

Braham EDA  
April 14, 2021  
Braham Event Center  
2 pm

The Braham EDA meeting for the month of April was a public informational meeting with Eric Tweten of New Heights Hospitality and Greg Hanis of Hospitality Marketers to explore the option of doing a hotel feasibility study to attract hotel developers and investors to Braham. Hanis has been in conducting market studies for about 35 years. Members of the EDA, the Event Center Board, and the Chamber of Commerce, as well as County Commissioner Turnquist were present.

Tweten talked about how a hotel could bring travelers to the community by increasing things such as social events and amateur athletics. The high school district could host tournaments, it could draw more weddings and events when people don't have to drive to another community for lodging.

Greg Hanis talked about the variety of options with installing a hotel. He said strong drivers for communities trying to attract a hotel include becoming a destination, catering to businesses who work in town, as an EDA driver, to attract new companies (they often look for a place to put up their travelers). Hotels are a vital economic driver. The study researches the area and looks at the micro to the macro on what drives guests to the area. He feels Braham is an interesting market because we have a beautiful Event Center, highway access, and no competition. Having no other place to stay in town is a positive factor in attracting a hotel. He would examine the economic health of the area including key factors such as population, employment rates, incomes, company mix, demographics such as medical, manufacturing, commercial and retail mix. He went on to say there are hotel markets that don't need full-service hotels. It could be a limited hotel with no food or beer. He said it could be a hotel with a Café/Bistro that has a menu for lunch and dinner. When we are looking to attract a hotel, we should also be looking at attracting the highest/best brand we can get. There are 4 or 5 principals to attract:

1. Corporate travelers want ease of booking (easier with the better brand hotels)
2. Corporate travelers want it easy to use their points (easier with the better brand hotels)
3. They need to consider the occupancy level and the average daily room rent
4. An assessment of the viability of the market.

Hanis stated there are basically 4 types of travelers:

1. Individuals who travel for business
2. Individuals who travel for pleasure
3. Groups who travel for business
4. Groups who travel for pleasure

The reason an EDA conducts a feasibility study like this is as an economic development tool as the study also looks at our strengths and weaknesses. What else do we need to attract people? The study helps to develop the support for what we need.

There are 3 basic types of feasibility studies:

1. Desktop (Preliminary) Study: This is done remotely for about \$2500

2. **Field Report:** This is an interim study which reviews multiple sites in and around the city. It looks at economy of the area, population, income level, characteristics of the market and competitive supply. When they examine competitive supply (other hotels) they look at size, age, and how far away they are. Tweten said the study will help get a feel for what the demand really is outside the community.
3. **Market Study:** Usually conducted by the hotel if interested.

Eric Tweten recommends the committee pay for the basic field study which Greg Hanis quoted at \$6000. This study would give the community and potential developers/investors a good opinion as to whether or not Braham could support a hotel.

Hanis also said if they do the field study and they see a hotel is not going to work in Braham, they will stop the study and only charge about \$4500. It would still identify the city's strengths and weaknesses and what we would need to do to attract a hotel. It could be restarted. The field report feasibility study is what is needed to attract the investor dollars.

Terry Lind stated knowing all this makes it seem more like a good idea to him. Mayor Carlson added that many of the vendors for Pie Day travel quite a ways and are always looking for a place to stay in town.

Becky Turnquist asked Grafstrom what she thought. Grafstrom said since she started here, people in the community have been asking to get a hotel. These are the steps to do it. She said this is a tool to attract investors, no one in the room would be required to run it or manage the staff, or even pay for the hotel. She believes if we build it, they will come. Every single time her family and friends have traveled to the area, not even on a major holiday, they cannot find a place to stay nearby. Cambridge and Mora are always full. Her family and friends have had to stay in Milaca, Forest Lake, and at a resort near Pine City as those have been the only available options when they come, if they don't stay at her house. She pointed out we have several large businesses in town that have out of town guests. ECE puts there guests up in Hinkley. We have travelers in and around Braham that need a place to stay.

Some audience members felt the hotel should pay for a feasibility study. That makes sense except that we are looking at this as a development tool. Loren Nelson is concerned we are attempting to push the rock up the hill.

