upon approval by the Planning Commission and City Council of the land use items related to 699 Prince Street (and 114 South Washington Street). While this financial incentive proposal does not fall under the staff purview of the Planning Commission, staff wanted you and the public to be aware of the proposal. A draft of the proposed recommendation for City Council is attached.

Attachment

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER XX, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF COUNCIL

FROM: MARK B. JINKS, CITY MANAGER

SUBJECT: PROPOSED FINANCIAL INCENTIVE FOR THE PROPOSED 699 PRINCE STREET HOTEL (NOT A PUBLIC HEARING ITEM)

ISSUE: Provision of a financial incentive related to the conversion of 699 Prince Street back into a hotel.

RECOMMENDATION: Allocate \$375,000 from the City's Alexandria Investment Fund to be paired with \$375,000 in Alexandria Economic Development Partnership (AEDP) funds set aside for economic development incentive purposes in order to provide a \$750,000 one-time grant to incent the conversion and redevelopment of 699 Prince Street back into a hotel.

BACKGROUND: On March 30, 2018 the National Center for Missing and Exploited Children (NCMEC) sold their existing 66,000 SF headquarters office building and adjacent garage to J River 699 Prince Street LLC, doing business as CAS Riegler. CAS Riegler was chosen from a handful of bidders who responded to NCMEC's building sale RFP and was the only bidder who intended to keep the building use commercial. Later this year, NCMEC is scheduled to vacate the building and move to leased office space at 333 John Carlyle Street in the Carlyle neighborhood.

Over the summer, the new building ownership worked to finalize their hotel pro forma, including the identification of a boutique hotel operator, to assure the project was financially sound and could attract investment and financing. Concurrent with that process, the project was updated to reflect better known costs which when totaled raised significant challenges in being able to secure financing for the project. The all-in development costs are estimated at \$54 million which is over \$400,000 per room. As a result, the developer approached the City and the AEDP to discuss financial incentives to assure that the hotel conversion project can proceed.

699 Prince Street existing conditions

- retail space- currently used as internal office
- office space- owner occupied (NCMEC)
- under new ownership, the building is now returned to taxable status after more than 20



CAS Riegler has identified Aparium Hotel Group as a partner in the development of a new 135-room boutique hotel with food service/restaurant in the historic George Mason Hotel at the corner of Prince Street and South Washington Street. “Aparium was founded in 2011 by a Chicago hospitality executive and entrepreneur and a luxury hotel veteran. The company brings C-suite service and accommodations to underserved—yet distinct and important—cities while maintaining and celebrating the unadulterated character of each. Driven by the belief that all hospitality experiences should be fueled by the poetics of their surroundings, Aparium was born with an intense focus on unearthing the amazing moments unique to every city. (www.aparium.com)”

After evaluating the return to the City, staff believes the boutique hotel and restaurant proposal provides significant fiscal return to the City, achieves planning and business district priorities and creates the most valuable highest and best asset (measured by real estate assessment). The financial evaluation clearly demonstrated need.

Staff is recommending the award of an Alexandria Investment Fund grant totaling \$750,000, half of which (\$325,000) is from City funds set aside for economic development purposes. The remaining \$325,000 will be funded from Industrial Development Authority bond fees, which AEDP receives.

The Alexandria Investment Fund, or AIF, was established by City Council as part of the FY 2017 budget process for the purpose of providing the City and AEDP a tool to attract and retain job creating and revenue generating businesses. All grants awarded from the AIF are performance-based requiring companies to meet specific performance milestones before grant funds are distributed. If a company fails to meet the required milestones, funds will be “clawed back.” The AIF is funded through a combination of City General Fund monies and AEDP related Industrial Development Authority bond fee earnings.

As noted above, prior to recommending this grant, AEDP, City staff and an outside expert on real estate development economics conducted due diligence on the company’s financial projections. A Performance Agreement will be developed, which will outline specific requirements that must be satisfied for the \$750,000 Alexandria Investment Fund grant to be disbursed to CAS Riegler. The Performance Agreement will be between AEDP and CAS Riegler, and funds will be disbursed to the company after they are transferred from the City and the Industrial Development Authority to AEDP.

