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AGENDA  
WORK SESSION  
OF THE PERRY CITY COUNCIL  
March 6, 2017  
5:00 P.M.

1. Call to Order: Mayor James E. Faircloth, Jr.
2. Roll:
3. Items of Review/Discussion: Mayor James E. Faircloth, Jr.
  - 3a. Administration
    1. Authorization for position adjustment – Mr. L. Gilmour.
    2. Review costs for meter replacement – Mr. L. Gilmour.
  - 3b. Department of Community Development
    1. Consider authorization for use of ADS storm pipe – Mr. C. McMurrian.
  - 3c. Department of Economic Development
    1. Hotel Market Assessment Study – Mr. R. Smith.
    2. Perry Opportunity Zone Status – Mr. R. Smith.
    3. 2017 CDBG Administration Selection – Mr. R. Smith.
4. Council Member Items:
5. Department Head Items:
6. Adjourn.



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**OFFICE OF THE CITY MANAGER**

**MEMORANDUM**

TO: Mayor/Council  
FROM: <sup>LG</sup> Lee Gilmour, City Manager  
DATE: February 17, 2017  
RE: Authorization for Position Adjustment

Recently the person assigned stormwater inspection duties resigned. Reviewing the upcoming requirements of the City's MS4 stormwater control plan and understanding the need to link operations, data collection and field inspections, the Administration recommends Council authorize the establishment of a Stormwater Supervisor/Inspector position. The pay range would be \$45,100-\$72,200. Funding is available in the current budget.



Where Georgia comes together.

1211 Washington Street  
P O Box 2030  
Perry GA 31069  
Phone: 478-988-2700  
Fax: 478-988-2716

February 16, 2017  
3925  
Water Meter Damage  
Cal Mar Homes  
213A Tidwell Rd  
Bonaire GA 31005  
Phone:

DESCRIPTION	AMOUNT
Damaged water meter	
105 Winsted Court, Lot A122 #P66-110	
Replacement cost per City of Perry fee schedule	576.00
Surcharge (50%)	288.00
Subtotal	864.00
Administrative Fee (10% of total)	86.40
<b>Total</b>	<b>\$950.40</b>

Payment due upon receipt of invoice.

Make all checks payable to City of Perry. If you have any questions concerning this invoice, contact Sheryl @ sheryl.secrst@perry-ga.gov

**THANK YOU FOR YOUR BUSINESS!**

	\$	950.40
<b>TOTAL</b>	\$	<b>950.40</b>

Office Use Only: #713



**Where Georgia comes together.**

Department of Community Development

TO: Lee Gilmour, City Manager

FROM: Chad McMurrian, Lead Engineering Technician

DATE: February 23, 2017

SUBJECT: Request for ADS storm pipe use under roadways in the City of Perry

The City has received multiple inquires to use ADS pipe under paved roadways. These inquires have become more frequent since ADS pipe installation has been approved by GDOT. I have spoken to Jones Land Development, Ocmulgee Engineering, and ADS representative, they would be willing to attend a Council work sessions to discuss materials and installation request for a City approved, Pilot project at the Summer Branch Subdivision. Summer Branch contains approximately 15 sections of concrete pipe that could be replaced with ADS pipe materials. Georgia Water Environmental Services has prepared the attached recommendation for a pilot project with the minimum requirements for the City's review.

If a pilot project is approved, the City should also consider the following requirements.

- A bond or letter of credit from the developer to insure roadway can be repaired with City approved specs, provided ADS pipping fails.
  
- A pilot project at Summer Branch would cover a light to moderate traffic rating in a residential area. A second project maybe required for collector and arterial streets with heavier traffic in the City.

Please let me know if a date is available for council to discuss a Pilot project for ADS pipping under roadways.



1222 Main Street  
Perry, GA 31069  
(478) 235-0307  
[www.georgiawaterservices.com](http://www.georgiawaterservices.com)

January 27, 2017

Mr. Chad McMurrian  
Lead Engineering Technician  
City of Perry  
PO Box 2030  
Perry, GA 31069

**Re: Recommendation for ADS HP Pipe Pilot Project**

Dear Mr. McMurrian,

As you are aware, Jason Chance, Georgia Territory Manager for Advanced Drainage Systems, Inc. (ADS), has requested consideration for utilizing High-Performance Polypropylene (HP) pipe for stormwater drainage under roadways as a pilot project in the Summer Branch Sub-Division development. Upon your request, I performed a brief research on ADS HP pipe, which has a corrugated exterior and smooth interior. I concluded ADS HP pipe has been approved for use by the Georgia Department of Transportation. In addition, similar requests have been made to City of Warner Robins and Houston County. Finally, ADS HP pipe is manufactured in the City of Perry.

From our experience, issues with corrugated exterior pipe, such as ADS HP pipe, result from improper installation by contractors, not material flaws and/or failures. Proper bedding of corrugated exterior pipe under roadways is critical to prevent settling and the creation of low points or potholes, which may become maintenance issues and/or traffic safety hazards. Currently, City standards require reinforce concrete pipe (RCP) under roadways.

If the City chooses to allow a pilot project for ADS HP pipe in Summer Branch Sub-Division, we recommend the following minimum requirements be met:

1. The Engineer of Record for Summer Branch Sub-Division shall approve use of ADS HP pipe in his design by submitting a formal letter and associated revised drawings to the City for their records.
2. A qualified representative from ADS will be on-site during installation of HP pipe under roadways at all times. This representative will provide

notarized, construction notes with photographs to the City documenting installation procedures for all road crossings. This documentation shall include descriptions of native soils to be used for backfill, replacement of unsuitable soil, and use of other bedding materials if required.

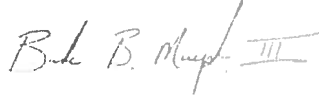
3. A contractor certified by ADS for HP pipe installation shall perform the work and shall adhere to the manufacturer's recommendations for installation. Proof of this certification must be provided to the City prior to installation commencement.
4. The City shall be given 24 hour notice of HP pipe installation, so that available personnel may observe installation at their convenience.

If these minimum requirements are met, we see no reason not to approve a pilot project in the Summer Branch Sub-Division. If the pilot project is successful and meets the expectations of City staff, the City may consider revising standards and specifications to include ADS HP pipe as acceptable for use under roadways on all future projects.

If you have any questions, please contact me.

With Highest Regards,

Georgia Water & Environmental Services, LLC.



Burke B. Murph III, PE  
Managing Partner  
478.235.0307  
[burke@georgiawaterservices.com](mailto:burke@georgiawaterservices.com)

Cc: Jason Chance, ADS  
Chad Bryant, Ocmulgee

Attachment: ADS HP Pipe GDOT Submittal



## Where Georgia comes together.

Department of Economic Development

To: Mayor and Council

CC: Lee Gilmour, City Manager  
Allison Hamsley, Perry CVB

From: Robert D. Smith, Director

Date: March 1, 2017

Re: Hotel Market Assessment Study

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As you are aware the City has been working with Horwath HTL, a hospitality consulting firm out of Atlanta, in the development of a Hotel Market Assessment Study. Put simply, the purpose of the study was to look at the local hotel market and determine whether or not the market was favorable for the development of additional hotel rooms/properties and if it is, how many and what types of hotel rooms/properties. Please find attached the completed study.

We have all heard throughout the years that Perry needs new, quality hotel rooms. We have 1,651 hotel rooms currently, but 62% of those rooms are economy quality rooms that may not provide the appropriate inventory for the demand here in Perry. We think the demand is there for additional mid-scale to upper mid-scale rooms to serve visitors at GNFA, for instance, or travelers on I-75, but we needed an objective, data-driven study to show developers and investors that the demand is quantifiable and favorable.

The results of the study are positive. The study shows that the Perry market is favorable for the development of an 80-room midscale to upper-midscale hotel property. The addition of additional quality hotel rooms will drive additional demand and thusly drive increased occupancy, higher average daily rates, etc. for the community. The study even provides development concept recommendations, analyzes financial projections, etc. I am very pleased with the overall depth and quality of the study and even more pleased that it has affirmed what we have been thinking, but unable to demonstrate, up to this point regarding the need for more quality hotel rooms in Perry.

While the projected net operating income from such a project is estimated at \$500,000 to \$800,000 per year, the study suggests that the City explore the development and implementation of a targeted incentive package that works to make a hotel project, an approximate \$7 million investment, more financially feasible. Like you find with industrial/manufacturing prospects, it is becoming more and more common for communities to offer incentives for hotel development. As you can see in the report the level of recommended incentives is not unreasonable (~2% of the project cost) and may be something as simple as infrastructure improvements. It is understood that the fiscal/economic impact (employment, property tax and hotel/motel tax revenues, etc.) of a nice hotel property in a community will, over time, greatly exceed the public investment in said property. I will be working on some possible incentive package ideas and getting back with you.



**Where Georgia comes together.**

Department of Economic Development

With this study now completed we can objectively, and with a greater level of confidence and certainty, sell the City of Perry as an advantageous location for a hotel property. Please let me know if you have any questions or require any further information.





*Hotel, Tourism and Leisure*

## HOTEL MARKET ASSESSMENT STUDY

PERRY, GEORGIA

February 28, 2017

February 28, 2017

Robert Smith  
Director of Economic Development  
City of Perry, Georgia  
1211 Washington Street  
Perry, GA 31069

Dear Mr. Smith,

**Re: Hotel Market Assessment Study for the City of Perry, Georgia**

In accordance with our proposal dated October 13, 2016, Horwath HTL is pleased to submit the following Hotel Market Assessment Study for the hotel market in Perry, Georgia.

Our research and analysis for this study included tours of the Perry hotel market, interviews with the Executive Director of the Perry Convention and Visitors Bureau, the President and CEO of the Perry Chamber of Commerce, the Commercial Sales Director of the Georgia National Fairgrounds and Agricenter (GNFA), and a local hotel owner, a survey of visitors to the area, and reviews of the tourism conditions. This report includes the results of this research and analysis and our comments pertaining to a future market positioning. All information, estimates, and assumptions contained in the report reflect what was available to us as of November 2016; the sources and basis of which are stated in the appropriate sections.

Our ten-year projections of the market are based on estimates and assumptions developed in connection with the market study. The assumptions regarding projected utilization rates may not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our projections may vary from our estimates, and the variations may be material. Further, we are not responsible for the effectiveness of management or the future marketing efforts and other management actions upon which actual results will depend.

We will have no responsibility to update our report and/or projections for events and circumstances occurring subsequent to the date of issuance; however, we will be available to discuss the need for such revisions if and when you so require.

This report was prepared for your internal use and the information contained in the report is highly confidential. However, it may be presented to lending institutions and sophisticated prospective investors whom you may wish to enlist in the financial structuring of the project. Otherwise, neither the report nor any of its contents may be referred to or quoted in any registration statement, prospectus, property valuation, loan or other agreement or document unless presented in its entirety or you have received our prior written approval.

Yours Sincerely,  
Horwath HTL,



Paul Breslin, CHA, CHE, ISHC  
**Managing Director**

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## LIST OF ABBREVIATIONS, GLOSSARY

ADR	Average Daily Rate	Average rate per room after deduction of VAT, discounts, etc.
avg.	Average	
DOF	Double Occupancy Factor	Average number of guests per room occupied
EBITDA	Earnings before Interest, Income Tax, Depreciation & Amortization	Operational result after deduction of management fees and fixed charges
F&B	Food & Beverage	
FF&E	Furniture, Fixtures & Equipment	Movable furniture, fixtures or other equipment which have no permanent connection to the structure of the building
GDP	Gross Domestic Product	
GOP	Gross Operating Profit	Operational result before management fees and fixed charges
MICE	Meetings, Incentives, Congresses, Events	Overall term to describe the meetings & congress market
Occ.	Occupancy Rate	Percentage of rooms occupied in relation to the number of available rooms in respect of the operating period.
OTA	Online Travel Agent	
RevPAR	Revenue per Available Room	Total room revenue divided by the number of total available room nights
RNA	Room Nights Available	
RND	Room Nights Demand	
ROI	Return on Investment	The ratio of money gained or lost (whether realized or unrealized) on an investment relative to the amount of money invested.
VAT	Value Added Tax	A tax on the amount by which the value of an article has been increased at each stage of its production or distribution.