**Some questions from members of the audience:**

**Who runs a hotel?** Tweten answered it would be a hotel management company. It might have a board of Governors; it just depends on how it comes together. He added that often the hotel brand will put \$2,000-5,000 per room toward the development cost.

**What is the city doing for the local businesses we have?** Wouldn't it be better to spend any extra city money on them? Grafstrom answered by saying she got the council to approve transferring \$40K to the EDA last year to give them money for loans. The city gave to local businesses 8 COVID 10 emergency loans with the understanding as that money came back in, it could be reused by the EDA. 3 loans have

already been paid back in full. The EDA just issued another \$5000 loan to a new business opening on the corner of West Central and 107, leaving them about \$10000 to put towards more loans or the study. **With Covid, is this the time to be looking at a hotel?** Both Tweten and Hanis contributed to the answer saying that group bookings are already picking up, esp weddings, family reunions. People are doing more less advanced booking, more last minute than they used to do. There is a strong summer trend with corporations putting more people back out on the road. They expect to see 2019 performance levels reached again by 2022. 2019 was a fantastic year for the hospitality industry.

**Would it be better to do a community assessment study to look at all the things the city needs instead because there seems to be a strong need for senior housing?** Grafstrom said if they already know there is a strong need for senior housing, then they should speak to a developer and do it. If they already know this, why do we need a study? This feasibility study does look at needs. When we did the park study, we asked what people were looking for in parks and trails. Someone added that a community study was done prior to building the Event Center. Grafstrom added then that would be the place to start review that study and have it updated instead of starting over from scratch. Event Center Board Members believe Dorothy Johnson has a copy. Grafstrom has never seen it.

**Would it be worth it to ask Mora or Isanti or Pine City if they did a feasibility study?** Grafstrom thinks this would be a waste of time because of when they were done, and they are not Braham. Isanti has invested money in their growth and development, and it has paid off. Commissioner Turnquist noted that Isanti invested a lot in their development, and they are one hour closer to the Cities. Grafstrom noted the current trends are not to be closer to the Twin Cities, but that businesses and individuals are moving out of the Twin Cities in droves because of the unrest.

**Shouldn't the hotel pay for the study?** Tweten said, often EDAs/community groups pay for the field study because a hotel is a catalyst to promote additional businesses/growth. The field research analysis is like a community assessment study as it does highlight the strengths and weaknesses of the market and gives communities an idea of what they need to work on to attract a hotel or other businesses.

**If the City did the study and it was halted as not feasible for now, how long could they sit on it before restarting?** Hanis said about 2 years and it could still be updated.

**What is a good occupancy rate?** A good rate would be approximately \$100/night room with 60% occupancy.

What are the expectations of developers/investors if they come to a city? Tweten said of course any incentives we can give would help like Abatement, TIF...The city would charge a lodging tax which would go towards advertising and promoting the city etc.

Additional information on hotels: Software like mattresses etc, need to be replaced every 5 to 7 years. Hotels over 15 years old are much higher maintenance than new hotels. New hotels have an advantage over older hotels. They can give guidance on issues, rates and opportunities as well as performance estimates for the first 3 years. This would be part of the third kind of study, the Market Study. It looks at stabilization and profitability in the first through 3<sup>rd</sup> year. This is needed for lending and investing.

To wrap it up, Tweten and Hanis said we are only at the first or second stage. Tweten would recommend the Field Study/analysis stage. Grafstrom asked the Event Center or the Chamber if they would be interested in sharing the costs with all parties saying no, so if the EDA/City proceeds, they would have to pay the entire \$6000. By the end of the meeting, there were some in support of proceeding and some who did not see the value of proceeding. Tweten said once the feasibility study is done and you go to seeking investors, community buy in is always good. Maybe you have someone interested in leaving a legacy and just needs to cover costs with an 8-10% return. Speculating a city the size of Braham could do a 40-70 unit hotel, maybe a Choice Hotel which starts at 50 rooms, or the Windom Family which includes Americinn and LaCinta, they start at 40 rooms, or maybe a more economy hotel like a Super 8.

The guests present thanked both Eric Tweten and Greg Hanis for their time.

Meeting Adjourned.