In addition to the fiscal return to the City, retaining this building as a commercial use achieves the following goals:

- a. Continues the commercial use of this asset, which is located on a main gateway to Old Town, and is surrounded by other commercial uses to include office and retail space.
- b. Provides boutique hotel room inventory to our core tourism district.
- c. Historic preservation of one of the City’s first hotels.
- d. Adaptive reuse of an existing building to a higher and better use.
- e. Conversion to hotel use decreases the daily single occupancy vehicle trip generation.
- f. Provides additional hotel room nights to help meet National Science Foundation increased demand for hotel room nights.

FISCAL IMPACT: The projected net fiscal impact to the City for a boutique hotel is 528% greater than an alternative residential conversion which is the likely outcome if the hotel project cannot be financed.

Project Return on Investment (“ROI”) to the City is modeled as follows:

	Taxes Generated	Incentive	Net	Incentive as % of Taxes Generated
5 year ROI	\$8,680,232	\$750,000	\$7,930,232	9%
10 year ROI	\$17,360,461	\$750,000	\$16,610,464	4%
15 year ROI	\$26,040,697	\$750,000	\$25,290,697	3%
20 year ROI	\$34,720,929	\$750,000	\$33,970,929	2%

The City’s investment would be fully recovered in the first year of hotel operation-anticipated to be 2020. This would be the quickest ROI of any project the City and AEDP have provided a financial incentive for.

STAFF:

Stephanie Landrum, President & CEO, AEDP



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October 1, 2018

Planning Commission Members
City of Alexandria
301 King Street
Alexandria, VA 22314

RE: 699 Prince Street Hotel

Dear Members of the Planning Commission:

The Old Town Business and Professional Association is very supportive of the application to convert the present building at 699 Prince Street back to its original function as a hotel. We are excited that the rooftop bar will have views of the Potomac River and that the ground level includes an outdoor café. Additionally, we are excited that it will create jobs and tax revenue for the city.

Thank you for your consideration.

Sincerely,

Catherine Foltz

Catherine Foltz
President, Old Town Business and Professional Association
P. O. Box 1294
Alexandria, VA 22314

#

October 1, 2018

Dear Planning Commission Members,

I am writing to you today in support of the proposed restoration of the historic George Mason Hotel (along with the construction of a new adjacent hotel building) on the corner of Washington and Prince Streets. I am both a resident (who lives two blocks away on Prince Street) as well as a commercial business owner with two stores located centrally in Old Town on King Street, The Hour and The Modern Home Bar.

The 699 Prince Street Hotel is exactly the kind of boutique hotel South Washington Street needs. The size of the proposed hotel is the right scale, and the activation of the street façade along that corner is long overdue. The high-end hotel will draw tourists looking for an urban feel and will help bring more activity to the central part of Old Town. Our retail stores and restaurants in this part of town will likely see many benefits with this new hotel addition as there will be more foot traffic in the area. More pedestrians on the mid-town streets means more generation of sales for our businesses and sales tax revenues for our city's coffers (which, in turn, will help curtail future tax increases for us residents).

The addition of a roof top terrace is one that I am particularly excited about as water views and rooftop dining are not easy to come by in my neighborhood!

I hope you join me in embracing this new hotel project for our town and push forward its progress.

Sincerely,

Victoria Vergason

Owner, The Hour

Owner, The Modern Home Bar

Resident of Prince Street

9/30/18

Commissioners,

I am writing to voice my support for the proposed restoration of the George Mason Hotel at 699 Prince Street. I am writing as an Alexandria resident, business owner, and Vice President of the Old Town Business Association.

The King Street Corridor Initiative has increased Visit Alexandria's marketing budget, and this will give Visit Alexandria a new talking point. A new boutique hotel with an activated rooftop terrace should create quite a buzz. This will help draw tourists from the regional market and beyond. More tourism equals increased tax revenue.

Activating Middle King has long been a priority of the Old Town business community. Two new restaurants, one with outdoor café seating, one a rooftop terrace with river views, will bring new life to Middle King Street.