## CHAPTER I



# EXECUTIVE SUMMARY

## I. EXECUTIVE SUMMARY

### I.1 ASSIGNMENT

#### I.1.1 Objective of Study

The purpose of this study is to assess the overall market conditions in Perry, Georgia, to recommend the appropriate market positioning and outlook for the hotel development, and to estimate market performance and additions to supply.

#### I.1.2 Scope of Work

The scope of work included, although was not limited to, the following:

- A review and analysis of the state of Georgia and the city of Perry demographic and economic indicators.
- An analysis of the tourism industry and economic characteristics pertaining to the present and likely future market potential.
- An analysis of the existing relevant hotels within a 20-mile radius from Perry including estimates of their Occupancy levels, Average Daily Rates, and room demand segmentation.
- An estimate of the market potential for different scenarios of additions to supply.

#### I.1.3 Major Assumptions

The major findings, conclusions, and recommendations are based, in part, on the following assumptions:

- Inflation rate assumption of 2.0% will materialize.
- The first addition to supply will begin in 2019.
- The second addition to supply will begin in 2021.
- Future additions to the supply of competitive markets will not vary significantly from those identified and estimated in this report.

### I.2 LODGING MARKET OVERVIEW

The city of Perry is situated in Georgia's Historic Heartland and is centrally located along I-75 at exits 134, 135, 136, and 138. Perry is a featured stop along the award-winning Georgia Grown 41 Trail, Georgia's Peach Blossom Trail and Georgia's Andersonville Trail. Perry is the home to the award-winning Georgia National Fairgrounds & Agricenter, which hosts over 900,000 visitors annually through its vast array of events.

The lodging market of the city of Perry has a total of approximately 24 properties and only 15 of them are reporting their data to STR. The analysis and the data below includes the 15 reporting properties, which are 1,112 guestrooms in the market. There is one property in the pipeline in the city of Perry, GA submarket. In 2015, Occupancy levels in the Perry market reached 40.7%, a 6.7% increase over 2014.

### Strengths/Opportunities

- **Location:** Perry is right on I-75 with four exits on the interstate. It is located at the junction of U.S. Highway 341 and U.S. Highway 41 making Perry an accessible location for interstate travelers, who can be a major source of transient demand.
- **Venues:** Georgia National Fairgrounds and Agricenter (GNFA), located in Perry, is one of the biggest fairgrounds in Georgia. This is one of the biggest demand generators in the region, and the venue is also planning to add additional space for events.
- **Activities:** Perry offers a wide selection of activities for visitors such as the historical downtown, shopping, entertainment, restaurants, museums, and nature activities.
- **Growth:** the city of Perry has experienced robust growth in population, jobs, and businesses. The lodging market has shown constant growth for the past three years in ADR and RevPAR.
- **Development:** The city is constantly working on improving and beautifying the area with new signage, historical sites, and walkability of the area.
- **Current Lodging Market:** the current lodging market of the city of Perry consists mostly of economy hotels, while the demand has been switching to upper scale accommodations. This could become an opportunity for the midscale-upscale class development.
- **Hotel Development Opportunities:** there is currently potential land for the hotel development near the Fairgrounds, which is favorable for the additional supply.

### Weaknesses/Threats

- **Current Lodging Market:** more than 70% of local hotels are in the economy scale, and most of them are more than 15 years old and have not been renovated in recent years. The FF&E, amenities and design of these properties are outdated.
- **Low Occupancy:** the Occupancy of the local lodging market is relatively low compared to the surrounding major markets, but has been steadily growing for the past five years.
- **Low ADR:** the ADR of the local lodging market is relatively low compared to the surrounding major markets, but has been steadily growing for the past five years.
- **Low Barriers to Entry:** the city of Perry does not have a highly competitive hotel market nor high land costs, and the city's high land availability allows the possibility of new supply.
- **Neighboring Markets:** Warner Robins is one of the neighboring markets that has higher scale hotels and amenities. Based on the market interviews, a large number of visitors to Georgia Fairgrounds in Perry choose hotels in Warner Robins instead of hotels in Perry.

The following table shows supply, demand, Occupancy, and Average Daily Rate for the city of Perry lodging market from 2010 to 2015:



### Historical Performance of Perry Lodging Market, 2010 to 2015

Year	RNA	% Δ	RND	% Δ	OCC	ADR (USD)	% Δ	RevPAR (USD)	% Δ
2010	358,432	-	140,674	-	39.2%	61.85	-	24.28	-
2011	357,147	-0.4	134,915	-4.1	37.8%	59.49	-3.8	22.47	-7.4%
2012	356,664	-0.1	143,783	6.6	40.3%	59.55	0.1	24.01	6.8%
2013	355,830	-0.2	135,431	-5.8	38.1%	60.99	2.4	23.21	-3.3%
2014	402,590	13.1	153,652	13.5	38.2%	68.29	12.0	26.06	12.3%
2015	406,452	1.0	165,511	7.7	40.7%	73.44	7.6	29.91	14.8%
Average	372,853	2.7%	145,661	3.6%	39.0%	63.94	3.6%	24.99	4.6%

Source: STR, Inc., STR Global

Note: RNA = Room Nights Available; RND = Room Nights Demand; ADR = Average Daily Rate; RevPAR = Revenue per Available Room; OCC = Occupancy

## 1.3 LODGING MARKET PROJECTIONS

The following chart shows the competitive market demand segmentation for 2015:

### Lodging Market Supply and Demand Projections 2015 – 2023

Year	Daily RNA	% Change	Daily RND	% Change	Occupancy
2015 (actual)	406,452	-	165,511	-	41%
2016	405,880	-0.1%	165,511	3.2%	42%
2017	435,080	7.2%	175,971	3.0%	40%
2018	446,030	2.5%	181,126	2.9%	41%
2019	446,030	0.0%	186,281	2.8%	42%
2020	446,030	0.0%	191,436	2.8%	43%
2021	446,030	0.0%	196,591	2.7%	44%
2022	446,030	0.0%	201,746	2.6%	45%
<b>CAAG ('16 - '23)</b>	-	1.4%	-	2.5%	-

Source: Horwath HTL Projections

Note: RNA = Room Nights Available; RND = Room Nights Demand

## 1.4 CONCLUSION

### 1.4.1 Scenario I - Addition of 80-Room Hotel

In this scenario, an 80-room hotel is introduced into the market in 2019. In sequential years, the new supply will compete with the existing supply for market share in Perry. This could lead to necessary improvements in existing market supply. With the introduction of an upper midscale hotel, the market-wide Occupancy will decline in the first year of operation. Market ADR will continue to rise over the next three years, resulting in an annual increase of RevPAR during that period. Overall, the results of this scenario are favorable for an 80-room upper midscale hotel in the Perry market, given a superior location near the major market demand generators and in close proximity to GNFA, the proper economic opportunity, and continued improvements of the market amenities.

Horwath HTL ran a preliminary assessment of the feasibility of an 80-room limited service hotel with investment parameters of the current credit market conditions, and on a discounted cash flow analysis.

An 80-room hotel could generate between \$500,000 to \$800,000 in net operating income in a stabilized year of operation, however, without some form of incentive, such a project is unlikely to be feasible. The incentive could range from 2% of the project cost and up or \$145,000 to \$300,000.

### NOI Projections Summary of the Proposed Hotel

Year	Occupancy	ADR	Total Revenue	GOP RTS	NOI	NOI RTS
1	55.0%	92.00	1,507	44.7%	551	36.6%
2	58.0%	95.00	1,638	45.8%	621	37.9%
3	60.0%	97.00	1,730	46.0%	662	38.3%
4	60.0%	99.91	1,781	46.1%	684	38.4%
5	60.0%	102.91	1,834	46.2%	706	38.5%
6	60.0%	104.97	1,871	45.8%	713	38.1%
7	60.0%	107.06	1,908	45.4%	720	37.7%
8	60.0%	109.21	1,947	45.4%	727	37.3%
9	60.0%	111.39	1,986	45.2%	734	37.0%
10	60.0%	113.62	2,025	44.8%	740	36.6%

Source: Horwath HTL projections

### Assumptions

Loan-To-Value Ratio	70.0%
Interest Rate	5.5%
Terminal Capitalization Rate	9.5%

### Range of Costs

85,000 per key	6,800,000
90,000 per key	7,200,000
95,000 per key	7,600,000

### Value

Mortgage Component	\$5,026,000
Equity Component	\$2,009,000
Total	\$7,035,000

### Possible Funding Gap

1,812.5 per key	\$145,000
2,500 per key	\$200,000
3,750 per key	\$300,000

The 10-Year IRR for the hotel is presented in the table below:

### 10-Year IRR

Ten-Year Leveraged IRR	17.8%
------------------------	-------

#### 1.4.2 Scenario 2 - Addition of 80-Room Hotel and 100-Room Hotel

The forecast for a second scenario shows unfavorable results for an additional 100-room midscale property in the Perry market. In this scenario, an 80-room upper midscale property is introduced in 2019 and then a 100-room midscale property is introduced in 2021. The additional market supply will greatly increase competition, resulting in a required improvement of market supply. After the introduction of the first property, the growth of the market demand is not expected to be sufficient to support the additional supply. The slight growth in market ADR following the first scenario does not produce favorable RevPAR for the market due to a decline in market Occupancy. Overall, introducing both an 80-room upper midscale property and a 100-room midscale property in 2021 would result in lower market RevPAR and create an unstable market given the current economic conditions and projected demand.



## CHAPTER 2



*Hotel, Tourism and Leisure*

## STATE OVERVIEW

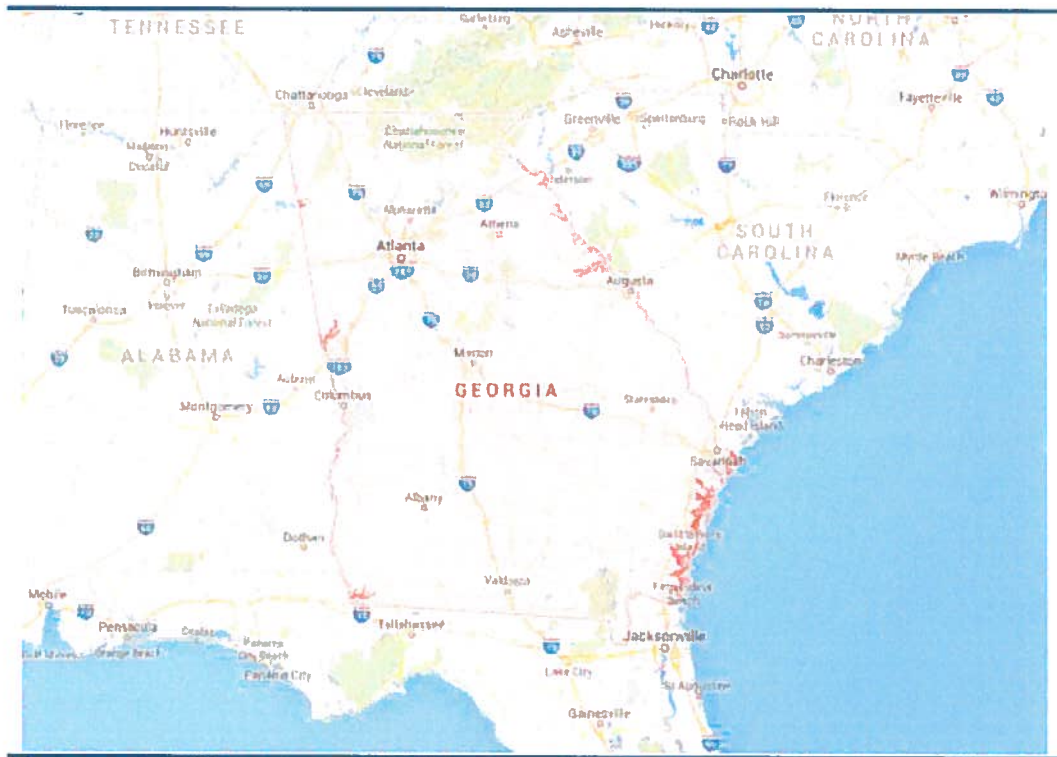


## 2. STATE OVERVIEW

### 2.1 STATE OF GEORGIA

The subject site is located in the state of Georgia, which is in the Southeastern region of the United States. With an area of approximately 59,425 square miles, Georgia is one of the largest states east of the Mississippi River. It is bordered by the Atlantic Ocean and South Carolina to the east, Florida to the south, Alabama to the west, and Tennessee and North Carolina to the north and northeast. The US Census Bureau lists Georgia as the 9th most populous and the 18th most densely populated state in the U.S. The state capital is Atlanta; the largest cities are Atlanta, Columbus, Augusta, Macon, and Savannah.

