



# Lodging Study

A feasibility study of lodging, prepared for the City of Arlington  
by the Choose Arlington Foundation

Prepared independently by Michael Kedrowski in coordination with Sibley County Economic Development

## Introduction:

### **Scope and Purpose**

The following will provide a feasibility study for a lodging facility in Arlington, Minnesota. Choose Arlington, a community support group, has been engaged to provide this Community Overview Market Study Report analysis for a possible limited-service hotel development in the Arlington, Minnesota area. There are five specific areas in the Arlington market area were identified by local officials as potential sites for the proposed hotel. No specific site has been identified at this time. The size of the proposed hotel has not yet been determined, so recommendations regarding the size will be included in this report.

The Study Report addresses the estimated operating performance of the project and provides recommendations as to size and scope of the development. The study provides owners, investors, operators and lenders with a snapshot of the overall feasibility of the project based on market conditions at the time of the survey, and all data is provided for discussion purposes only. Future macroeconomic events affecting travel and the economy cannot be predicted and may impact the development and performance of this project. There will be no representations regarding the development or possible investments. Potential developers and investors should rely on their own due diligence when making investment decisions.

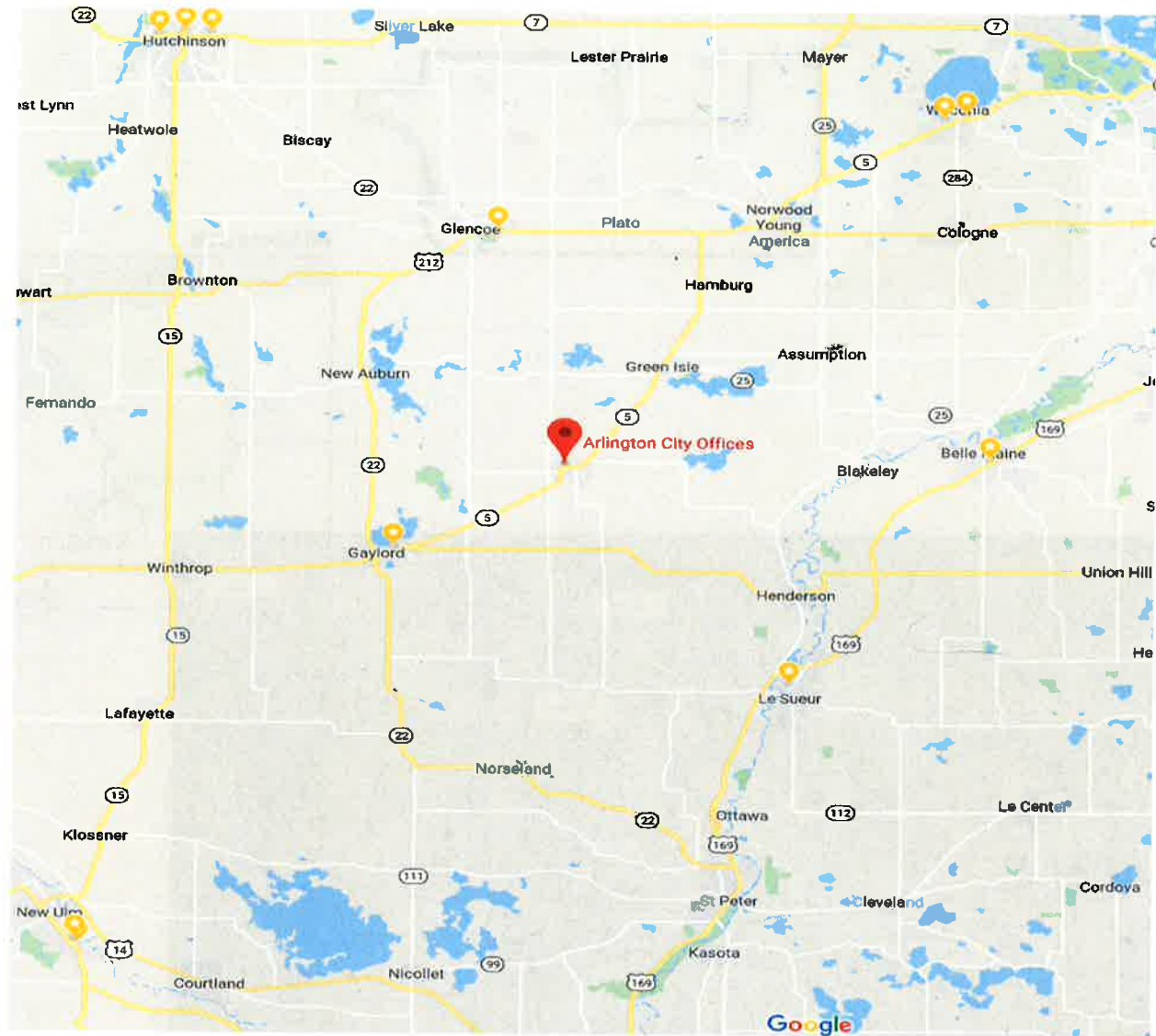
The research that was conducted focused on macro- and micro-market analysis of the Arlington, Minnesota market areas to determine the viability of this market to support the proposed hotel.