This project will create jobs and increase tax revenue while restoring an historic building in a high visibility intersection. This high-end boutique hotel is a definite upgrade from the current office building. This is exactly what we need in Old Town and I hope you all will agree.

Sincerely,

Trae Lamond

Prince Street Hotel Support

Teal Dye <teal@lotusblooms.com>

Tue 10/2/2018 12:35 PM

To: PlanComm <PlanComm@alexandriava.gov>;

Hello,

I am reaching out to voice my support of the proposal of a new hotel at 699 Prince Street. As a small business owner on King Street, I strongly believe that having a unique, high-end hotel in the heart of our business district will benefit our business tremendously. We have found that the demographic of people who seek out boutique style hotels tend to be people who are interested in the small town, small business experience that makes Alexandria what it is. As such, they tend to be people who are interested in the exploring the city sites, learning the history, and are more likely to shop at small businesses, as opposed to big-box brands. This is exactly what we'd like to see brought to the city!

Thank you in advance for your time. Please feel free to contact me with any questions.

-Teal Dye
Lotus Blooms

Please know that I only work out of the store on occasion. The most efficient way to contact me is to email. Please schedule an alternative meeting if email is not your preferred method.

1017 King Street
Alexandria, Virginia, 22314

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STATEMENT OF JOHN HARMAN

#4
Speaker
provided
@hearing

ALEXANDRIA PLANNING COMMISSION 10/2/18

My name is John Harman. I have been owner and sometime resident of 113 South Saint Asaph Street since March 3, 1975. The properties at 113 and 115 South Saint Asaph Street, which about the property at 114 South Washington Street, were designated by the Historic Alexandria Architectural Significance Map of 1972 as "Essential to Future", i.e. highest priority. The properties were owned by William Jennings Lee and George Mason. I would like first to point out that, contrary to the fundamental error in the Staff Report, made initially on page 6 and repeated on page 17, the site is located in a mixed-use CD zone and is adjacent to residences: most notably two in my property and others on the upper floors of surrounding townhouses.

As a long-term resident and owner in Old Town Alexandria and thus a long-term custodian of historic properties, I have striven to maintain the physical condition and preserve the value of 113 South Saint Asaph Street: this includes a deep garden in the rear. Many of you may not be aware that this garden comprises a unique oasis of greenery in this section of Old Town. It would be negatively impacted by construction of a 50 foot building on the rear property line at 114 South Washington, depriving it of direct sunlight and ventilation. In fact, the open space and green roof as well as other features of the developer's plan hardly offset the harm done to this approximately 1200 square feet of natural greenery.

The attached flounder house with its deep garden and garage are rented to produce income which goes to maintain the property. They have value because of their historical significance and location. While the developer has offered to provide off-site parking during construction, the value of this rental property will be diminished during construction by not being able to offer garage parking immediately adjacent to the residence.

Finally, there are the long-term operational impacts of the development on my property. First, the noise and smell of the garbage area directly adjacent to my residential property would certainly be negative, especially during times from 7 am until 11 pm when trucks are being loaded. Second, there is concern with the noise created by a one hundred fifty person exterior rooftop dining area with TV, live entertainment, and special events, open until 3am, as described on pages 115 and 116 of the Staff Report. Finally, there is the activity foreseen for the alley: while the presence of crowds may cut either way with respect to safety and security, it certainly will produce noise, and the vehicle access to adjacent properties provided by the developer is very likely to be compromised by the crowds and the traffic of taxis, Uber and Lyft vehicles and private cars, as well as delivery and garbage trucks using the alley.

WINTER SOLSTICE

PROPOSED MASSING



9 AM



12 PM



3 PM



6 PM

EXISTING MASSING



9 AM



12 PM



3 PM



6 PM

EQUINOX

PROPOSED MASSING



9 AM



12 PM



3 PM



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EXISTING MASSING



9 AM



12 PM



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6 PM

SUMMER SOLSTICE

PROPOSED MASSING



9 AM



12 PM



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6 PM

EXISTING MASSING



9 AM



12 PM



3 PM



6 PM