#### State Overview



Source: Google Maps

#### State of Georgia

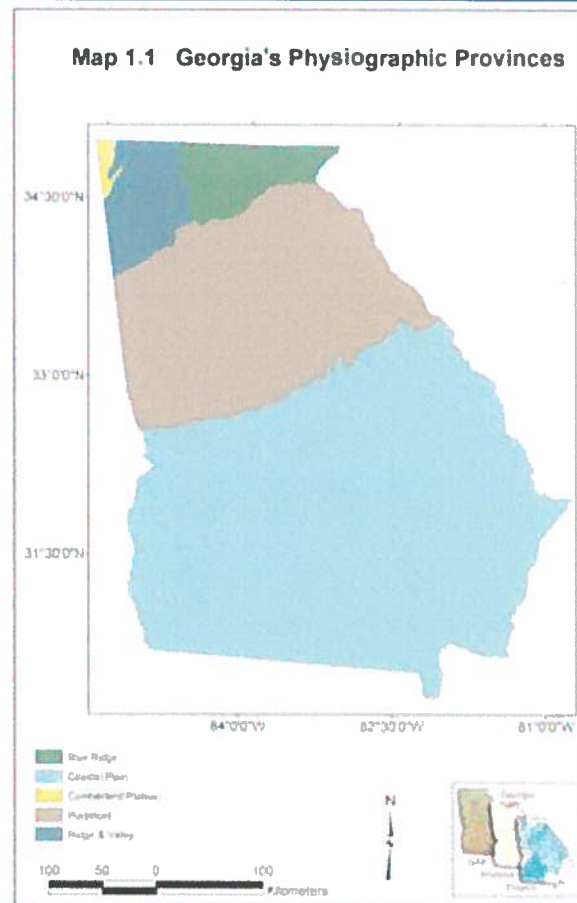
Capital City	Atlanta
Population (as of 2015) Estimate	10,214,860 people
Population Density	168.4 per sq. mile
Area	59,425 sq. miles

Source: U.S. Census Bureau

## 2.2 GEOGRAPHY

The state is divided into five physiographic provinces: the Cumberland Plateau (also known as the Appalachian Plateau), the Ridge and Valley, the Blue Ridge, the Piedmont, and the Coastal Plain. The vegetation varies within and among these provinces depending upon soil type, elevation, moisture, and disturbance regimes. The Georgia landscape runs from the mountains in the north and northeast to the Coastal Plain in the southeast. Georgia's highest point is Brasstown Bald at 4,784 feet above sea level and its lowest point is at sea level along the coast.

### Physiographic Map

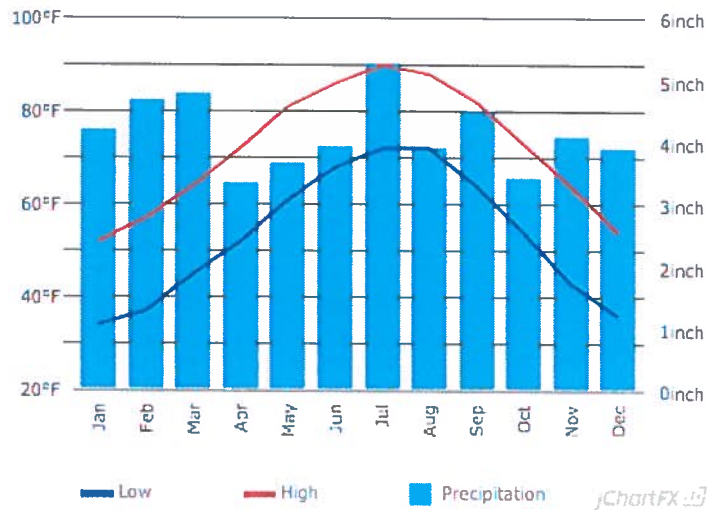


## 2.3 CLIMATE

Georgia experiences a humid and subtropical climate with fairly mild winters and hot moist summers. The annual precipitation varies from forty inches in central Georgia to more than seventy-four inches in northeast Georgia. While climate varies among the state's six land regions, all areas of the state are colored by four well-defined seasons: a warm summer with an average temperature of 82 degrees Fahrenheit, a brisk autumn with brilliant fall foliage throughout the state, brief winters with average

temperatures in the low 40s and light snowfall several times a year in the north, and a glorious springtime with Georgia's famous dogwoods, azaleas and other flora.

### State Climate Overview



Source: US Climate Data

## 2.4 HISTORICAL OVERVIEW

In many ways Georgia's history is integrally linked to the rest of the nation, particularly the South U.S. As the largest state east of the Mississippi, the youngest and southernmost of the thirteen colonies, and by 1860, the most populous southern state, Georgia is in certain respects historically distinctive.

Georgia's economy experienced significant shifts in the first decade of the twenty-first century, as manufacturing jobs, particularly in the state's rural counties, moved overseas. Between 1997 and 2005 alone, rural counties bore the brunt of some 98,000-job losses in manufacturing, the bulk of them concentrated in the textile and apparel industries. Agricultural work, conversely, brought thousands of immigrants, particularly Latinos, to the state, many of whom also found employment in the service and construction industries, but with the beginning of a national economic recession in 2008, many left to seek jobs elsewhere. The recession also led to severe budget cuts in 2008 and 2009 that affected government services, including education, around the state.

Georgia experienced a significant drought mid-decade and engaged in protracted battles with neighboring states Florida and Alabama over access to water, much of which was being diverted to support the continually expanding Atlanta metropolitan area by adding nearly 900,000 residents between 2000 and 2006 alone. The city continues to generate a significant portion of the state's income but also deals with ongoing issues of poverty, exacerbated by the economic downturn.

## 2.5 ECONOMIC OVERVIEW

Despite the economic downturn in 2008, Georgia continues to attract new opportunities for employment. Kia Motors Corporation, a Korean automobile manufacturer, opened a factory in Troup County in 2006; major employer Delta Airlines emerged successfully from bankruptcy in 2007; and new tax-incentive legislation for the entertainment industry, passed in 2008, has brought film projects to the state. Georgia's unique landscapes and culture support a thriving tourism industry as well.

The following tables provide information about the state employment data:

### Employment Statistics in Georgia

Unemployment Rate	December 2015	December 2014
United States	5.0%	5.6%
Georgia	5.5%	6.6%

Nonfarm Employment in Thousands	December 2015	December 2014
Georgia	4,341.3	4,249.2

### Top Employers in Georgia

Company	Industry	# of Employees in 2015
Fort Benning	Defense	32,000
Robins Air Force Base	Defense	19,000
Wellstar Health System	Health Care	16,856
Emory University	Financial Services	10,000
Emory University Hospital	Health Care	9,000
Lockheed Martin Corp.	Aerospace	8,200
Georgia Power Co.	Energy	8,000
Coca-Cola Refreshments USA Inc.	Manufacturing	6,000
Delta Air Lines Inc.	Airline	6,000
Northeast Georgia Medical Ctr.	Health Care	6,000

Source: Georgia Department of Labor, CareerOneStop

## 2.6 TOURISM INDUSTRY

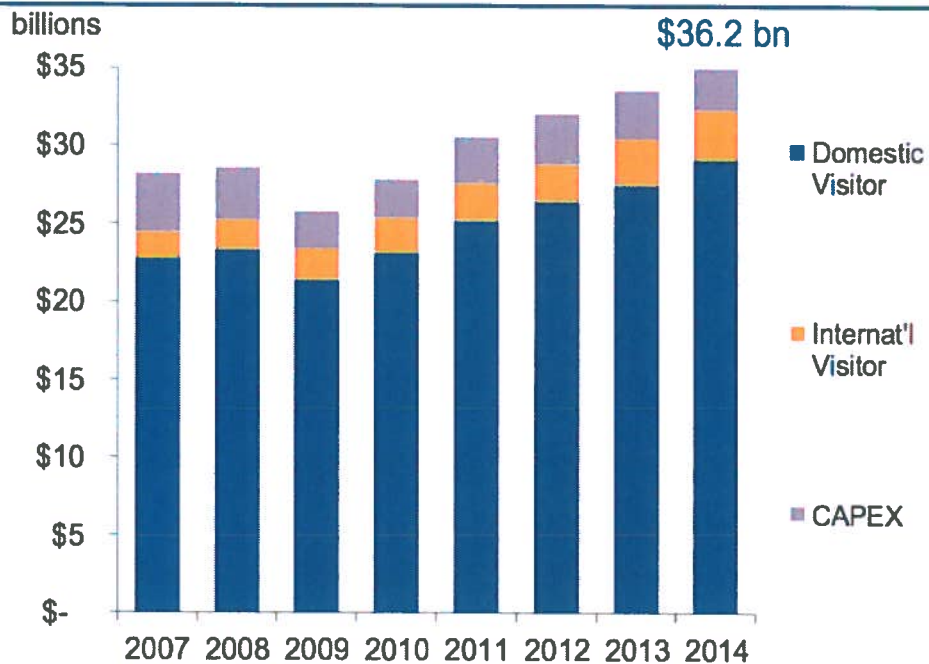
In 2014, Tourism Economics stated that tourism demand in the state of Georgia generated \$36.2 billion in business sales and was up by 7% from the previous year. The tourism demand in the state sustained 427,000 jobs across numerous industry sectors and generated \$2.9 billion in state and local tax revenues. On average, tourism generated \$37,600 in income per employee, primarily in the air transport, retail trade, and food & beverage sectors.



According to STR, Inc., the Georgia hotel average demand grew at 6.9%, which increased Occupancy level by nearly 4% to 62.43%. Based on the report from Georgia Tourism Portal, there were 98.7 million domestic travelers to the state in 2014. Among them, leisure travel was up by 4% and business travel was up by 11% for the year. The top domestic leisure markets to Georgia were Georgia, Florida, Alabama, Tennessee, South Carolina, and North Carolina.

The number of international travelers to the state has grown to 860,000 at 22% compared to year 2013. It is projected by the US Travel Association that overseas travel will increase by 35% between 2014 and 2020.

