

REQUEST FOR PROPOSALS FOR ECONOMIC DEVELOPMENT INITIATIVE

Design, Development and Operation of a Downtown Convention Center Hotel

Owensboro, Kentucky

Issued May 15, 2009

1.0 INTRODUCTION

1.1 The “We the People” community event held in November 2007 and the Downtown Development Corporation Downtown Study was a rallying cry for the Owensboro community to take control of the destiny of downtown. The Downtown Owensboro Initiative was a direct result of this rallying cry. This initiative generated a market-based Downtown Master Plan (prepared by Gateway Planning Group at www.gatewayplanning.com) and a comprehensive package of catalyst projects intended to jump-start downtown revitalization. The initial catalyst projects are listed below. For a complete copy of the Downtown Owensboro Master Plan, see “Master Plan” under the “Town Planning and Urban Design” section of www.gatewayplanning.com. This Request for Proposal (RFP) seeks a qualified developer for a new downtown hotel as part of the package of catalyst projects. The package includes:

1.1.1. *Multi-Purpose Indoor Events Center* (“Convention Center”): This will be a major flexible meeting facility and will have high ceilings that can accommodate indoor sporting events and a footprint of 60,000 square feet. It will be located next to the new hotel and Market Square Public Plaza. Users of this facility will have direct access to the new Waterfront Park, Veterans Blvd., and 2nd Street.

1.1.2. *New Downtown Hotel*: A new 225-room downtown hotel with integrated parking is envisioned a site identified as project “E” in the Downtown Master Plan, the site of the current State Office Building. Its location will take advantage of river views, access to the adjoining Convention Center, and the new Market Square Public Plaza. It will reinforce the activities on the Plaza with retail, restaurant or similar uses on the ground floor, or with other activities of a vibrant downtown.

1.1.3. *Transform Veterans Boulevard*: Veterans Boulevard will be redesigned to be a pedestrian priority street with specialty paving, flat curbs, on-street parking, and streetscape amenities. Infill buildings on Veterans Blvd. will be three to four story mixed use buildings with active retail and restaurant uses on the ground floor and residential uses above. Veterans Blvd. will be a linear plaza connecting the RiverPark Center to the new hotel and Convention Center.

1.1.4. *Market Square Public Plaza*: A new public plaza that will connect 2nd Street to the Veterans Blvd., and the new Waterfront Park is envisioned. In addition to being the new center of community life in Owensboro, this new plaza could also house the Farmers’ Market or other similar active uses. The market stalls, café seating, retail sales kiosks will activate this space, including potential developed aspects for restaurants, etc.. In addition, the new hotel and the new Indoor Events Center will have direct access to this plaza. This plaza will be the city’s “Grand Gesture” to the river and will truly connect the city to its roots.

1.1.5. *Reinvent 2nd Street*: Currently a one-way primary truck route, 2nd Street will be converted to a vibrant, pedestrian friendly, two-way, main street. With curb extensions, renovated historic buildings, and active ground floor uses, this street will once again become the true heart of downtown.

1.1.6. *Smothers Park*: The improvements to the Smothers Park, as envisioned in the EDSA Riverfront Master Plan, will be completed and this park will be a destination park for residents and visitors alike. Together with the metamorphosis of Veterans Blvd., this park will be one of the cornerstone of a revitalized Downtown Owensboro.

1.1.7. *East Downtown Cultural Arts District*: Existing historic buildings along East 2nd Street will be the focus of new adaptive reuse for arts and cultural uses, as well as urban living. This area will be the ideal location for a new Arts Academy, a partnership of local arts groups and educational institutions. A vibrant local arts scene will be complemented by residential lofts, studios, apartments, and townhomes transitioning to adjoining neighborhoods.

1.1.8. *Transform Frederica Street*: Frederica Street is envisioned to be a true multi-modal boulevard and gateway into downtown. With a possible future modern streetcar connecting all the major destinations along Frederica, the street will be truly transformed into Owensboro's grand entryway to the Ohio River.

