

INVITATION TO BID
Market Feasibility Study

The Scott County Economic Development Authority is evaluating the development of a business class hotel within Scott County, Virginia, and is soliciting bids for a market feasibility study for a business class hotel of a nationally recognized brand.

Please submit sealed bids labeled "Market Feasibility Study Bid" to John Kilgore, Executive Director, 190 Beech Street, Suite 202, Gate City, Virginia 24251 no later than 10:00 a.m. on Monday, March 20th, 2017.

There is a need to have an independent 3rd party evaluate the regional and local hotel market in order to establish whether or not there is sufficient demand to support a business class hotel and, if so, identify the best product and branding opportunities available, determine the appropriate number of rooms to be built, along with the appropriate support services and facilities, and prepare a market study that indicates its feasibility.

We ask that the study include the following components:

1. Market Study
2. Financial Analysis
3. Preparation of a full Market Study Report

Market Study:

Review the overall market area to ascertain whether or not there is sufficient room night demand to support the development of a new hotel of any type in the market area. Once the project is awarded, we'd like to ask for a planning conference call to cover the following:

- Establish formal lines of communication between the parties
- Review and discuss the assignment
- Identify any required information needed by the team and source of that information
- Discuss any administrative or technical issues related to the study
- Discuss potential dates for the site visit
- Establish milestone dates for completion of deliverables
- Discuss any other issues of importance to the completion of the assignment

Prior to conducting the on-site fieldwork and interviews, we would undertake the following:

- A. Review Historical Hotel-Related Data for the Market, including: historical supply and demand trends for the area.
- B. Detailed list of hotel inventory in the market area
- C. Historical STR data regarding operating performance of the regional lodging industry
- D. Information on any trend-related and/or relevant tourism studies or other studies of this nature which you may have already collected.

This information would allow us to familiarize ourselves with

- The current lodging inventory in the market area

- The size and performance of the regional lodging market
- Subject lodging market's relative performance against competitive and comparable markets
- Pricing trends for the lodging supply
- Historical growth patterns in supply and demand
- Correlation of growth in hotel supply to other commercial and residential development trends in the market area.

Area Review

During your fieldwork, we ask that you gather and analyze relevant socioeconomic data regarding the market area as a background for judging the potential for the proposed hotel. We'd like to see correlations between key economic factors and the demand for hotel rooms and any available forecasts of the indicators in the evaluation of potential and future demand. We ask you analyze the following data:

- Overall trends in the market
- Population trends
- Employment trends
- Tourism and visitation trends to the area to include key attractions and universities
- Residential housing trends
- Sales tax trends (including lodging, retail, and food & beverage)
- Transportation trends (i.e., highway and airport traffic trends)
- Office and industrial space developed, occupied and proposed

Site Visit and Primary Market Research

Fieldwork should include interviews with key demand generators; inspection, evaluation and/or interviews with other hotels and short term apartment rentals in the market. Fieldwork should be broken into the following categories:

- A. Location/Site Analysis: Evaluate the site as to its suitability for hotel development based on evaluation of the following factors:
 - Pedestrian access either existing or planned for the site
 - Access from area roadways, airports, bus and train stations and principal sources of room night demand; general ease of accessibility
 - Visibility from principal access routes from within and outside the immediate area
 - Image and ambience as it relates to the site's surroundings and adjacent land uses and views
 - Availability of utilities
 - Current utilization of the site and the vicinity
 - Relationship of the site to demand generators in terms of convenience vs. that of the competition (existing and prospective)
 - Relationship of the site to retail centers, services, food and beverage facilities, recreation facilities, area amenities and other ancillary facilities (existing and planned)
 - Relationship to area growth patterns (existing and prospective)

- Advantages/disadvantages of the site vs. those of its major competitors
- B. Review of Competitive Hotels: Interviews with local hotels (and short term apartments relative to extended stay) should be conducted locally and regionally (to the extent necessary and pertinent), in order to evaluate their success, sources of demand, absorption and stabilization periods, required facilities and amenities, services, price points, etc. The following key data should be obtained.
- Facility type and market orientation (star rating)
 - Age, condition and ambiance
 - Historical performance
 - Performance factors affecting demand/utilization of the hotel and apartments (relative to extended stay demand)
 - Facilities, amenities, services provided and popularity
 - Market demand segments served (historical and likely)
 - Pricing issues as related to market of users
 - Pricing by length of stay
 - Usage levels for all applicable facilities and services
 - Advantages/disadvantages of the proposed hotel

**We understand that some performance data like occupancy and average daily rate is typically divulged under a confidentiality agreement and as such, we do not expect property specific data. We would, however, expect to see historical performance data for the competitive set as a whole.