### Georgia Tourism Demand Trend Over Years



Source: Tourism Economics

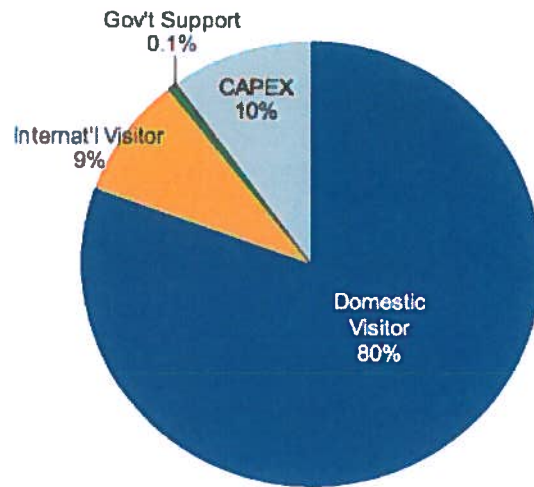
### Visitor Profile Georgia - 2014

Category	Georgia
Average Age	45.9
Average Party Size	1.75
Average Length of Stay	2.07
Average Household Income	\$80,998
Average spending per day per person	\$119.90

Source: Georgia CVB

In 2014, Domestic visitors comprised 80% of tourism in Georgia, followed by the demand coming from capital investment in tourism-related construction and machinery & equipment at 10%. On the other hand, international visitors was 9% of the total tourism demand in Georgia.

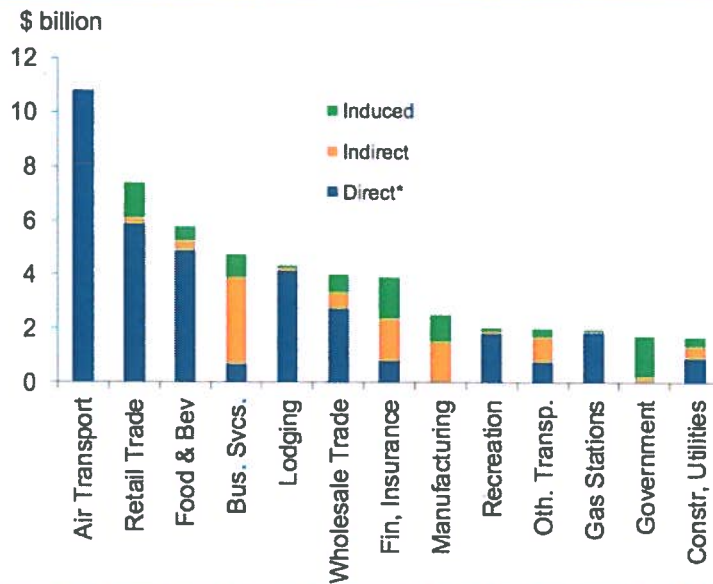
**Georgia Tourism Demand by Source**



Source: Tourism Economics

The total tourism-generated industry sales expanded by 6.7% in 2014. The graph below represents each industry's sales, including induced, indirect, and direct impacts:

**Georgia Tourism Industry Sales by Sector for 2014**



Source: Tourism Economics

## 2.7 INFRASTRUCTURE

- **Highways**

Georgia has an extensive interstate highway system facilitating the efficient movement of freight by truck. Georgia's six interstate highways connect to 80% of the U.S. population within a two-day truck drive. The two major transcontinental interstate highways (I-95 and I-75), and four additional interstate highways (I-20, I-85, I-16, I-59) connect Georgia to 15 states, with 1,200 miles of interstate highway and 20,000 miles of federal and state highway. 5.9 million tons of freight on average transport via roads across the state weekly.

- **Ports**

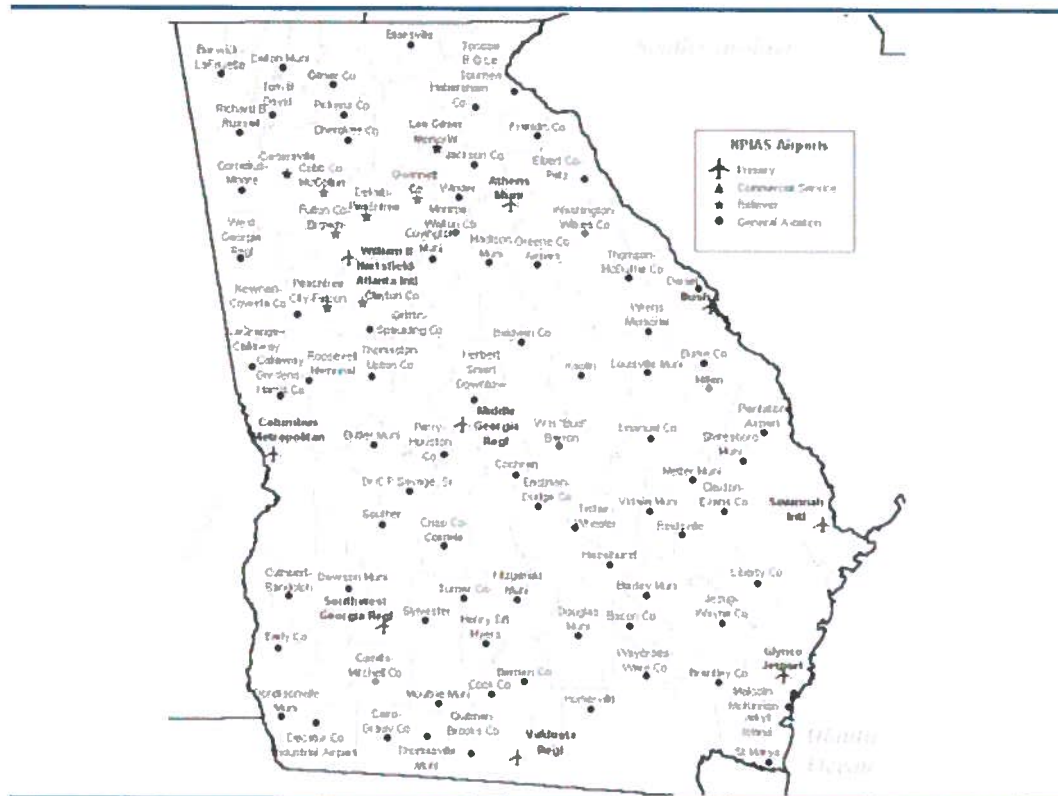
The Georgia Ports Authority (GPA) facilitates global trade through deep-water ports in Savannah and Brunswick, with inland operations in Bainbridge and Columbus. The port of Savannah is the fourth-largest and fastest growing U.S. container port, which moves 20% of the East Coast's overseas containers. The port of Brunswick is the nation's busiest seaport for automobile imports, and is the location for the second-largest grain facility on the East Coast.

- **Airports**

Georgia is an international center for air travel, home to the world's busiest airport, Hartsfield-Jackson Atlanta International Airport. No other airports offer more scheduled flights than Atlanta's, with direct flights to 75 international destinations in 50 countries. The airport provides access to 80% of the U.S. within a two-hour flight. In addition to the three main cargo complexes that move more than 650,000 tons of cargo annually, the airport houses the U.S. Department of Agriculture approved Perishables Complex, the only one of its kind in the southeastern United States.

Georgia is home to a plethora of smaller airports in the areas identified on the map below:

## State Airports



- **Railways**

Georgia has a longstanding history as a major railway hub. The state's capital city, Atlanta, was formed from a rail line's terminus. The tradition continues today with the most extensive rail system in the southeast and two Class I railroads, CSX and Norfolk Southern.

- **Transit**

There are four major transit agencies in Georgia – Georgia Regional Transit Authority (GRTA), Metropolitan Atlanta Rapid Transit Authority (MARTA), Cobb Community Transit (CCT), and Chatham Area Transit (CAT). The GRTA encompasses 13 counties in north Georgia, provides both van-pools and bus transportation, and is focused on improving traffic conditions in its operating region. MARTA is the 9<sup>th</sup> largest transit system in the U.S. that provides bus, rail, and paratransit services and the largest public transit system in the south. Their operations include 338 rail cars servicing 38 stations, 505 full size buses on 91 bus routes covering approximately 1,000 miles per day, and 173 lift-vans for improved mobility. The CCT operates 80 full size buses which serve 751 bus stops including 293 bus shelters. The Chatham Area Transit serves the Savannah-Chatham area with buses, paratransit buses, and bike sharing.





## CHAPTER 3

# CITY OVERVIEW



*Hotel, Tourism and Leisure*

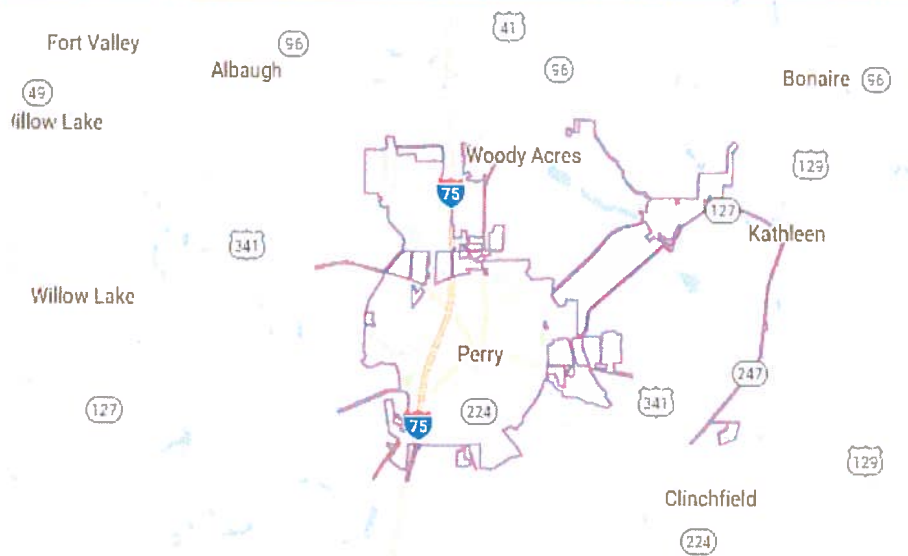
## 3. CITY OVERVIEW

### 3.1 CITY OF PERRY OVERVIEW

The city of Perry is located in Houston County, Georgia and is part of the Warner Robins, Georgia Metropolitan Statistical Area. The city covers 26.18 square miles of land area and 0.13 square miles of water area, totaling 26.31 square miles. In 2016, the population in Perry was 16,396.

Perry's strategic location as a crossroads makes tourism an important part of the economy. A vast array of events take place in the city, including the annual Georgia National Fair in October and the annual Georgia National Rodeo in February. These events take place at the Georgia National Fairgrounds and Agricenter (GNFA). The GNFA hosts nearly 900,000 visitors annually, which is fifty-four times the size of the city's population.

#### City Overview



Source: Google Maps

### 3.2 HISTORICAL OVERVIEW

The city of Perry was founded in 1823 in order to manage the county's legal affairs. Its initial name was Wattsville and it was located in the center of Houston County. The name was changed to Perry in honor of Commodore Oliver Hazaed Perry, a hero of the War of 1812 (1812-15). In 1824, Perry became the first official town of Houston County. Initially, its boundaries were extended one-half mile in each direction from the center of the public square. Gristmills, cotton gins, and sawmills were the first industries in Perry.