- 1.2 This RFP is a solicitation process, which is expected to culminate in a negotiated agreement between the City of Owensboro (the "City") and a qualified Developer ("Developer") to develop and construct the convention center hotel and related infrastructure referenced in Section 1.1.2. The Greater Owensboro Economic Development Corporation ("GO-EDC") will make a recommendation to the City to enter negotiations with a Developer based upon the criteria set forth herein.
- 1.3 GO-EDC has the responsibility of selecting a Developer for the Hotel project subject to the approval of the Owensboro City Commission. An RFP Review Team consisting of EDC staff, Gateway Planning Consultants, and City and County staff representatives will review and recommend a potential Developer.
- 1.4 Several state incentives may be available to the Developer of this project, including, but not limited to, incentives from the Kentucky Tourism Cabinet. In addition, the site of the proposed hotel is located in an area that qualifies for New Markets Tax Credits financing. A well-developed proposal should demonstrate an understanding of available incentives, as well as innovative finance, and public-private partnerships.

2.0 PROPOSED AGREEMENT

- 2.1 GO-EDC anticipates the City entering into a Hotel Development Agreement ("Agreement") with a Hotel Developer. Under the Agreement, the Hotel Developer would commit to the development of a Hotel property that meets the City's goals within the Downtown Master Plan and within a time frame acceptable to GO-EDC and the City. GO-EDC seeks the development of a Full-Service Hotel with approximately 225 keyed rooms. The preferred size request is not intended to limit the respondent's creativity or limit the respondent's response in regards to the appropriate size of the hotel. Respondents are encouraged to evaluate the convention and meetings market and suggest the appropriate size from their perspective. GO-EDC will consider alternate sized hotels, but not fewer than 150 keyed rooms, as submitted by the respondent. GO-EDC expects the Hotel to have function space that services in-house conferences, meetings, and events, and suites for use by exhibitors and for hospitality purposes. GO-EDC is open to suggestions of alternative property sizes that will fulfill the need for a convention center hotel, including recommendations on the appropriate sized meeting space, food and beverage service, restaurant, workout facilities, and other infrastructure required to support the varying numbers of hotel rooms.
- 2.2 Respondents shall utilize hotel operators that will accomplish the goals of the development and be recognized by the convention and meetings markets in the context of a "full service" operational capacity. The City reserves the right to determine the hotel operator, however, the respondent may submit alternate hotel operators.

- 2.3 It is anticipated that the City will sell or lease the land to a Developer to provide and manage improvements developed on the site, for a negotiated period. As a secondary option, It may also hire a fee Developer to design and construct the hotel. GO-EDC and the City's goal is to minimize the level of public financial participation in the project (as significant public resources are being committed to adjacent projects) and to attain the most distinctive and marketable project possible. It is the desire of GO-EDC that respondents consider creative development structures that will accomplish the goals of the project. Development structures of interest include, but are not limited to: (i) private ownership and financing of the hotel; or (ii) a public not-for profit corporation ownership (local development corporation) with a tax-exempt, public financing structure. Public participation in the cost of development of the project will include (i) costs associated with utility relocation, street closing, and significant street enhancements along 2nd Street, Frederica Street and Veterans Blvd; (ii) development and construction of a complementing Convention Center; and (iii) costs associated with the development and construction of Market Square Plaza and the Smothers Riverfront Park. Total estimated Public investment from those projects will be in excess of \$119 million. The respondent is encouraged to be creative in the development and financing alternatives, plus the room count/meeting space alternatives. A key component of any development structure is the creation of jobs, complementing the adjacent destinations and the general improvement of the Owensboro economy.
- 2.4 Respondents are encouraged to bring to the project a team of architects and construction professionals with proven track records that meet the goals of the development. The City reserves the right in consultation with Daviess County Fiscal Court to require that the architects selected to design the hotel be the same, or coordinated with the architects designing the Convention Center.
- 2.5 The Agreement shall specify a commitment to develop a Hotel designed for the group business market, with management standards, level of room-block availability to support convention business at the Convention Center, and chain affiliation commitments by the Developer for the Hotel. The Hotel shall operate as a corporate managed, national or international chain-affiliated property positioned to primarily accommodate convention and group-meeting demand. The quality and level of finishes should be consistent with the quality of similar headquarters hotels in other North American cities. GO-EDC expects competent, efficient management to operate and market the Hotel. Pricing and booking policies shall be consistent with the needs of the Center in attracting group demand.
- 2.6 Additionally, the hotel developer and operator may be expected to agree to complementary terms including: (i) a shared parking plan in the context of the Downtown Master Plan; (ii) participation in downtown events including, but not limited to, providing space for arts and cultural events such as temporary art shows in common areas; as well as utilizing the history and heritage of Owensboro; participation in the creation of public art according to the guidelines of the Owensboro Public Art Commission; (iii) coordination in the design of adjacent uses, public spaces and destinations in the Master Plan including the Convention Center; (iv) a method for adherence to the Downtown Master Plan Design standards and guidelines; and (v) project oversight and management during construction. The potential Development Team should analyze these factors and any others that it deems value added, proposing how they may be implemented as part of the response to this RFP.
- 2.7 GO-EDC will require a commitment from the selected Developer to meet a clearly defined project schedule, scope of development, and guaranteed maximum price. The City will require a complete open book development (with proprietary protections as needed) with the City having a key role in the project.