### **Area Analysis:**

#### **Proposed Locations:**

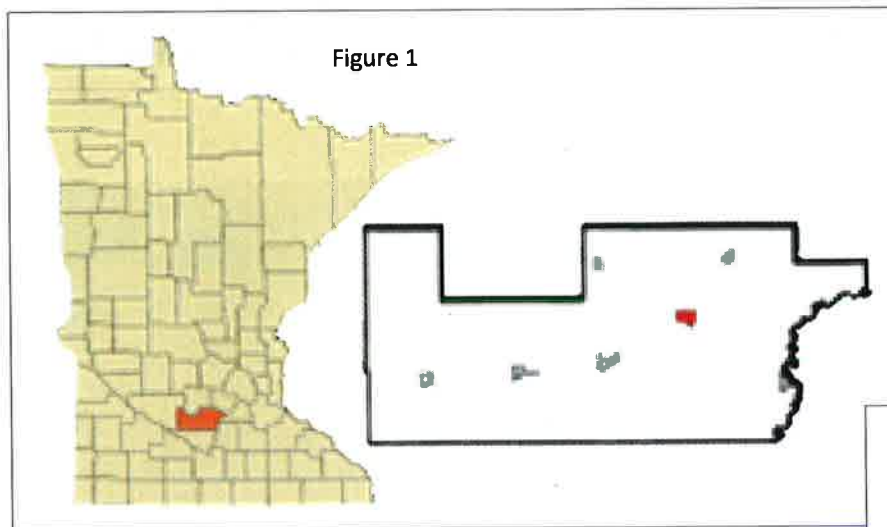
The general market for this hotel is going to be in Arlington, Minnesota. However, hopes are that it will serve the general community covering Sibley County and neighboring communities nearby such as Glencoe, Plato, Henderson, Le Seuer and more. There is a general lack of lodging throughout the area and Arlington serves as a relatively centralized location, as well as having a community center that hosts several large events.

## Data and Analysis:

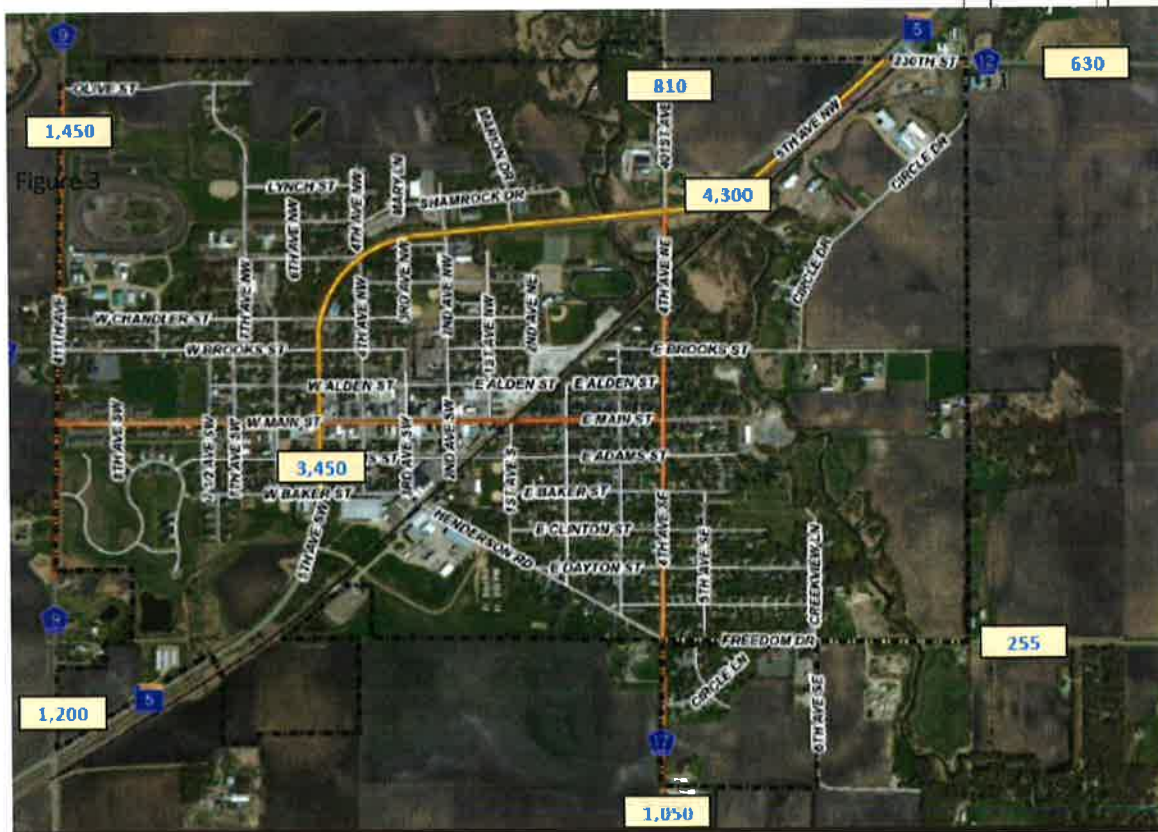


This map depicts locations in close proximity to the subject area of Arlington. The yellow markers present locations in which other hotels in the region of about the same size are located. The red location marker is the Arlington Community center in which our target location would be for a lodging facility. The next image depicts the proposed locations in which a hotel may be able to be placed. These are recommendations based off available land and interviews with officials in the area as well as citizens in support of the project.





**Market Maps**



**Figure 1** depicts Arlington in relation to the state of MN as well as its location in Sibley County

**Figure 2** depicts Arlington in relation to the state of MN and Minneapolis/St. Paul

**Figure 3** depicts a traffic study done in 2014 showing the amount of daily traffic through Arlington's major arterials. Highway 5 is a significant pathway to get east and west through Sibley County



### **About Arlington:**

The subject market area of this study for a proposed limited-service hotel without food and beverage services is the City of Arlington, Minnesota. It is located approximately forty-five miles or 45-50 minutes southwest of the Twin Cities metro area. Arlington is a smaller rural community with a population of approximately 2,100 to 2,300 people.

The current main travel route to the area is via US 212 from the Twin Cities to the northeast and then Minnesota State Highway 5, which runs through Arlington and on to Gaylord and Redwood Falls to the west. Improvements to US 212 have made portions of it 4 lanes from the Twin Cities to where it intersects with Minnesota State Highway 5, facilitating this area in becoming a major growth suburbs for the Twin Cities. In oncoming years most portions of 212 will be 4 lanes both east and west of Highway 5.