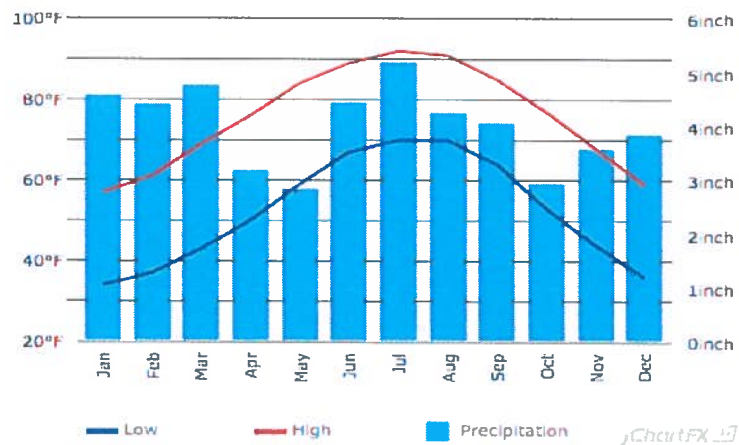
As the county seat of Houston County, Perry was populated by ministers, professors, lawyers, doctors, shopkeepers, and store owners. People traveled there from various parts of the county to conduct business.

### 3.3 GEOGRAPHY

Perry has long been recognized as the crossroads of Georgia and is located close to the state's center, along Interstate 75 (a major north-south artery through Georgia) and U.S. Highway 41. Perry is positioned south of Atlanta and Macon. U.S. Highway 341 also passes through Perry. The city encompasses 26.18 square miles of land area and 0.13 square miles of water area.

### 3.4 CLIMATE

Climate data was not available for the city of Perry and the information of the neighboring city Warner Robins was used to approximate the climate of Perry. The city's temperature has an annual high average of around 75.7 degrees F and an annual low average of around 52.3 degrees F. The average annual precipitation is 48.11 inches.



Source: USA.com

### 3.5 EMPLOYMENT

A summary of the employment statistics for the city of Perry is shown in the table below.

#### Perry Employment

Economic Indicators	Perry, GA
Unemployment Rate	5.60%
Income per capita	\$20,200
Median Household Income	\$49,140
Recent Job Growth	-0.17%
Future Job Growth	34.06%

Source: Sperling's Best Places

The top local employers are shown in the table below, identified by the city of Perry:

### Perry Top Employers

Company	Industry	# of Employees
Perdue Chicken	Food Processing (Poultry)	2,267
Frito Lay	Food Processing (Chips)	1,352
Houston County Board of Education	Government (Schools)	763
Houston County Board of Commissioners	Government (County)	429
Graphic Packaging International, Inc.	Manufacturing (Paperboard)	276
Perry Hospital	Health Care	232
Interfor	Manufacturing (Wood Products)	183
Sandler Nonwoven	Material Supply (Textile)	140
Gilmer Warehouse and Logistics	Logistics / Warehousing / Transportation	75
Southern Home Care Services	Home Healthcare Services	60
Georgia National Fairgrounds and Agricenter	Events	57
Advanced Drainage Systems, Inc.	Manufacturing (Pipe)	53

Source: City of Perry

## 3.6 TOURISM INDUSTRY

Perry is situated in Georgia's Historic Heartland and is centrally located along I-75 at exits 134, 135, 136, and 138. Perry is a featured stop along the award-winning Georgia Grown 41 Trail, Georgia's Peach Blossom Trail, and Georgia's Andersonville Trail. Perry offers golf, fishing, community theatre, a museum, historic tours, dog parks, trails, campgrounds, and annual festivals. Perry is home to the award-winning Georgia National Fairgrounds & Agricenter, which hosts over 900,000 visitors a year through its vast array of events, including the Georgia National Fair held every October and the Georgia National Rodeo held every February.

## 3.7 INFRASTRUCTURE

### • Roads

Situated near two major Interstates, I-75 and I-16, Perry has four interchanges on I-75. It is located at the junction of U.S. Highway 341 and U.S. Highway 41, which makes Perry convenient for roadway travel. Multiple state routes also allow travel through the city. Trucks driving from Perry can arrive at any southeastern market within one day's time and approximately 80% of the U.S. population can be reached in two days or less.



- **Airports**

Perry-Houston County Airport is a public airport located four miles northwest of the central business district of Perry. This airport is conveniently located five miles north of the Georgia National Fairgrounds and Agricenter. Perry is also served by the Middle Georgia Regional Airport, situated 20 miles from the city center. Hartsfield-Jackson Atlanta International Airport is located approximately 100 miles north of Perry.

- **Transit**

Perry is well positioned for roadway travel with multiple state routes extending through the city, making it a gateway for trade throughout the State of Georgia. It is strategically located near two major interstate highways, I-75 and I-16, which allow easy travel to the ports found in Savannah and Brunswick. Its location of just south of Hartsfield-Jackson Atlanta International Airport allows it to be a major player in commerce and trade. Trucks traveling from Perry can arrive at any southeastern market within one day's time and approximately 80% of the U.S. population can be reached in two days or less.



## CHAPTER 4

# LODGING MARKET OVERVIEW

## 4. LODGING MARKET OVERVIEW

### 4.1 MACRO MARKET – HOUSTON & PEACH COUNTY

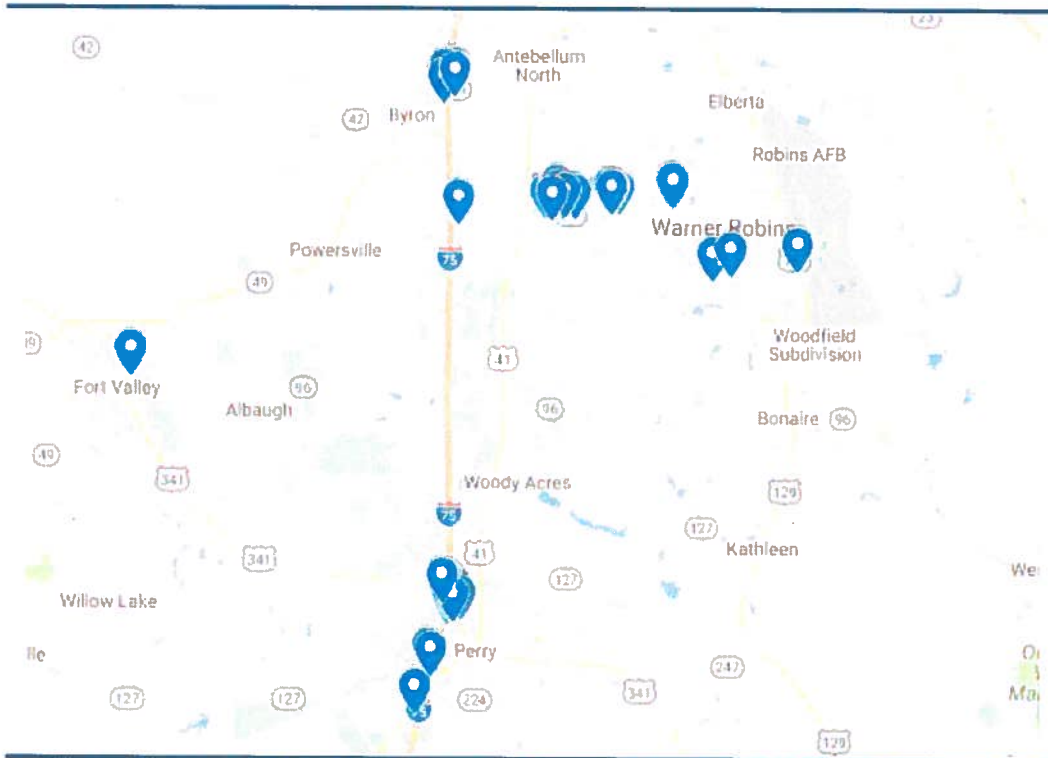
The macro market of Houston County and Peach County consists of approximately 44 properties or 3,1670 guestrooms, with two projects in the pipeline. According to 2015 STR Inc., the Occupancy levels in the macro market reached 48.7%, which increased by 8.6% from 2014.

#### Houston and Peach County Market Historical Performance

Year	Occupancy	ADR	RevPAR	RevPAR Change
2010	44.7%	\$65.18	\$29.14	-
2011	44.9%	\$65.42	\$29.36	0.8%
2012	46.1%	\$66.20	\$30.49	3.8%
2013	43.8%	\$67.03	\$29.35	-3.7%
2014	44.8%	\$71.48	\$32.03	9.1%
2015	48.7%	\$75.19	\$36.58	14.2%

Source: STR, Inc.

#### Houston County and Peach County Lodging Market

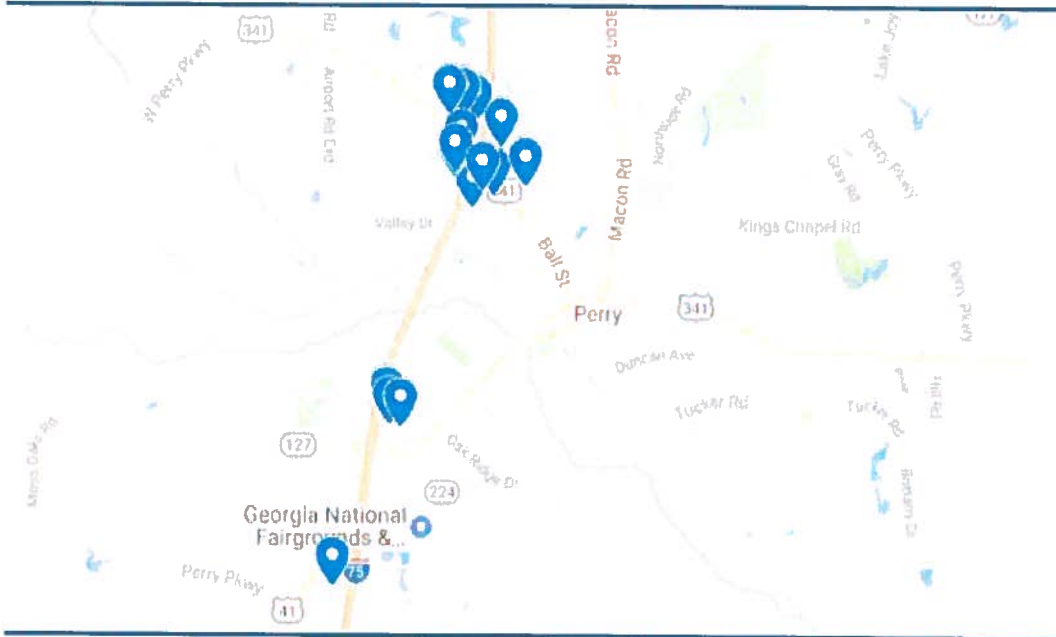


Source: Google Maps

## 4.2 SUBMARKET – CITY OF PERRY

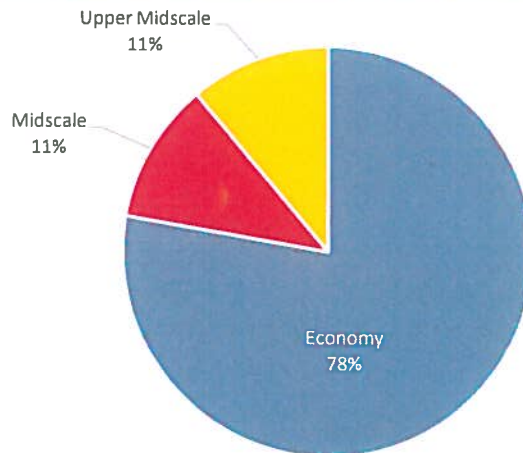
The lodging market of the city of Perry has a total of approximately 24 properties, and only 15 of them are reporting their data to STR. The analysis and the data below include the 15 reporting properties, which are 1,112 guestrooms in the market. There is one property in the pipeline for the city of Perry, GA submarket and one property in the pipeline for the Warner Robins, GA submarket. In 2015, Occupancy levels in the city of Perry market reached 40.7%, which increased by 6.7% from 2014.