3.0 SOLICITATION AND NEGOTIATION PROCESS

- 3.1 In order to encourage broad participation by the development community and in recognition of the strong interest in Owensboro's hotel market, Developer Responses to this RFP are due, August 1, 2009. GO-EDC expects to conclude selection of a Development Team for recommendation and finalization a development agreement between the Development Team and the City by December 31, 2009. This process may entail the short-listing of finalists for selection, requiring supplemental submissions and/or interviews.
- 3.2 Non-exclusivity – GO-EDC encourages the best combination of potential teams. With this objective in mind, all members of a responding team, with the exception of the lead Developer, may be listed as members on more than one but not more than two different proposals. A Developer of one team may submit as a support group to another team, but will not be considered for multiple lead-Developer submittals. For example, a lead Developer in one project team may submit as an investor on another team.

4.0 OWNERSHIP AND OPERATIONS

- 4.1 Ownership of the site will be dictated in part by the requirements of the financial arrangement and the desire to achieve the best possible financing terms. GO-EDC will consider the following possible arrangements:
- 4.1.1 A long-term ground lease with the City as lessor, and the Developer as owner of the improvements for the life of the land lease and its extensions, or
- 4.1.2 Other ownership and financing arrangements that may achieve favorable financing terms.
- 4.2 The Developer will be expected to take responsibility for the design and construction of all improvements on the Hotel site. The operating agreements and design shall be subject to approval by the City, and as appropriate, the lender or underwriter. Such approvals shall not be unreasonably withheld.
- 4.3 The Developer will propose alternative methods for operating the Hotel. In the Response ("Response") to this RFP, the Developer is required to identify preliminarily a hotel flag and operator. If the Developer has not agreed to a final hotel flag and operator at the time of responding to this RFP, agreement between the Developer and a hotel flag/operator shall be finalized and submitted to GO-EDC within 60 days of selection of a Developer, or within a timeframe determined by GO-EDC. Any substitutions of the hotel flag and operator shall conform to the requirements of this RFP and shall be approved at the sole discretion of GO-EDC. In the negotiation process, the City will seek assurances from the Developer that the future operations and capital improvements of the Hotel are provided in a manner acceptable to the City. The general terms of the operating agreement shall be summarized in Response to this RFP.
- 4.4 It is anticipated that Daviess County Fiscal Court may seek proposals and/or bids for the design, construction, management and operation of the Convention Center mentioned in paragraph "1.1.1" above. Developer may participate in Daviess County's selection process for same, but GO-EDC's recommendation to the City of a Developer for the Hotel Project in no way commits Daviess County to select the Hotel Developer as the manager and/or operator of the Convention Center; and, likewise, in no way commits the Hotel Developer to manage and/or operate the Convention Center on behalf of Daviess County.