The economic base for the area, be it Arlington or Sibley County, is split between Agriculture and Manufacturing. The Manufacturing sector is comprised of a few smaller to medium-sized companies in Arlington and nearby communities such as Gaylord. Residents of Arlington commute either north to the Twin Cites or south to Gaylord or Mankato for work if not



employed locally. The Retail in Arlington includes smaller shops, there are no big box retailers. The Service areas such as Education and Health as well as the Retail sector closely follow the Manufacturing area in size. Employment in the area is supported by the strong German heritage of its residents and their strong work ethic. There is a growing Hispanic population in the area as well.

Recreation in the Arlington area includes the Arlington Raceway with races every Saturday evening during May through September, as well as the County Fair Grounds and a championship high school baseball team. The Minnesota River and several lakes are within a ten mile radius, providing outdoor water activities. There are also two casinos within an hours drive of Arlington as well as three golf courses within fifteen miles of Arlington.

There is one small 10-room motel in Arlington which is in poor condition and is presumed to cater mostly to the employees of its owner with "monthly" business. The closest traditional lodging facilities are either eight miles to the south in Gaylord as a small independent property or twelve to fifteen miles in several directions in Glencoe or Belle Plaine.

This area has seen slow, but steady growth historically. However, due to its proximity to the Twin Cities, Sibley County is projected to have a 6% population decrease over the next few decades. According to the Minnesota State Demographic Center this trend goes on through 2040 with only a slight decrease each year. There are several factors in which can be attributed to this, most likely access to jobs, connectivity to highways and lack of adequate housing.

## **SITE ANALYSIS**

This section of the report will highlight the proposed geographic subject sites identified for the proposed hotel facility. Discussions with city officials indicated five possible site areas. Key elements of the site analysis will be discussed including Visibility, Accessibility, Support Services, and Competitive Position. The following will highlight key factors for the subject sites. Additional information related to a specific hotel development would be provided in a Phase II Comprehensive Market Study.

Site 1—This site is located on the north end of Arlington, near the race track off County Road 9. This site is currently owned by the Arlington EDA, and is zoned for agriculture. It is about a 15 acre lot, highlighted in yellow below. It is one of the furthest locations from the community center, but is housed right next to the fair grounds and race track with often houses largely attended events. It would have access to County Road 9, and limited visibility from the highway unless signage was done.



Site 2 – This site is located two blocks north of State Highway 5 behind the current location of the Sibley County Developmental Achievement Center, Inc in town. This is at approximately the midpoint of where State Highway 5 goes through the City of Arlington. It is currently privately owned and zoned for agricultural use. This site is the 2nd closest site to the Arlington Community Center. Being located almost two blocks off of State Highway 5, it would have, at a minimum, somewhat limited visibility from the highway. Continued on the next page you will see the located of Site 2 highlighted in yellow. It is a part of a large parcel but could be split and zoned for its intended use.





Site 3 —This site is located just east of the community center and just off of Highway 5 across from the gas station and Sibley East Athletic fields. This site is closest to the community center. It is currently privately owned but undeveloped. There are two lots covering .42 acres each and could possibly be acquired as a package deal. This lot is most favored as it has the closest proximity to the Community Center and downtown Arlington. In the image below, the community center is on the far left side parcel 31.0793.000.





Site 4 – This site is located in the Industrial Park on the north/east side of Arlington as you enter Arlington from the Twin Cities on State Highway 5. This land has yet to be acquired by the city, thus requiring additional challenges and providing very limited opportunities for the city to work with the developer. Current occupants include a steel fabrication company, a rental storage business and two farm co-ops as well as a vacant ten acre lot; all privately owned. The city has discussed possible public development in the future. The area of focus is highlighted in yellow, it may not all be needed and could perhaps be partitioned if needed or have more commercial businesses/property on the lot. The community center is just off to the left-hand side about 2/3 of a mile away.



Site 5—This site is located in the heart of downtown Arlington. This site is unique in a way that is it already an existing business, a bar. However, discussion have been made to renovate the unused upper floors of this building and make single and double occupancy rooms. These would be done by the owner, and research into zoning restrictions and ordinances should allow for this possibility to become a reality if they so choose. This location would be the nearest to downtown restaurants and bars, and only a short walk or drive from the school, ball fields and Community Center. This site would have zero visibility from the highway, but if the city allows proper signage could enhance its presence. See the next page for an image and description. It will be detailed further in this study as it would be a renovated facility.



The image above is site 5, the Dugout Bar on Main Street in downtown Arlington. It has been discussed in interviews with the owner of the bar that the upstairs could be utilized by renovating it to a 20 or so bed lodging facility.

According to Arlington Zoning Ordinances there does not seem to be issues with this type of project, as long as it is done within subdivision standards. More in depth research will need to be done if this site is to be proposed as a feasible site for a lodging facility.



## Proposed Site Evaluation:

Site Evaluation:

	Site 1	Site 2	Site 3	Site 4	Site 5
Accessibility	Excellent	Good	Excellent	Excellent	Good
Availability of Utilities	Good	Fair	Excellent	Good	Excellent
Land Cost	Excellent	Good	Excellent	Good	Good
Site Prep	Good	Fair	Fair	Fair	Good
Visibility	Good	Fair	Excellent	Excellent	Good
Zoning	Fair	Fair	Excellent	Fair	Excellent
<b>Overall Location Rating</b>	<b>Good</b>	<b>Fair</b>	<b>Excellent</b>	<b>Good</b>	<b>Strong Good</b>

Sites were judged based off ratings of Excellent, Good and Fair, then scored for over all rating.