### City of Perry Lodging Market



Source: Google Maps

### City of Perry Existing Room Supply by Chain Scales



Source: STR, Inc., STR Global

#### 4.2.1 Historical Performance of Lodging Market

Provided in this section is a summary of the aggregate performance of hotels within the city of Perry lodging market by presenting key indicators—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR). The following chart presents the historic performance of the lodging market of the city of Perry. The performance of the submarket is unfavorable with low Occupancy; however, the ADR has been growing for the past five years. The year 2015 showed good improvement over several of the recent previous years, with 14.8% RevPAR growth.

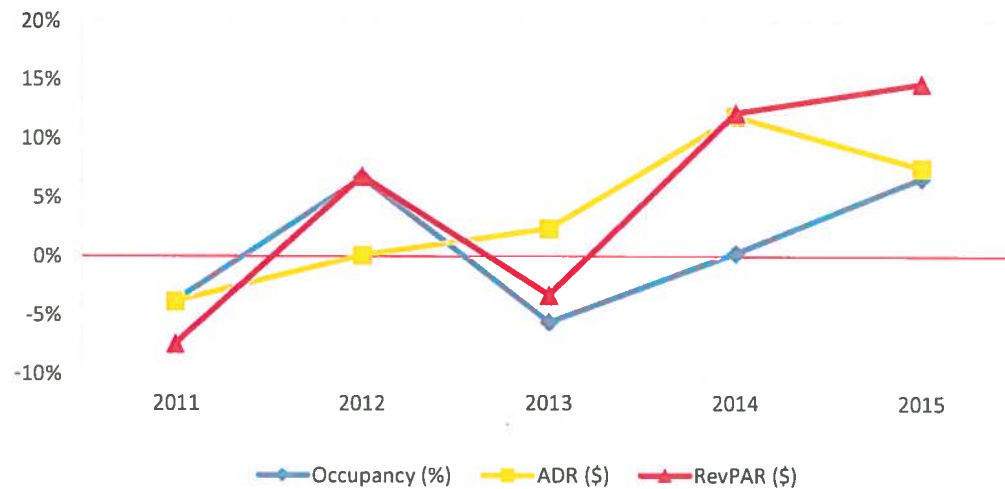
##### Historical Performance of Perry Lodging Market, 2010 to 2015

Year	RNA	% Δ	RND	% Δ	OCC	ADR (USD)	% Δ	RevPAR (USD)	% Δ
2010	358,432	-	140,674	-	39.2%	61.85	-	24.28	-
2011	357,147	-0.4	134,915	-4.1	37.8%	59.49	-3.8	22.47	-7.4%
2012	356,664	-0.1	143,783	6.6	40.3%	59.55	0.1	24.01	6.8%
2013	355,830	-0.2	135,431	-5.8	38.1%	60.99	2.4	23.21	-3.3%
2014	402,590	13.1	153,652	13.5	38.2%	68.29	12.0	26.06	12.3%
2015	406,452	1.0	165,511	7.7	40.7%	73.44	7.6	29.91	14.8%
Average	372,853	2.7%	145,661	3.6%	39.0%	63.94	3.6%	24.99	4.6%

Source: STR, Inc., STR Global

Note: RNA = Room Nights Available; RND = Room Nights Demand; ADR = Average Daily Rate; RevPAR = Revenue per Available Room; OCC = Occupancy

##### Perry Occ. ADR and RevPAR - % Change from Last Year

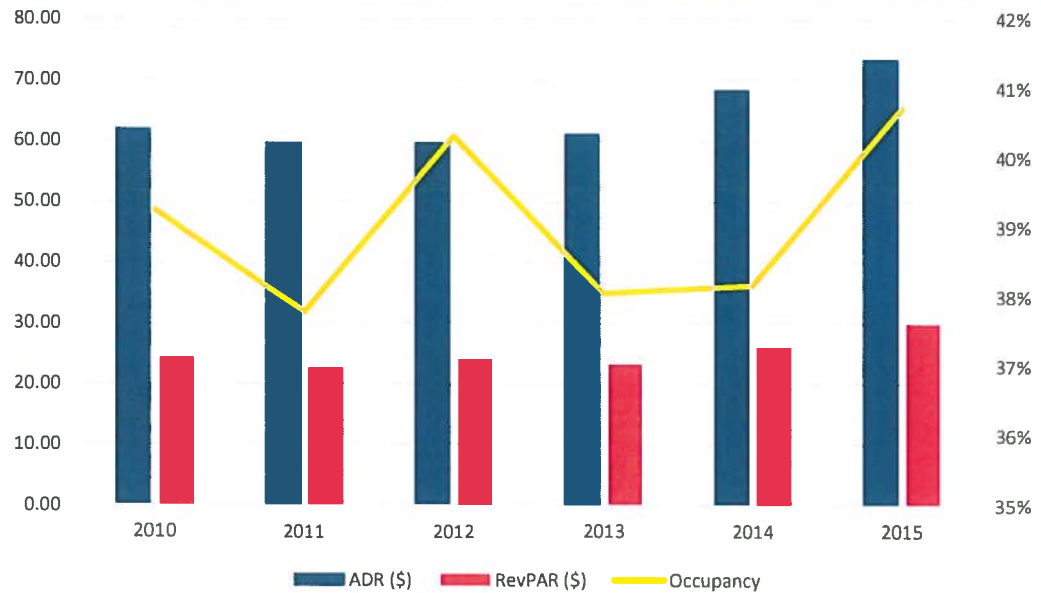


Source: STR, Inc., STR Global



The market Occupancy showed favorable growth from 2013 to 2015. In 2015, Occupancy reached its peak at 40.7%. Similarly, the market ADR experienced growth in each year, growing from \$59.55 in 2011 to \$73.44 in 2015. The result is that RevPAR increased in correlation with the steady growth in Occupancy and ADR.

**Perry Lodging Market RNA and RND 2010 - 2015**



Source: STR, Inc., STR Global

**Perry Lodging Market Historical Performance 2010 - 2015**

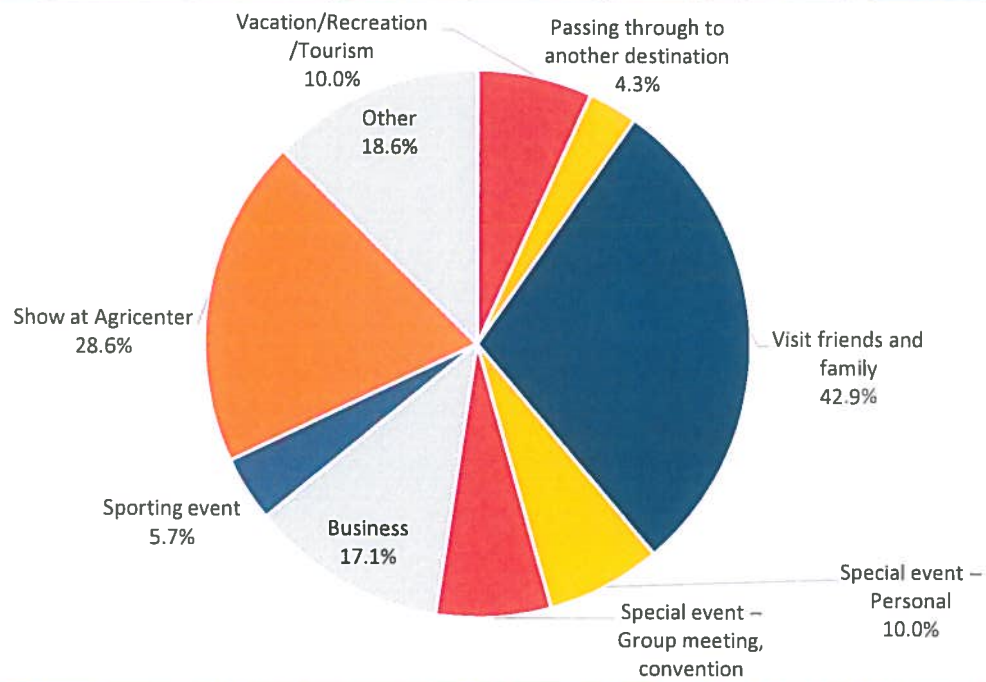


Source: STR, Inc., STR Global

## 4.2.2 Demand Overview

The following chart shows the demand composition of visitors, based on the statistics from the City of Perry.

**Purpose of Trip to Perry, 2015**

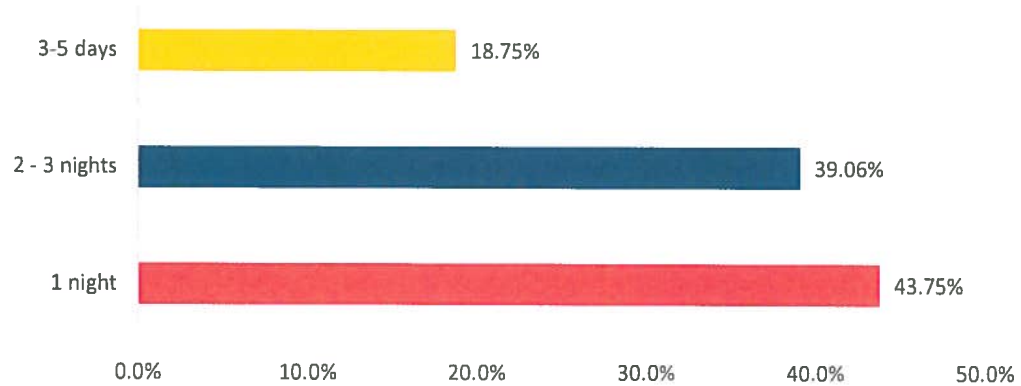


Source: City of Perry CVB

As the chart indicates, an overwhelmingly large percentage of visitors can be categorized under the transient/leisure segment. On the other hand, business travelers and conference/meeting attendees comprise over 40% of visitors to the city.

According to the CVB's survey, approximately 24% of visitors stay in the local hotels, 35% stay with friends and family, and approximately 6% of visitors leave to another city for accommodations. The average length of stay for most visitors is under three nights and they budget \$75.00 per person per day for the trip.

### Length of Stay for Perry, GA



Source: City of Perry CVB

## 4.3 DEMAND GENERATORS

Because of its location, meeting facilities, and growing market, the City of Perry has shown annual demand growth for the area. This led to the development of the additional demand generators for the city, which are described below.

### City of Perry Demand Generators



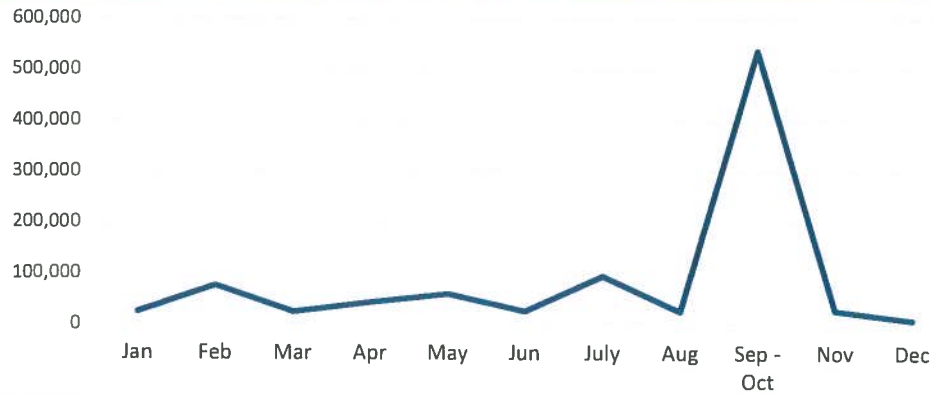
Source: Google Images

- **Georgia National Fairgrounds & Agricenter** - the Agricenter contains 6 million sq. ft. of exhibition space sitting on 1,100 acres in the heart of Central Georgia. It features two arenas,



four exhibit halls, two 480-stall horse barns, four ponds, and parking for 13,000 vehicles. Hundreds of events are held annually at the facility. Because of the importance of the demand generator, additional analysis was conducted, and the following charts show the specific trend and seasonality of total attendance:

**GNFA Total Attendance in 2015**



Source: Georgia National Fairgrounds & Agricenter

The table exhibits the seasonality of the GNFA total attendance in 2015. The data shows a strong seasonality: In December and January, the demand was low; on the other hand, the demand was significantly higher in September and October. The peak of the demand was due to the Georgia National Fair, which brought 501,628 attendees and lasted for 11 days.