5.0 SUBMISSION REQUIREMENTS

- 5.1 Transmittal letter and offer to negotiate – not to exceed one page and including:

- 5.1.1 A statement that the signatory is authorized to submit the proposal;
 - 5.1.2 A statement that the proposal will remain in effect for a minimum of 180 days,
 - 5.1.3 Name of a single contact person for all correspondence and notifications, and
 - 5.1.4 An offer to negotiate indicating the Developer's awareness and agreement to comply with the terms of this RFP.
- 5.2 Development Team Qualifications
- 5.2.1 Legal name and principal officers of each member of the development team, at a minimum, including the Developer, hotel operator, hotel franchise or chain affiliation, architect, construction manager or general contractor, and all other known team members expected to earn \$500,000 or more in fees,
 - 5.2.2 To the extent not already submitted by the RFP Response, summary of qualifications, list of completed projects, relevant experience, and references for each member of the development team presented in 5.2.1.
 - 5.2.3 A detailed description of one to four projects most similar in scope to the Hotel project
 - 5.2.4 A description of the type of entity that will develop and operate the Hotel (e.g. corporation, LLC, joint venture, etc.) and a list of other owners of interest that may provide equity to the ownership entity and the estimated percentage of ownership of each; and
 - 5.2.5 Proposed hotel operator and management structure, or characteristics of hotel operator and management structure to be utilized if hotel operator cannot be identified at this time.
- 5.3 Physical Development Proposal - Respondents shall provide a concept study for the proposed development program, inclusive of the following:
- 5.3.1 A breakdown of the room mix by category and the size of rooms by category (king, double, suite, etc.),
 - 5.3.2 Amount (square feet) and distribution of meeting and banquet space,
 - 5.3.3 Description of facilities for food and beverage services,
 - 5.3.4 Total gross building area,
 - 5.3.5 Building footprint,
 - 5.3.6 Number of stories,
 - 5.3.7 Links between Hotel elements and any current or potential parking structures, description of concierge space and services,
 - 5.3.8 Proposed room rate structure,
 - 5.3.9 Number of parking spaces required for the Hotel and potential shared use with the proposed adjacent Convention Center; and any associated retail or real estate development, and

- 5.3.10 Visual and physical relationship with the adjacent uses under the Downtown Master Plan including the adjacent, Courthouse, Market Plaza and the Convention Center
- 5.4 Concept Description - As part of the project description, Developers are to include the gross floor area of each use at all elevations and major entrances and the interrelationship of the proposed development with the Center. A narrative statement, not to exceed 1,000 words, shall accompany the diagrams and summarize their content, the factors taken into consideration in developing the layout, and other information that the Developer believes would be helpful in understanding the presentation. This element of the Response is not intended to be a design submittal; however, it is desired that the design of the hotel be consistent with the Downtown Master Plan, the future new Owensboro Convention Center and downtown architecture.
- 5.5 Project Schedule - Respondents shall provide a project schedule, from authorization to negotiate through opening of the Hotel, assuming that a development agreement is agreed upon and approved by January 31, 2010. Please include schedules for each individual room count of hotel, if more than one room count is submitted.
- 5.6 Project Financing - Appendix A to this RFP contains forms for Schedules 1, 2, and 3 that are to be completed by respondents and included in the Response.
- 5.6.1 Respondents shall provide a detailed development budget in conformance with each of the line items provided in Schedule 1. Escalation of costs for inflation should be included in the projections.
- 5.6.2 Respondents shall provide a statement of net operating income for the proposed project in conformance with each of the line items provided in Schedule 2, assuming completion of construction and opening of the Hotel in the appropriate year, based upon the project schedule submitted by the respondent.
- 5.6.3 Respondents shall provide an analysis of the project's cash flows in a form similar to that provided in Schedule 3. In this Schedule, cash flows from operations, project costs, debt service, profit requirements, and the residual value of the project are used to calculate the net present value of the proposed project.
- 5.6.4 Respondents shall provide a plan and demonstrate ability for obtaining both equity capital and, as required, debt financing necessary to undertake the development, including the rates of return these sources are likely to require. Respondents are encouraged to present evidence of equity capital and debt financing commitments from financial institutions, partners, and other resources, as part of the response.
- 5.6.5 Respondents shall provide evidence of the concurrence of key participants in the development concept, site plan, and economics. These participants should include, in addition to the development team, the hotel operator and sources of debt and equity capital.
- 5.6.6 In order to keep the City's options open regarding financing, a conventional financing approach will be considered along with others.
- 5.7 Information requested in the RFP and deemed to be privileged and confidential may be submitted in a separate envelope marked "Privileged and Confidential Information." GO-EDC will use its best efforts to protect such information from disclosure to the extent allowable by law.