Evaluation Criteria:

	Fair	Good	Excellent
Accessibility	Challenging to Access	Accessible with minimal inconvenience	Readily accessible off a major roadway
Availability of Utilities	Utilities not available	Utilities available	Utilities on site
Land Cost	Highest price point(s)	Moderate site prep	Lowest price point(s)
Site Prep	Significant site prep	Moderate site prep	Minimal site prep required
Visibility	Not visible from highway/interstate	Can be seen from a highway/interstate	Easily visible from major highway/interstate
Zoning	Rezoning required (or	Rezoning required but	Zoned correctly

## Utilities

Note: rates are estimates and may vary by project

### Commercial Electric Rates:

The average commercial utility electricity rate in Arlington is .09/kWh

This average commercial electricity rate in Arlington is 36% more/less than the Minnesota Average rate of .1404/kWh.

The average commercial electricity rate rate in Arlington is 35% more/less than the national average rate of /kWh. Commercial rates in the US range from .0973/kWh

### Industrial Natural Gas Rates in Arlington

Rates for this were not found, once size and scope of the project are know utilities can be calculated

### Water Rate

Water rates are \$5.86/1,000 gallons plus a variable fixed rate.

Type	Name	Phone
Electricity	Mcleod Co-Op Power	320-864-3148
Natural Gas	Excel Energy	800-481-4700
Wastewater	City of Arlington	507-964-2378
Water	City of Arlington	507-964-2378



## Economic Analysis

Below is a brief analysis of the overall economic make up of the City of Arlington:

The *Population* information for Arlington was somewhat limited in availability due to its size. The current population was estimated to be between 2,100 and 2,350 people. However, for this reason, Sibley County, where Arlington is located, was reviewed.

- From 1994 to 2004, Sibley County demonstrated an average annual Population increase of 0.3% from 14,700 to 15,300. This was behind the same figures for the State of Minnesota for the same period of 1.2%. From 2005-2015 Sibley County demonstrated a population decrease of about 3%. The Number of Households for the same period increased at an average annual rate of 0.5%, again behind the state annual average of 1.5%.
- *Effective Buying Income* for Sibley County increased an average of 4.1% annually from 1994 through 2004, slightly ahead of the state annual average of 3.5%. The Per Capita Effective Buying Income rates of growth are down somewhat at 3.5% for the same ten-year period, but were significantly ahead of the state figure of 2.1% for the same period. The area appears to have a good growth rate, indicating a stable employment base in the area. There was a drop in Minnesota from around 2012-2014 but has trended upwards since then. Sibley county followed a similar trend, but over all household income is significantly lower.
- *Retail Sales* activity in the Sibley County area demonstrated respectable average annual increases of 6.6% over the ten-year period 1994 through 2004. This was less than that of the State of Minnesota at 10.4% for the same time period. The average annual per capita Retail Sales growth rate for the same period was also good at 6.0%, slightly less than the same figure for the state at 8.3%. From 2005-2015 retail sales increased an average of 3% each year.
- *Eating and Drinking Place Sales* demonstrated strong overall actual average growth rates as well. For the ten-year period of 1994 through 2004, Eating and Drinking Place Sales increased at an average annual rate of 5.8% in Sibley County, while the similar figure for the State of Minnesota was 8.6%. For the per capita growth rate, a similar difference occurred with the State of Minnesota, being 1.5% points higher than that of the market area. From 2005-2015 there was an increase of about 6.6% on average each year.

- These numbers reveal that Sibley County Retail Sales as well as Eating and Drinking Place Sales are ahead of Effective Buying Income, indicating the possible influence of outside demand sources. This is true on both an actual and a per-capita basis.

### **Unemployment Rates**

- *Unemployment Rates* for Sibley County have been up and down over the past nine years, ranging from a low of 3.2% in 2018, to the high in 2010 of 7.9%. Since 2010, Unemployment Rates have run slightly lower than the figures for the State of Minnesota.

**Workforce Analysis** Top 5 Business Sectors in Sibley County (most sources of information for Arlington were out dated, due to Arlington being one of the largest communities, county wide data did suffice)

Business Sector	Employees	% of Total
Office and Administrative Support	14,630	14.1%
Food Preparation & Serving Related	9,930	9.6%
Sales & Related	10,200	9.7%
Production	9,190	8.9%
Transportation & Material Moving	7,900	7.6%
Education, Training & Library	7,820	7.6%

### **Schools in Arlington**

#### **Education**

Sibley East High School  
202 3rd Ave NW  
[www.sibleyeast.org](http://www.sibleyeast.org)





St Paul's Lutheran School

510 W Adam's St

[www.stpaularlington.com](http://www.stpaularlington.com)



### Colleges/Universities with over 2,000 students nearest to Arlington

Crown College

8700 College View Dr, St Bonifacius, MN  
55375

[www.crown.edu](http://www.crown.edu)



Gustavus Adolphus College

800 W College Ave, St Peter, MN 5608

[www.gustavous.edu](http://www.gustavous.edu)



Ridgewater College

2 Century Ave SE, Hutchinson, MN 55350

[www.ridgewater.edu](http://www.ridgewater.edu)



Bethany Lutheran College

700 Luther Drive Mankato, MN 56001

[www.blc.edu](http://www.blc.edu)



South Central College

1920 Lee Blvd North Mankato, MN 56003

[www.southcentral.edu](http://www.southcentral.edu)



Minnesota State—Mankato

730 Maywood Ave Mankato, MN 56001

[www.mankato.mnsu.edu](http://www.mankato.mnsu.edu)



**Area Events:** Highlight events in the area that would attract those staying near Arlington

**Arlington Raceway**

801 W Chandler Street  
Arlington, MN 55307  
Phone: (507) 964-5947  
Web: [www.arlingtonraceway.com](http://www.arlingtonraceway.com)

The Arlington Raceway is located on the Sibley County Fairgrounds in Arlington, MN. 2011 marks our 31st season in operation, providing fun family entertainment. We feature 6 classes of Auto Racing Competition every Saturday night from April 30th-September 24th starting at 7pm. Our admission is very affordable at \$10 per adult \$3 per child and 5 and under are free



**Sibley County Fair**

Arlington, MN 55307  
Phone: (507) 964-5698  
Web: [www.sibleycountyfair.com](http://www.sibleycountyfair.com)

Each year the Sibley County fair draws people from both near and far. This fair boasts all kinds of exciting events and of course delicious foods! Hosted each year the last weekend in July, running Thursday-Sunday there are plenty of opportunities to stop in for a family fun good time!