**GNFA Total Annual Attendance from 2010 to 2015**



Source: Georgia National Fairgrounds & Agricenter

This chart shows the historical trend of the total demand from 2010 to 2015. The trend was positive because the total attendance was 808,412 in 2010 and it grew to 931,971 in 2015; however, the growth was not smooth, as it decreased in the years 2011 and 2013.

- **Downtown Perry** – the historic downtown offers historic tours, local shopping, dining, and entertainment all year for the visitors. The downtown also offers self-guided walking/driving tours of historical homes and significant sites in Perry, originating at the New Perry Hotel.
- **Go Fish Education Center** - the center is part of the Georgia Department of Natural Resources, Wildlife Resources Division (Fisheries Management Section). The trail consists of 17 tournament style boat ramps throughout the state. At present, six Bass Trail ramps have been

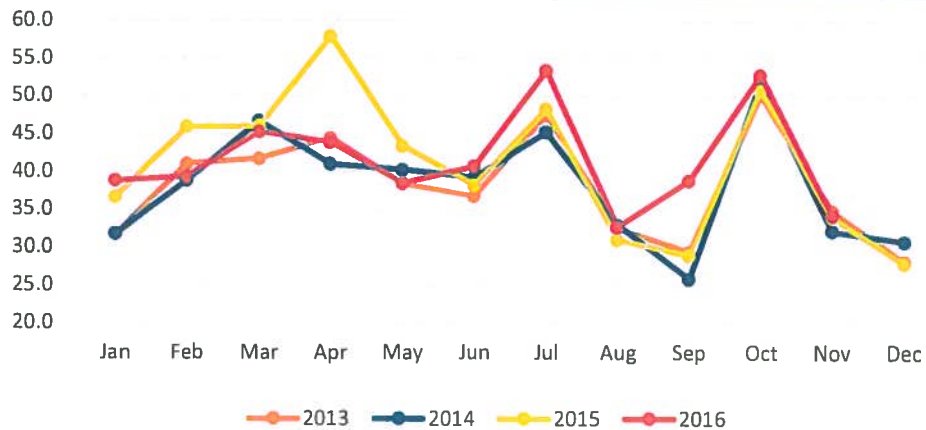
completed; six are under construction, and five are in the permitting phase. Georgia boasts over 4,000 miles of trout streams, 12,000 miles of warm water streams, and more than one-half million acres of impoundments. More than 1.1 million anglers of all ages fish in Georgia. These anglers spend about \$1 billion annually on fishing, having a total annual impact of over \$2 billion to the state's economy. The center developed as part of the Go Fish Georgia Initiative, to promote and increase participation of fishing in Georgia.

- **Perry Players Community Theatre** – the 179-seat theater provides high-quality entertainment and cultural activities such as youth workshops to the citizens and visitors.
- **Georgia Artisan Center** - currently housed in the Welcome Center in Perry, Georgia, the center is conveniently located at exit 135 on I-75 and directly across from the Georgia National Fairgrounds and Agricenter. The center showcases and markets the works of some of Georgia's most exceptional artisans, from jams to fine art. In the near future, the Georgia Artisan Center will offer demonstrations and educational seminars.
- **Perry Area Historical Society's Historical Museum** - opened in May of 2010, the Perry Area Historical Society's Historical Museum offers a collection of artifacts and memorabilia from Perry's earliest days. Of particular interest to researchers is the museum's resource room which contains many family histories and photos. The museum is located approximately 1/2 mile from Exit 136 on I-75.
- **Mossy Creek Soap** - this wholesale soap division located in Perry, Georgia provides soap making classes, wholesale packages, and retail packages for the visitors. Visiting Mossy Creek Soap is rated fourth on TripAdvisor for things to do in Perry.
- **Golf & Recreation** – some of the local parks and clubs offer sporting and nature activities for the visitors: Barbara Calhoun Park, Big Indian Paintball, Houston Springs, Middle Georgia Tennis Center, Cherokee Pines Golf, Houston Lake Country Club, Rozar Park, Rotary Park, Flat Creek Public Fishing, and Creekwood Park.
- **Shopping** – Perry has a variety of local and chain businesses in the downtown and nearby areas. Per the City of Perry, several of the downtown Perry businesses were recognized recently by the *Macon Telegraph* as the “Best of the Best” in Warner Robins and the surrounding area, including several businesses that won multiple awards. In addition, Downtown Perry was named first place as the Best Shopping Center.
- **Events** - some of the major events in the area are listed below.
  - **The Georgia National Rodeo** - this event is held in Perry every February at the Georgia National Fairgrounds & Agricenter and is officially sanctioned by the PRCA (Professional Rodeo Cowboys Association). It features specialty acts plus cowboys and cowgirls from across the country competing in seven categories.
  - **The Peaches to the Beaches Yard Sale** – stretching along the Golden Isles Parkway from Barnesville through Perry to Jesup, this event features vendors selling everything from antiques and locally crafted items to traditional yard sale fare. In addition to 240 miles of shopping, travelers can enjoy local dining and entertainment in communities along the route.
  - **Robins Air Show** – The star attraction is the Air Force Thunderbirds flight demonstration team. There is a total of 19 aerial performers and 32 static aircrafts. Among other notable performers is a B-25 bomber flown by the Disabled American Veterans and the Coast Guard's Dolphin rescue helicopter performs a rescue demonstration. The air show brings about 200,000 visitors to the area and typically has a \$24 million economic impact.
  - **The Georgia National Fair** - for 11 days during October every year, the Agricenter transforms into the annual Georgia National Fair – hosting over 450,000 fun-seeking people every year.

## 4.4 SEASONALITY

Monthly Occupancy and ADR trends are shown as follows:

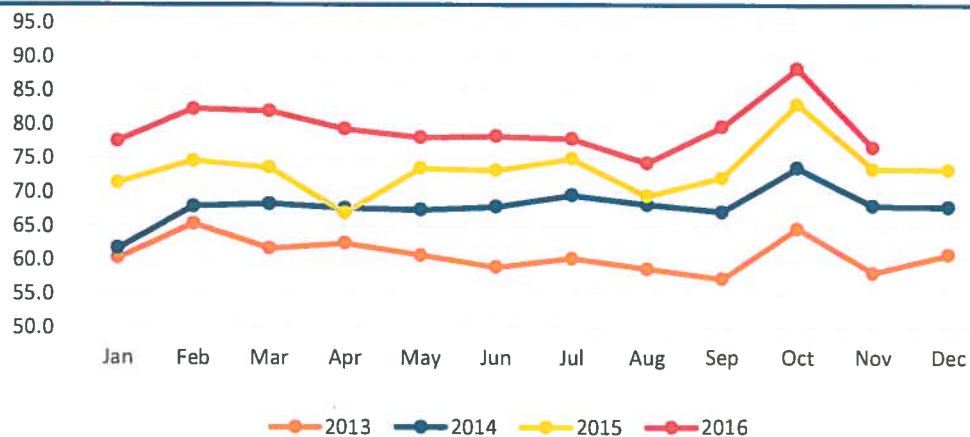
**Perry Lodging Market Monthly Occupancy 2013 - 2016**



Source: STR, Inc., STR Global

The lodging market for the city of Perry has three top-performing months, which are April, July, and October. On the other hand, September and December are the lowest occupancy months, with occupancy under 30%.

**Perry Lodging Market Monthly ADR 2013 - 2016**



Source: STR, Inc., STR Global

The following chart shows monthly ADR of the competitive market for the last three years. The consistent year-over-year growth in ADR shows signs of a healthy market.

## 4.5 ADDITIONS TO SUPPLY

### Pipeline Projects in Perry

Property	Opening Date	Rooms	Location	Chain Scale	Stage
New Perry Hotel	2018	30	Perry, GA	Upscale	Renovation
TownePlace Suites	2017	80	Warner Robins, GA	Upper Midscale	Construction
<b>Total</b>		<b>110</b>			

Source: STR, Inc.; City of Perry

Currently, there are two projects, or 110 rooms, under construction or renovation, and both are expected to be completed either in 2017 or 2018. The New Perry Hotel has not been operating or reporting while under renovation. It is anticipated that the property will be a reintroduction of supply to the market.





## CHAPTER 5



# HOTEL DEVELOPMENT SCENARIOS

## 5. HOTEL DEVELOPMENT SCENARIOS

### 5.1 BASELINE SCENARIO

While projecting supply and demand for the Perry market, we considered existing demand generators in Perry, compression from neighboring markets including Warner Robins, and the natural growth of demand within the market.

#### 5.1.1 Scenario Details

The Baseline Scenario assumes market growth using known additions to supply, projected demand growth, and Average Daily Rate growth based upon historical market data. This projection will be used as the base for Scenarios 1 and 2, where additions to supply will be artificially added to determine the impact on market factors.

#### 5.1.2 Projected Demand Growth

##### Market Demand Segmentation Growth Projections: 2016 - 2022

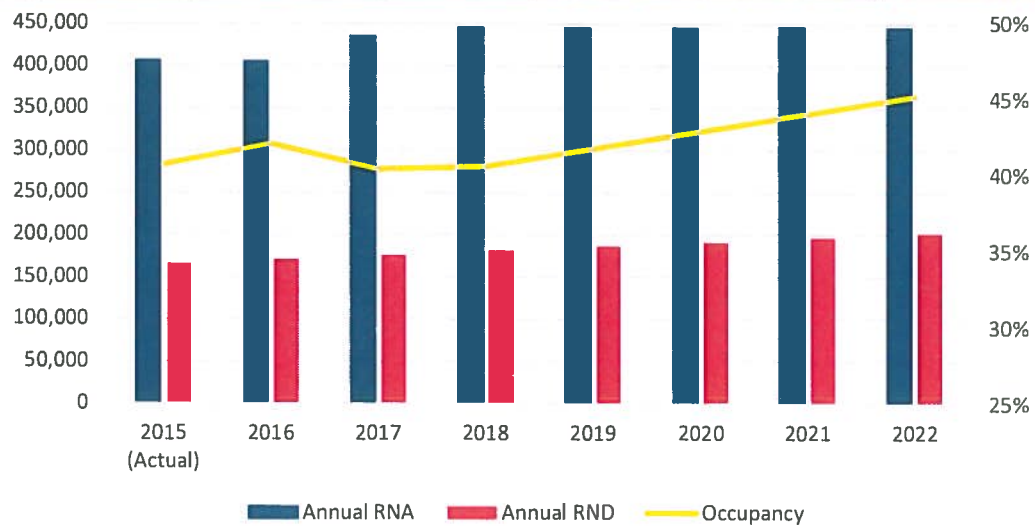
Year	Daily RNA	% Change	Daily RND	% Change	Occupancy
2015 (actual)	406,452	-	165,511	-	41%
2016	405,880	-0.1%	165,511	3.2%	42%
2017	435,080	7.2%	175,971	3.0%	40%
2018	446,030	2.5%	181,126	2.9%	41%
2019	446,030	0.0%	186,281	2.8%	42%
2020	446,030	0.0%	191,436	2.8%	43%
2021	446,030	0.0%	196,591	2.7%	44%
2022	446,030	0.0%	201,746	2.6%	45%
<b>CAAG ('16 - '23)</b>	-	<b>1.4%</b>	-	<b>2.5%</b>	-

Source: STR, Inc. and Horwath HTL projections.