We also expect that other interviews may be needed to provide a full picture of the market. Those interviews would likely come from the following sources:

- Local/regional hotel associations and other tourism-related entities
- Representatives of area businesses which require overnight accommodations for transient, group or extended stay guests.
- Representatives of area tourist and recreation attractions drawing outside visitors to the area
- Representatives of area educational institutions which may require overnight guests.
- Local Chambers of Commerce
- Bankers, real estate brokers and development organizations
- Other persons knowledgeable about tourism trends within the competitive market area as appropriate

This research will allow us to fully understand the threats to the successful hotel development and operations today and into the future that can then be evaluated against that proposed and allow us to prepare informed judgements.

In addition, we would need estimates of future growth in demand for, and supply of, hotel accommodations in the area. Principal market segments typically include but are not limited to: Commercial and corporate groups, Leisure transient, Extended Stay, Government/military transient, etc. These future estimates should cover 5 to 10 years of projected demand per market segment.

Facility Recommendations and estimated occupancy

Using the previously compiled information, we expect recommendations on the type and size facility to be built. Utilizing the concept of fair market share, we would expect an estimate of the share of the market the subject hotel could reasonably expect to capture during the projection period.

Recommendations should include:

- Appropriate product positioning in terms of service level
- Facility type
- Number and mix of guest rooms
- Size, type and need for food and beverage facilities
- Size, type and need for conference/training, meeting, and function/banquet space
- Related services and amenities such as an exercise room, swimming pool, laundry, business center, parking, etc.

Once all this data is collected, a preliminary letter of findings should be compiled and summarized in a Preliminary Letter of findings which would detail the following:

- Overview of Market
- Description of the hotel and the site
- Overall historical performance and market segmentation of the competitive set
- Recommendations regarding product types for the site
- Facility recommendations, i.e., number of rooms, support areas, etc.
- Estimate of market demand for the proposed hotel
- Performance projections, i.e., average daily room rate and occupancy levels for the proposed hotel for a stabilized year of operation in addition to the first 10 years of operation.

We will use the information to determine if sufficient demand exists to warrant further study. If we agree to move forward, we would ask that a Financial Analysis completed to give us an idea of operating budgets, cash flow and income stream. We'd then ask for an Economic Feasibility Estimate to determine the level of facility that can be built as well as an estimate of construction cost indication. We expect this information to help us establish the level of debt service supportable by the indicated cash flows and the level of equity that is needed for the project.

As the final phase of this project we'd like a full market feasibility report to include all tables, maps, charts and graphics that detail your findings, conclusions and other recommendations. This report should be presented in a form suitable for use in arranging private financing, seeking a hotel franchise or negotiating a lease agreement. The following is an overview of what is expected in the final report:

- Executive Summary
- Site Analysis
- Market Overview
- Competitive Supply and Demand Analysis
- Future Growth Trends in Supply and Demand
- Recommended facilities and Services
- Projections of Occupancy, Average Room Rate for Subject Hotel
- Financial Analysis and cash flows

Along with your quote for each stage of information, please submit information on the following Professional Fees:

- Principals and Directors
- Senior Staff
- Professional Staff
- Administrative Staff
- Out-of-pocket expenses.

The Scott County Economic Development Authority reserves the right waive any technicalities and to reject any or all bids.

Contractor's Authorization to Transact Business: Please see the attached form titled "Proof of Authority to Transact Business in Virginia."

Employment Discrimination: (*Code of Virginia § 2.2-4311*) This provision only applies to contracts valued in excess of \$10,000.

1. During the performance of this contract, the contractor agrees as follows:

a. The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, sex, national origin, age, disability, or other basis prohibited by state law relating to discrimination in employment, except where there is a bona fide occupational qualification reasonably necessary to the normal operation of the contractor. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

b. The contractor, in all solicitations or advertisements for employees placed by or on behalf of the contractor, will state that such contractor is an equal opportunity employer.

c. Notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting the requirements of this section.

2. The contractor will include the provisions of the foregoing paragraphs a, b and c in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

Drug-Free Workplace: (*Code of Virginia § 2.2-4312*) This provision only applies to contracts valued in excess of \$10,000.