**Arlington Bull Riding Event**

Sibley County Fairgrounds  
<https://arlingtonbullriding.com/>

The Sibley County Fair Board hold an annual Bull Riding Event at the Fairgrounds . Enjoy the bull riding, mutton bustin', excitement and help raise over \$30,000 for Jared Allen's Homes For Wounded Warriors charity and nearly \$150,000 each year. Bull riders and bulls from across the United States compete for titles and money, including some PBR final bulls and a \$15,000 Bounty Bull.



**Arlidazzle**

Downtown Arlington

Our festive holiday event will be bringing Christmas cheer once again on the first Saturday in December. We look forward to the continued support from our local businesses & community as we showcase Arlington for another spectacular Arli-Dazzle full of Joy, Peace and Season's Greetings!



**Arlington Bull Riding Event**

Sibley County Fairgrounds  
<http://arlingtonas.teams.mnbaseball.org/>

Arlington is home to a well known and well supported town ball team, the Arlington A's. The A's are a Minnesota Amateur Baseball Class C team Member of the River Valley League West Division .





## Area Parks and Recreation:



### Four Seasons Park

301 1st Ave. South

Large picnic shelter with electricity, rentable indoor Lions Center,  
Warming House, Ice Rinks, two baseball/softball fields,  
basketball courts

### Sportsman's Park

24260 387th Ave.

Picnic shelter with electricity, newly improved Baseball field,  
natural setting, bike trail that connects to Four Seasons Park