6.0 TIME AND PLACE FOR SUBMISSION OF RESPONSES

- 6.1 The deadline for receipt of Responses shall be 5:00 p.m. CDT on August 1, 2009. Responses received by GO-EDC after that date and time will not be considered. **IT IS THE SUBMITTER'S**

RESPONSIBILITY TO ENSURE THAT THE RESPONSES ARE RECEIVED BY GO-EDC PRIOR TO THE DEADLINE.

- 6.2 Respondents shall submit eight (8) bound copies and one (1) electronic copy in .pdf format of their Response to:

Dr. Nick Brake
President and CEO
Greater Owensboro Economic Development Corporation
Commerce Center – 200 East Third Street, Suite 200
Owensboro, KY 42301

- 6.3 Responses must be in 8½” by 11” format. Any materials that are larger than this size should be folded to fit into the 8½” by 11” format. Proposals must be organized following the Submission Requirements section headings noted in Section 5 of this RFP, and must include at least the requested information. GO-EDC reserves the right to request additional information during the RFP review period.

- 6.4 The outside of the package should be clearly marked with the following: “RFP Response- Convention Center Hotel Due by 5:00 p.m. August 1, 2009”.

- 6.5 **RESPONSES THAT ARE NOT SUBMITTED IN A SEALED ENVELOPE OR CONTAINER WILL NOT BE CONSIDERED. TELEGRAPHIC OR FACSIMILE RESPONSES WILL NOT BE ACCEPTED.**

- 6.6 Questions regarding the required procedure or about the RFP shall be submitted in writing, e-mail to Dr. Nick Brake to the address above, or to nbrake@owensboro.com.

7.0 SELECTION CRITERIA

- 7.1 The qualifications of the development team will be evaluated based on the following criteria:

7.1.1 Previous experience with similar projects - 20%

7.1.2 Best value to Owensboro; including, but not limited to, the utilization, where feasible and appropriate, of professionals, contractors, suppliers, etc. located in Owensboro or Daviess County, or affiliated with other entities in Owensboro and/or Daviess County; as well as leveraging and supporting additional investment and development under the Master Plan – 20%

7.1.3 Demonstrated commitment to the Downtown Master Plan including, but not limited to, coordinating with and complementing the function, design and architecture of the future Convention Center; as well as embracing cultural activities downtown, and the history and heritage of Owensboro; 20%

7.1.4 Ability to provide required equity and debt financing - 20%

7.1.5 Project innovation, creativity, practicality and ability to minimize risk to Owensboro - 20%

- 7.2 The proposed building program, ownership structure, and operating plans will be evaluated using the following criteria:

7.2.1 The extent to which the proposed Hotel building program meets GO-EDC and the City’s objectives in the development of the Hotel,

7.2.2 The overall quality of the proposed project, and

7.2.3 The benefit to Owensboro, financial and otherwise, of the proposed ownership, and operating arrangements

The proposals will also be evaluated by staff representatives from two local governments, GO-EDC, and consultants based on the level of responsiveness to the requirements of the RFP.