During the performance of this contract, the contractor agrees to (i) provide a drug-free workplace for the contractor's employees; (ii) post in conspicuous places, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in the contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition; (iii) state in all solicitations or advertisements for employees placed by or on behalf of the contractor that the contractor maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

For the purposes of this section, "drug-free workplace" means a site for the performance of work done in connection with a specific contract awarded to a contractor in accordance with this chapter, the employees of whom are prohibited from engaging in the unlawful manufacture, sale, distribution, dispensation, possession or use of any controlled substance or marijuana during the performance of the contract.

Faith-Based Organizations: (*Code of Virginia* § 2.2-4343.1) Scott County Economic Development Authority does not discriminate against faith-based organizations.

Illegal Aliens: (*Code of Virginia* § 2.2-4311.1) The Contractor agrees that he or she does not, and shall not during the performance of this contract, knowingly employ an unauthorized alien as defined in the federal Immigration Reform and Control Act of 1986.

Indemnification: The Contractor shall hold harmless and indemnify the Scott County Economic Development Authority and its officers, officials, employees and agents against any and all injury, loss or damage arising out of the Contractor's negligent or intentionally wrongful acts or omissions. The EDA will not agree to indemnify the offeror or bidder.

Proprietary Information: § 2.2-4342(F) of the *Code of Virginia* states: "Trade secrets or proprietary information submitted by a bidder, offeror, or contractor in connection with a procurement transaction or prequalification application submitted pursuant to subsection B of § 2.2-4317 of the *Code of Virginia* (1950), as amended, shall not be subject to the *Virginia Freedom of Information Act* (§ 2.2-3700 et seq. of the *Code of Virginia* (1950), as amended); however, the bidder, offeror, or contractor shall (i) invoke the protections of this section prior to or upon submission of the data or other materials, (ii) identify the data or other materials to be protected, and (iii) state the reasons why protection is necessary." If the exemption from disclosure provided by § 2.2-4342(F) of the *Code of Virginia* is not properly invoked, then the proposals will be subject to disclosure pursuant to applicable law.

ISSUED: Friday, March 3, 2017
Scott County Economic Development Authority
190 Beech Street, Suite 202
Gate City, VA 24251
(276) 386-2525

PROOF OF AUTHORITY TO TRANSACT BUSINESS IN VIRGINIA

THIS FORM MUST BE SUBMITTED WITH YOUR PROPOSAL/BID. FAILURE TO INCLUDED THIS FORM MAY RESULT IN REJECTION OF YOUR PROPOSAL/BID

The attention of each offeror or bidder is directed to § 2.2-4311.2 of the *Code of Virginia*, which requires an offeror or bidder organized or authorized to transact business in the Commonwealth of Virginia pursuant to Title 13.1 or Title 50 of the *Code of Virginia*, as amended, or as otherwise required by law, to include in its proposal or bid the Identification Number issued to such offeror or bidder by the Virginia State Corporation Commission (SCC). Furthermore, any offeror or bidder that is not required to be authorized to transact business in the Commonwealth as a foreign business entity under Title 13.1 or Title 50 of the *Code of Virginia*, as amended, or as otherwise required by law, shall include in its proposal or bid a statement describing why the offeror or bidder is not required to be so authorized. Failure to provide the required information may result in the rejection of the proposal or bid. If the proposal or bid is accepted by the EDA, the undersigned agrees that the requirements of the *Code of Virginia* § 2.2-4311.2 have been met. Please complete the following by checking the appropriate line that applies and providing the requested information. **PLEASE NOTE: The SCC number is NOT your federal ID number or business license number.**

A. _____ Offeror/Bidder is a Virginia business entity organized and authorized to transact business in Virginia by the SCC and such offeror's/bidder's Identification Number issued to it by the SCC is _____.

B. _____ Offeror/Bidder is an out-of-state (foreign) business entity that is authorized to transact business in Virginia by the SCC and such offeror's/bidder's Identification Number issued to it by the SCC is _____.

C. _____ Offeror/Bidder does not have an Identification Number issued to it by the SCC and such offeror/bidder is not required to be authorized to transact business in Virginia by the SCC for the following reason(s): _____

Please attach additional sheets if you need more space to explain why such Offeror/Bidder is not required to be authorized to transact business in Virginia.

Legal Name of Company (as listed on W-9): _____

By: _____ Title: _____
(typed or printed)

Date: _____ Authorized Signature: _____

PLEASE RETURN THIS PAGE WITH PROPOSAL OR BID - REQUIRED