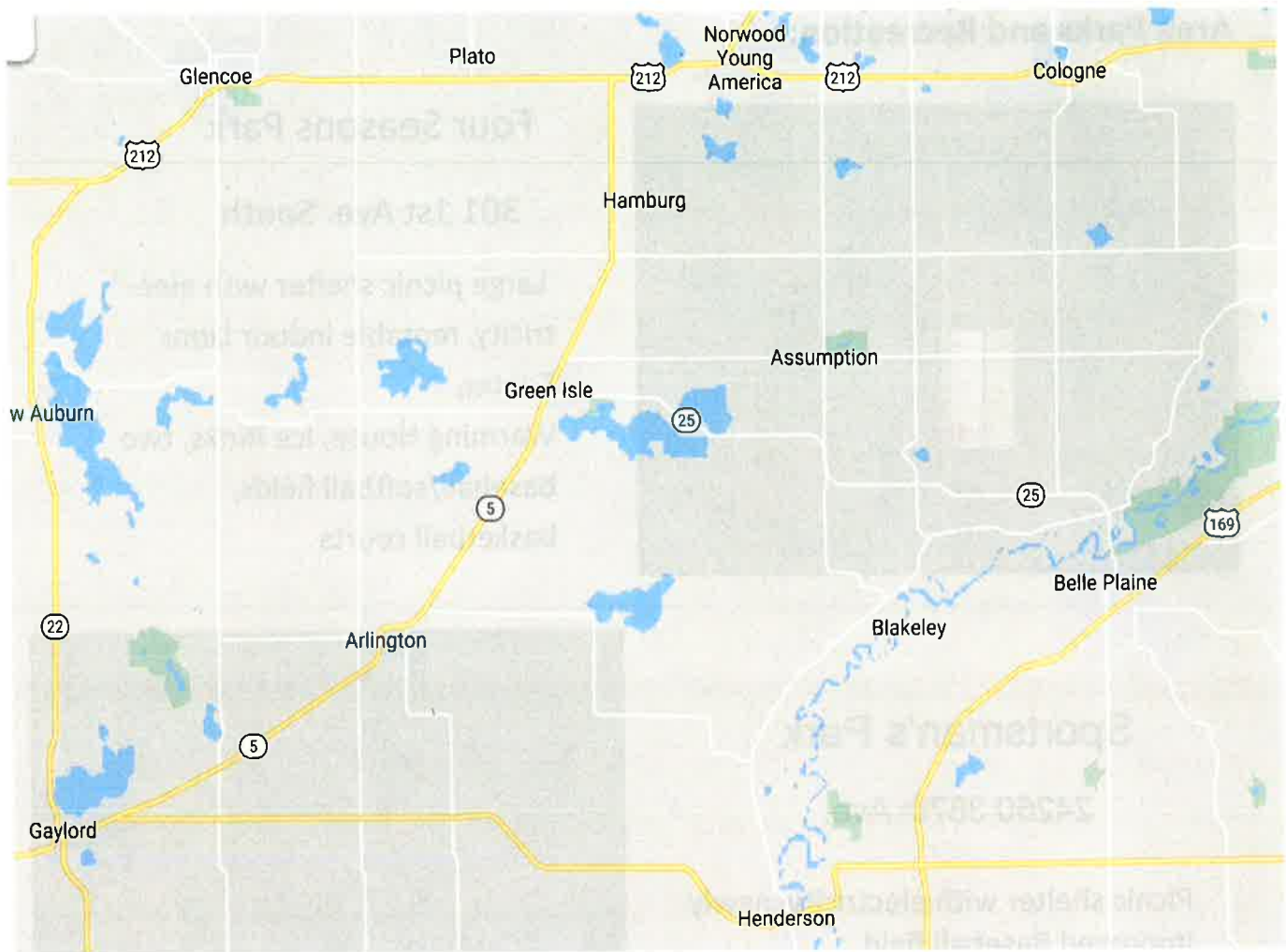
### Memorial Park

500 West Douglas Street

American Veteran memorial,  
walking path of honor, walkability,  
large Gazebo

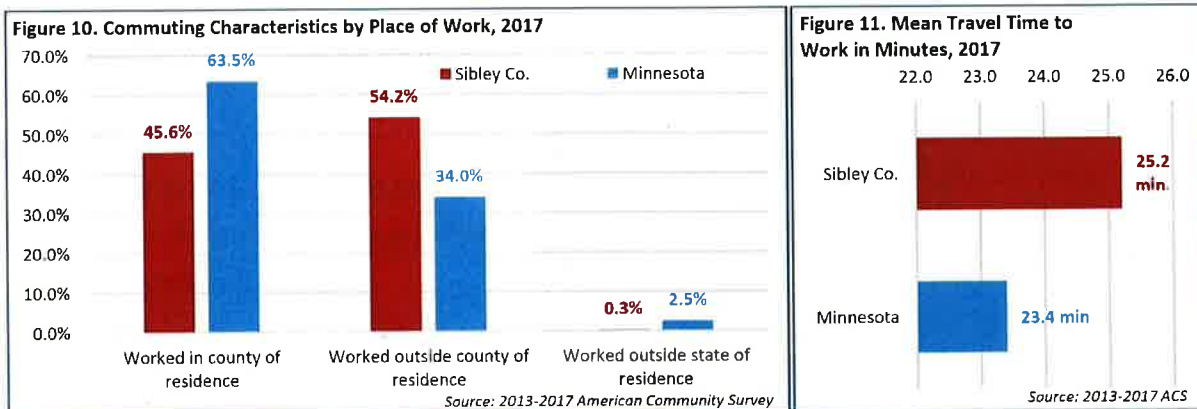


## Transportation



### Transportation:

Transportation to Arlington is usually via MN State Highway 5, which runs north/south through Sibley County as well as through the heart of Arlington. Highway 5 connects Arlington to US Highway 212 to the north and then to Interstate 494, when reaching the edge of the twin cities. In 2009, US 212 was expanded to four lanes from I-494 to its intersection with MN State Highway 5. This connectivity greatly benefits those who commute both to and from Arlington for work. To the south, Highway 5 connects with MN State Highway 19, a main travel corridor running east/west across Sibley County and connecting Arlington to US 169 just east of Henderson. Below is information from MN DEED's profile of Sibley County.



### Interviews from the Community:

An example of the survey to be handed out to the community and compiled/summarized in paragraph portion or graphically with charts/graphs etc.

Do you have the need for over night accommodations for clients/family? \_\_\_\_\_

If so how long are they typically staying? \_\_\_\_\_

If so where are they staying or where have they stayed in the past?

How important is location on a scale of 1-10? \_\_\_\_\_

Is brand affiliation something that matters? Yes / No

What kind of amenities are preferred for you or your guests? \_\_\_\_\_

How would you rate the current hotel/motel facilities for the area? 1-10 \_\_\_\_\_

How would you rate lodging facilities in the surrounding markets? 1-10 \_\_\_\_\_

Is meeting space something that is needed at this lodging facility? Yes / No

Comments:

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## LODGING DEMAND

This section of the report will identify Lodging Demand sources for the proposed hotel facility. Exhibit 2 of this report identifies the primary market area that will be serviced by the subject site location for this hotel on a year-round basis.

The first area to be identified in describing the Lodging Demand Potential for the market is the Market Segmentation that exists in the area. It is estimated that this market generates 80.0% of its business from Individual travel segments. Making up this 80.0%, it is estimated that 45.0% (or 56.3%) is from the Corporate/Commercial segment and 35.0% (or 43.7%) is from the Social/Leisure Market Segment. The potential of both of these projected Market Segments is dependent on the City of Arlington to grow its economic base and/or its population.

The remaining 20.0% of the Market Segmentation comes from the Group markets. Of this, it is estimated that 5.0% (or 25%) once again comes from Business-Oriented groups and 15.0% (or 75%) from Social/Leisure groups.

At this time, the subject hotel would be expected to perform similar to the area with a slight increase in the Group markets as compared to the area. Additional research will be required to determine the subject's hotel's performance based on its design and targeted Market Segmentation. Part of a Phase II comprehensive Market Study Report would include a survey of the caterers currently utilizing the Arlington Community Center to determine from them the amount of room nights generated by their business at the Center and the business that they feel is lost due to no adequate lodging facility being located in Arlington.

These numbers would need to be verified and presented in more detail in a more comprehensive market study report for a specific hotel development. To further define the Market Segmentation of the area, preliminary profiles for each Market Segment were defined. The following outline provides Market Segmentation Profiles that correspond with the subject property's projected Market Segmentation.

## Market Segmentation Profiles

### Individual Travel Markets

#### Corporate/Commercial Markets

- Individual travelers
- Vendors & Suppliers to Regional Market
- Area Companies—Major Employers
  - Administrative
  - Visiting doctors/medical staff
  - Customers
  - Service Technicians
  - Training

### Social/Leisure Markets

- Area Antique Shopping
- Area Attractions/Events
  - Arlington Race Track
  - Polka Festival
  - Golfing Packages
  - Pheasants Forever Banquet/Meeting
  - Visiting Friends and Relatives

### Group Markets

#### Business Markets

- Area Companies
  - Regional grain/Seed Companies
  - Employee Meetings
  - Training/Sales Groups
- Social/Leisure Related

As indicated above, this market has a variety of demand to draw from. Demand is readily identified on a limited basis in both the Social/Leisure and the Corporate/Commercial markets. Seasonality plays a part in the depth of demand for the Social/Leisure market, and to some degree, the Corporate/Commercial market.