8.0 SPECIAL CONDITIONS

- 8.1 This RFP does not commit GO-EDC or the City to procure or award a contract for the scope of work described herein.
- 8.2 All information submitted in response to this RFP shall become the property of GO-EDC, and as such, may be used by GO-EDC in any manner.
- 8.3 GO-EDC has sole discretion and reserves the right to reject any and all Responses received with respect to this RFP and to cancel the RFP at any time prior to entering into a formal agreement. GO-EDC reserves the right to reasonably request additional information or clarification of information provided in the Response without changing the terms of the RFP.
- 8.4 GO-EDC, and the City of Owensboro upon the recommendation of GO-EDC, reserves the right to waive any technicalities or irregularities in any proposal.
- 8.5 Development teams acknowledge and agree that GO-EDC and the City will not be liable for any costs, expenses, losses, damages (including damages for loss of anticipated profit) or liabilities incurred by the development team or any member thereof as a result of, or arising out of, submitting a proposal, negotiating changes to such proposal, or due to GO-EDC's recommendation of and/or the City's acceptance or non-acceptance of the proposal.
- 8.6 GO-EDC shall determine at its sole discretion and provide the release of all public information concerning the project, including selection announcements and contract awards. Those desiring to release information associated with this RFP to the public must receive prior written approval from an authorized representative of GO-EDC.
- 8.7 Neither GO-EDC, the City of Owensboro, nor any of its officers, agents, consultants, or employees shall be responsible for the accuracy of any information provided as part of this RFP. All respondents are encouraged to independently verify the accuracy of any information provided. The use of any of this information in the preparation of a Response to the RFP is at the sole risk of the respondent.
- 8.8 Any Response to this RFP will remain in effect for a minimum of 180 days after the date of submission.
- 8.9 The respondent shall not collude in any manner or engage in any practices with any other respondent(s), which may restrict or eliminate competition or otherwise restrain trade. Violation of this instruction will cause GO-EDC to reject the respondent's submittal. This prohibition is not intended to preclude joint ventures or subcontracts.
- 8.10 All Responses submitted must be the original work product of the respondent. The copying, paraphrasing, or other use of substantial portions of the work product of another respondent is not permitted unless legally enforceable permission has been secured from that other party. Failure to adhere to this instruction will cause GO-EDC to reject the Response.
- 8.11 Respondents, team members and its consultants are prohibited from communicating in any manner about this project with any of the members of the GO-EDC staff, its Board of Directors, or the review committee during this process. Notwithstanding the foregoing, there shall be an open

question period from May 15 to June 1, 2009. All interested parties will receive written responses to all questions posed by all parties by June 15, 2009. All questions during this period should be submitted in writing to or, e-mail to Dr. Nick Brake to the address above, or to nbrake@owensboro.com.

Any communications between respondents, their consultants, and GO-EDC, notwithstanding the foregoing question period, may disqualify the respondent. At the time official interviews begin, it will be acceptable for the above mentioned to communicate with GO-EDC, through official meetings and negotiations.

APPENDIX A – PROJECT BUDGET SCHEDULES

Schedule 1

Schedule 1: Hotel Cost Assumptions			
	Gross Cost	% Budget	Cost/Key
Site Preparation			
Pre Construction Cost			
Architectural/Engineering			
Other Consultants			
Developers Fee			
Permits/Fees			
Bonds/Ins/Bld Risk			
Legal & Accounting			
Pre-Development Exp			
Construction Cost			
FF&E			
Marketing/ Pre-Opening Expense			
Mktg./Pre-Opening Exp.			
Leasing Commissions			
Tenant Impr. Allowance			
Deposit for Operating Reserves			
Contingency			
Total			

Schedule 2

Proposed Convention Center Hotel Estimated Cash Flow From Operations (thousands of inflated dollars)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Statistical Information										
Number of Rooms										
Available Room Nights										
Occupancy Rate										
Occupied Room Nights										
Average Daily Rate										
RevPAR										
Revenues										
Rooms										
Food & Beverage										
Telecommunications										
Parking										
Other Departments and Rentals										
Total Revenues										
Departmental Costs & Expenses										
Rooms										
Food & Beverage										
Telecommunications										
Parking										
Other Departments and Rentals										
Total Departmental Expenses										
Departmental Profit										
Undistributed Expenses										
Administrative & General										
Sales and Marketing										
Energy										
Property Operation & Maintenance										
Total Undistributed Expenses										
Gross Operating Profit										
Franchise Fee										
Management Fee										
Total Fees										
Income Before Fixed Charges										
Fixed Charges										
Real Estate & Property Taxes										
Insurance										
Land Lease										
Other										
Reserve for Replacement										
Total Fixed Charges										
Net Operating Income										

Schedule 3

Project Cash Flow Analysis													
Assumptions													
Number of Rooms													
Cost Per Room													
Total Capital Costs													
Percent Debt													
Percent Equity													
Debt Service Interest Rate													
Capitalization Rate													
Amortization Period (Years)													
	Construction Period		Operations										
Item	Year 1	Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Net Operating Cash Flow (from Schedule 1)													
Less Equity Investment													
Less Interest Payments													
Less Principal Payments													
Less Repayment of Debt													
Less Required Return on Equity													
Plus Residual Value in Year 11													
Net Project Cash Flows													
Net Present Value													
A) Assuming a 10 percent discount rate													
B) Assuming a 15 percent discount rate													