Discussions with local officials and business leaders indicated that to a certain degree, there is business being lost to the nearby lodging facilities located in the Twin Cities market area, less than an hour's drive away, as well as the corridor on US 169 along the Minnesota River. This latter area is the location of the two closest mid-priced lodging facilities without food and beverage services, which are AmericInns, located sixteen and twenty miles away from Arlington.

Area outdoor recreation is very big during the period from May through September on weekends with weekly races at the Arlington Race Track every Saturday night. There is an estimated 1,500-1,800 fans from as far as eighty miles away in attendance every Saturday night during this time frame. Currently, fans either drive home or must go to Gaylord, nine miles away, or up to 20-25 miles for a mid-priced property without food and beverage services. Also, there are three golf courses less than fifteen miles from Arlington. Several large lakes and the Minnesota River are within fifteen miles, providing fishing and water sport facilities.

A well equipped sports complex including both baseball and football enable the hosting of tournaments. The first of which is the 2009 Minnesota Class B Baseball tournament that Arlington co-hosted over three weekends.

There is an estimated limited Corporate/Commercial market with a limited number of potential clients. These include Sibley Medical Center and Northland Drying, and Scott Equipment, all located in Arlington, as well as Michael Foods in Gaylord. Its corporate headquarters is located in Arlington and long-range plans currently indicate it will remain there. It is currently utilizing lodging facilities in Gaylord and the Twin Cities and sees a need for uses ranging from national and international customers and suppliers to recruiting potential employees.

Suppliers and vendors traveling to the area are always difficult to track. However, this is a major part of the Corporate/Commercial market. Training/business seminars/conferences related to the agriculture/seed business also comprise a significant portion of potential business in this market and have been interested in hosting programs at the Community Center, but did not due to the lack of any adequate lodging in Arlington.

The Sibley Medical Center indicated that it will require rooms for visiting doctors and nurses for periods of time.



The Group Market Segment holds a variety of possibilities, and might be the Market Segment with the greatest potential growth based on utilizing the new Arlington Community Center as meeting space. In fact, this growth may possibly be greater than what was discussed earlier in the Market Segmentation breakdown. It contains 14,000 square feet of meeting space with two dividing walls, and is capable of seating up to 550 people at round tables. There also is a stage area, pre-function area, a full kitchen, and the city council chambers, which can be used as a board room seating up to 35. Simply put, it is the meeting space for a smaller full-service hotel, so the addition of an adequate mid-priced lodging facility would compliment it, creating a typical destination meeting/conference facility. Several organizations utilize the facility with attendees staying outside of Arlington, while a greater number of organizations have declined use of the facility, due to the lack of nearby lodging space. Also, there are the various possible reunions ranging from military to high school and others including wedding groups.

Weekends are currently booked for weddings through year-end, with some being lost due to no lodging in Arlington. Currently, out-of-town guests must travel fifteen miles or more for a mispriced lodging facility.

**Local Competitors:** (partial list, local source: [tripadvisor.com](https://www.tripadvisor.com))

A sample date of June 26-30th (Sibley County Fair) was selected to compare rates of competitor's hotels.

Super 8 by Windham—Glencoe

Approximately 12 miles away



Microwave

Coffee/Tea Maker

Free Wifi

Flatscreen TV

Meeting Rooms

Free Breakfast

Pet Friendly

Business Center

Trip Advisor Traveler Rating:

10 Excellent

18 Good

26 Average

18 Poor

16 Terrible

**Around \$65/night standard**

**33 Rooms**

Hometown Inn & Suites—Belle Plaine

Pool/Spa/Game Room



Meeting Room

Free Wifi

Laundry Service

Free Breakfast

Fridge

Microwave

Family Rooms

Trip Advisor Traveler Rating:

17 Excellent

10 Good

9 Average

11 Poor

8 Terrible

**Around \$101/Night Standard**

**44 Rooms**

AmericInn by Wyndham —Waconia

Pool/Spa/Game Room/Sauna



62 Rooms

Meeting Room

Free Wifi

Laundry Service

Free Breakfast

Fridge

Microwave

Terrace/Patio

Trip Advisor Traveler Rating:

194 Excellent

41 Good

8 Average

3 Poor

5 Terrible

**Around \$120 Night Standard**

**Local Competitors:** (partial list, local source: tripadvisor.com)

**AmericInn by Wyndham — Hutchinson**



**86 Rooms**

**Pool/Spa**

**Meeting Room**      **Trip Advisor Traveler Rating:**

**Free Wifi**                      **97 Excellent**

**Self Serve Laundry**      **70 Good**

**Free Breakfast**              **32 Average**

**Fridge**                          **16 Poor**

**Microwave**                  **14 Terrible**

**Pet Friendly**              **Around \$135/Night Standard**

**Days Inn by Wyndham — Hutchinson**



**52 Rooms**

**Pool/Spa/Game Room/Sauna**

**Meeting Room**      **Trip Advisor Traveler Rating:**

**Free Wifi**                      **19 Excellent**

**Dry Cleaning**              **33 Good**

**Free Breakfast**              **38 Average**

**Flatscreen TV**              **45 Poor**

**Microwave**                  **38 Terrible**

**Around \$120 Night Standard**

**Microtel Inn & Suites by Wyndham — New Ulm**



**63 Rooms**

**Pool**

**Trip Advisor Traveler Rating:**

**Free Wifi**                      **54 Excellent**

**Pet Friendly**              **82 Good**

**Free Breakfast**              **70 Average**

**Family Rooms**              **62 Poor**

**Microwave**                  **41 Terrible**

**Meeting Room**              **Around \$95 Night Standard**



### Econo Lodge — New Ulm



**61 Rooms**

Dry Cleaning Trip Advisor Traveler Rating:

Free Wifi 5 Excellent

Pet Friendly 18 Good

Free Breakfast 21 Average

Family Rooms 14 Poor

Microwave 0 Terrible

Laundry Room **Around \$81 Night Standard**

### Microtel Inn & Suites by Wyndham — New Ulm Pool/Spa/Gameroom/Billiards/Table Tennis



**120 Rooms**

Free Wifi Trip Advisor Traveler Rating:

Ballroom 131 Excellent

Conference Center 70 Good

Free Breakfast 19 Average

Family Rooms 4 Poor

Microwave 5 Terrible

Safe **Around \$131 Night Standard**

### Econo Lodge—Gaylord



**30 Rooms**

Laundry Service Trip Advisor Traveler Rating:

Free Wifi 8 Excellent

Dry Cleaning 7 Good

Free Breakfast 3 Average

Fridge 4 Poor

Microwave 4 Terrible

Meeting Room **Around \$90 Night Standard**

### Lodging Rate and Supply of Competitors

Competing Property Distance	Number of Rooms	Average Daily Rate	Midpoint
Super 8 by Wyndham—Glencoe About 12 miles away	33	\$65-\$85	\$75
Hometown Inn & Suites—Belle Plaine About 22 miles away	44	\$80-\$140	\$110
Americinn by Wyndham—Waconia About 24 miles away	61	\$80-\$140	\$110
Americainn by Wyndham—Hutchinson About 36 miles away	86	\$90-\$165	\$120
Days Inn by Wyndham—Hutchinson About 38 miles away	52	\$75-140	\$110
Microtel Inn & Suites by Wyndham—New Ulm About 36 miles away	63	\$80-\$110	\$90
Econo Lodge—New Ulm About 36 Miles away	61	\$60-\$90	\$75
Best Western Inn & Suites—New Ulm About 36 miles away	120	\$110-\$160	\$130
Econo Lodge—Gaylord About 8 miles away	30	\$75-\$100	\$85
<b>AVERAGES</b>	-	<b>\$80-\$130</b>	<b>\$100</b>

Several of the above hotels give corporate rates, which are not reflected in the above rate index. The rates will vary day to day, month by year. The rate was compared across multiple weekends and high season to compile an average as shown above. Rates are subject to change and a new hotel could affect these rates in the future.

## **Financial Analysis**

### **Local Economic Development Incentives and tax Assistance programs**

Generous Incentives are available from local, state, and federal governments to encourage new investment in the region. Incentives are based on capital investment, new jobs created, and level of employee compensation. The following are incentive programs that may be available for **QUALIFYING PROJECTS**.

#### **I. Tax Relief**

- A. Property Tax Abatement—Real Property**
- B. Property Tax Abatement—Personal Property**
- C. Sales Tax/Use Tax Abatement**

#### **II. Land Acquisition and Assembly**

- A. City (Village)/County Contribution/Subsidy**
- B. City/County Acquisition/Lease-Back**
- C. Tax Increment Financing (TIF)**
- D. Eminent Domain**
- E. Business District**

#### **III. Building Construction (Build to Suit)/Financing**

- A. NID Bonds**
- B. Qualified Small Issue IDB**
- C. General Obligation Bonds**
- D. USDA/SBA Loan Guarantees**
- E. Business District**

#### **IV. Infrastructure Assistance**

- A. Tax Increment Financing (TIF)**
- B. Amortized Utility Installation Costs**
- C. Business District**



	30 Rooms	Per room
<b><u>Land &amp; Site Prep</u></b>	<b>\$328,228</b>	<b>\$10,940/room</b>
Raw Land	\$69,000	
Permit & Community Fees	\$100,000	
Site Utility & Excavation	\$100,000	
<b><u>Building Construction</u></b>	<b>\$2,118,000</b>	<b>\$70,600/room</b>
<b><u>Fixtures, Furnishings, and Equipment</u></b>	<b>\$360,000</b>	<b>\$12,000/room</b>
<b><u>Indirect Costs</u></b>		
Appraisal	\$5,000	
Architectural/Engineering	\$80,000	
Surveys	\$10,000	
Development Services	\$250,000	
Pre-opening Expenses	\$40,000	
Working Capital	\$100,000	
Legal and Accounting Fees	\$10,000	
Construction Period Interest/Loan Fees/ Closing	\$100,000	
Insurance & Taxes During Construction	\$20,000	
Project Contingency	\$120,000	
<b>Total Indirect Costs</b>	<b>627,000</b>	<b>\$20,900/room</b>
<b>Total Projected Costs</b>	<b>\$3,651,297</b>	<b>121,709/room</b>

Note: all pricing noted above is estimated and calculations are based off estimates

<b>Anticipated Loan Amount (60% Loan to Value):</b>	<b>\$2,190,800</b>
<b>Suggested Cash Injection (40% Equity Investment):</b>	<b>\$1,460,500</b>
<b>Estimated Loan Terms:</b>	<b>25 years @ 6.00%</b>
<b>Estimated Monthly Debt Service:</b>	<b>\$10,954</b>
<b>Estimated Yearly Debt Service:</b>	<b>\$131,448</b>

## Conclusion:

After extensive research it has come to a conclusion that a hotel project would ideally be best to be placed at Site 3, at the intersection of Hwy 5 and Marion Drive. This site would possibly provide the best investment based off proximity to the Community center and over all visibility from the highway. Due to both the lot size and population, it is suggested that a small scale facility be put in place of about 30 or so rooms dependent upon floor plan. It is likely that the need will remain there and rooms will be occupied throughout the year, and when summer months come around a 30 room lodging facility should be enough to fulfill the need.

### Property Recommendations:

Size: 30 rooms (standard and single bed rooms)

Amenities: Meeting room, hot or continental breakfast, fitness room

Rate: Within a 25% average of \$72.50, with a rate range from \$65-100

Brand affiliation isn't important and in a smaller community it may not be a draw for many of the larger lodging brands. It is suggested that any hotel developer would suffice, but brand affiliation would possibly assist with drawing in regularly traveling clientele as well as loyalty members.