Demand is projected to increase annually from 165,511 in 2016 to 196,591 in 2022 resulting in a three-point increase in Occupancy despite anticipated supply increases in 2018 and 2019. There are no hotel projects in the pipeline that will add supply into the market beyond 2019.



**Market Supply and Demand Projections: 2016 - 2022**



Source: STR, Inc. and Horwath HTL Projections

The Georgia National Fairgrounds & Agricenter (GNFA) will prove to be the greatest demand generator for the market. With the anticipation of further expansion of the GNFA and natural demand growth in the market, demand will continue to improve steadily into 2022.

**5.1.3 Projected Market Performance**

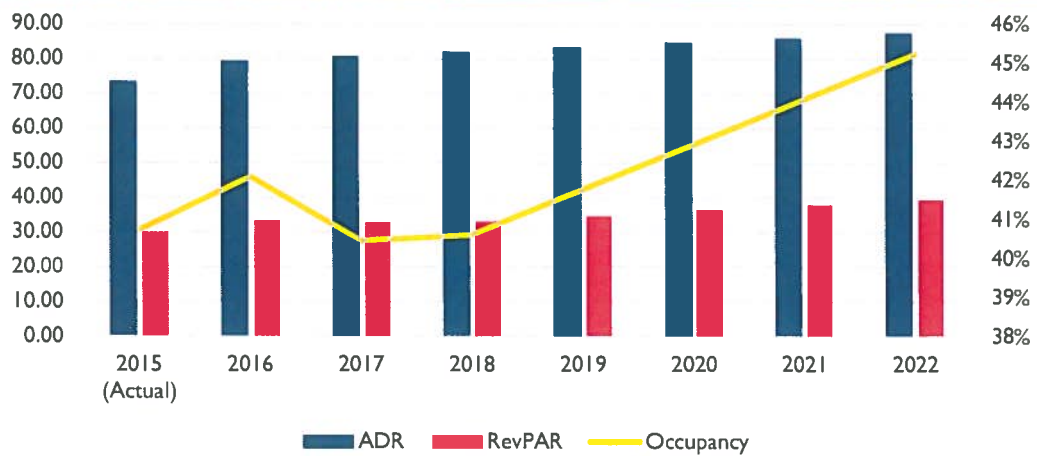
**Market Performance Indicator Projections: 2015 - 2022**

	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2015 (Actual)	41%	6.7%	73.29	7.9%	29.91	14.8%
2016	42%	3.4%	79.20	8.1%	33.33	11.4%
2017	40%	-3.9%	80.49	1.6%	32.55	-2.3%
2018	41%	0.4%	81.80	1.6%	33.22	2.0%
2019	42%	2.8%	83.13	1.6%	34.72	4.5%
2020	43%	2.8%	84.49	1.6%	36.26	4.4%
2021	44%	2.7%	85.87	1.6%	37.85	4.4%
2022	45%	2.6%	87.27	1.6%	39.47	4.3%

Source: STR, Inc. and Horwath HTL Projections

Historically, Average Daily Rate (ADR) has continued to grow annually at a compound annual growth rate of 3.7% from 2010 to 2015. Removing the effects of inflation, we found the real rate to be approximately 1.6%. Our projections indicate that ADR in the market will continue to grow at the real rate from approximately \$73 to \$87 in 2022.

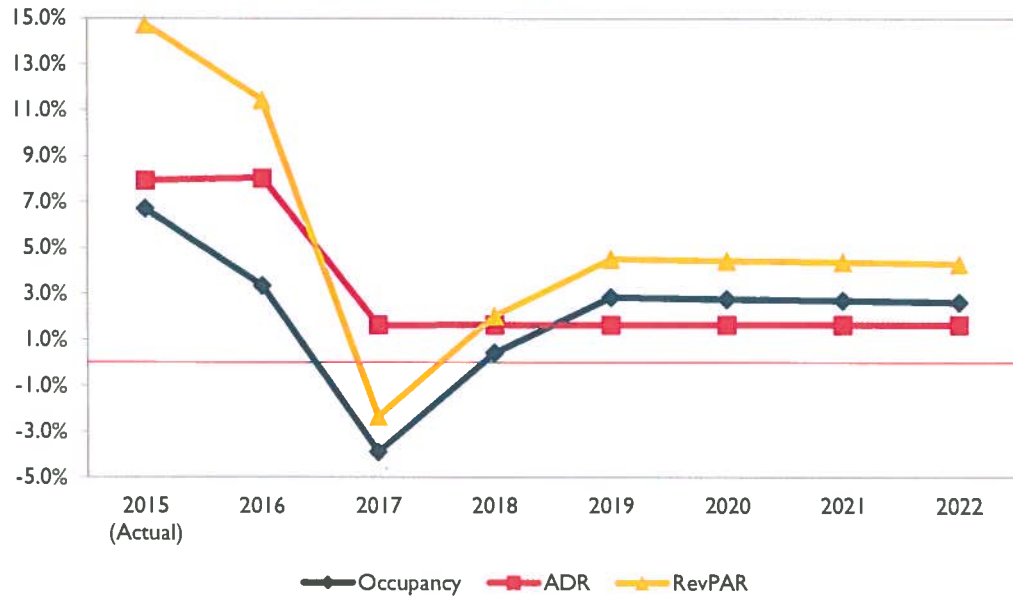
**Market Performance Indicator Projections: 2015 - 2022**



Source: STR, Inc. and Horwath HTL Projections

As Occupancy and ADR continue to improve, the Revenue Per Available Room (RevPAR) in the market will follow. The market has historically seen a RevPAR in the \$20-\$30 range, which was being carried by the growth in ADR. As both Occupancy and ADR continue to improve, the RevPAR in the market will continue into the \$30-\$40 range.

**Market Performance Indicator Projections - % Annual Change: 2015 - 2022**



Source: STR, Inc. and Horwath HTL Projections

With the introduction of new supply in 2017 and 2018, the annual change in Occupancy and RevPAR will decline heavily, but will pick up in 2019. Growth is expected to remain relatively consistent, but will steadily decline into 2022. Overall, market RevPAR is expected to stabilize growth in 2019 with no additions to supply thereafter.

## 5.2 SCENARIO I: ADDITION OF 80-ROOM HOTEL

### 5.2.1 Scenario Description

For Scenario I, there will be a limited-service 80-room upper midscale hotel artificially introduced into the market in 2019. This hotel will have basic amenities, a strong brand, and an acceptable location relative to demand generators and market supply. It is anticipated that with the introduction of quality supply to the market, there will be additional demand attracted to the Perry market.

### 5.2.2 Projected Demand Growth

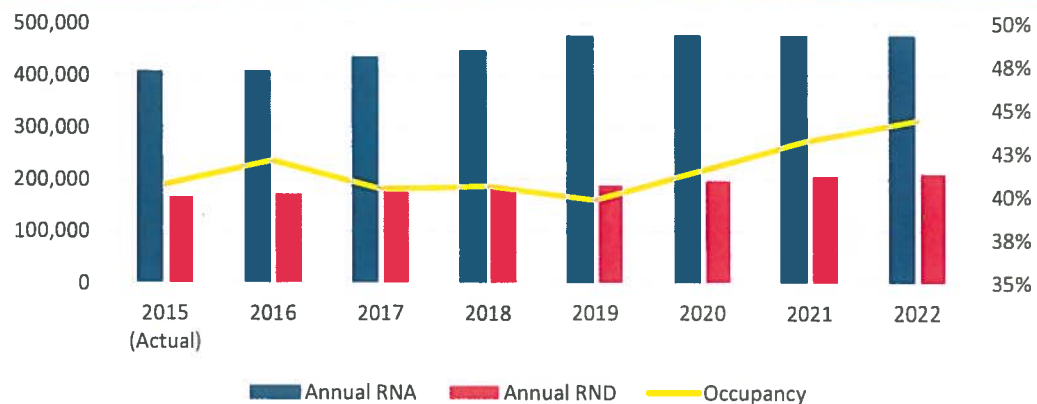
#### Market Demand Segmentation Growth Projections: 2016 - 2022

	Annual RNA	% Change	Annual RND	% Change	Occupancy
2015 (actual)	406,452	-	165,511	-	41%
2016	405,880	-0.1%	165,511	3.2%	42%
2017	405,880	7.2%	170,816	3.2%	40%
2018	435,080	2.5%	175,971	3.0%	41%
2019	446,030	6.5%	181,126	2.9%	40%
2020	475,230	0.0%	189,181	4.4%	42%
2021	475,230	0.0%	197,361	4.3%	43%
2022	475,230	0.0%	205,665	4.2%	44%
<b>CAAG ('16 - '24)</b>	-	<b>2.3%</b>	-	<b>3.2%</b>	-

Source: STR, Inc. and Horwath HTL Projections

In this scenario, an 80-room hotel is introduced into the market in 2019. Initially, the increase in supply will cause Occupancy to decrease, then the new hotel will attract more demand into the market until stabilizing in 2022.

#### Market Supply and Demand Projections: 2016 - 2022



Source: STR, Inc. and Horwath HTL Projections

Newly added supply in 2019 can capture the latent demand in the Perry market and compression from surrounding markets. There is potential demand in Perry being enticed to stay in other local markets. This demand may be successfully captured with the proper supply.

### 5.2.3 Projected Market Performance

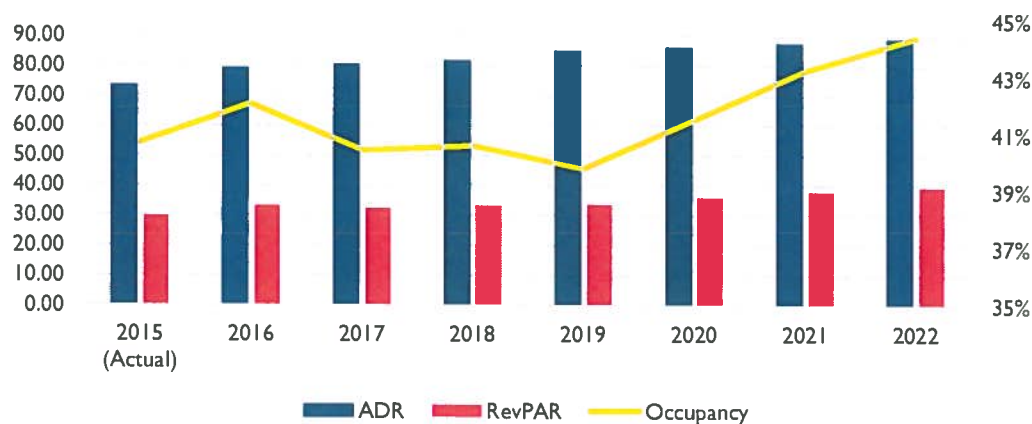
**Market Performance Indicator Projections: 2015 - 2022**

	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2015 (Actual)	41%	6.7%	73.29	7.9%	29.91	14.8%
2016	42%	3.4%	79.20	8.1%	33.33	11.4%
2017	40%	-3.9%	80.49	1.6%	32.55	-2.3%
2018	41%	0.4%	81.80	1.6%	33.22	2.0%
2019	40%	-2.0%	84.79	3.7%	33.75	1.6%
2020	42%	4.3%	86.18	1.6%	35.79	6.0%
2021	43%	4.2%	87.58	1.6%	37.90	5.9%
2022	44%	2.6%	89.02	1.6%	39.53	4.3%

Source: STR, Inc. and Horwath HTL Projections.

Following 2019, the additional 80-rooms into the market will result in Occupancy decline for the year while boosting ADR and RevPAR for the year. Market ADR will continue to rise over the next three years at a rate of 1.6% per year.

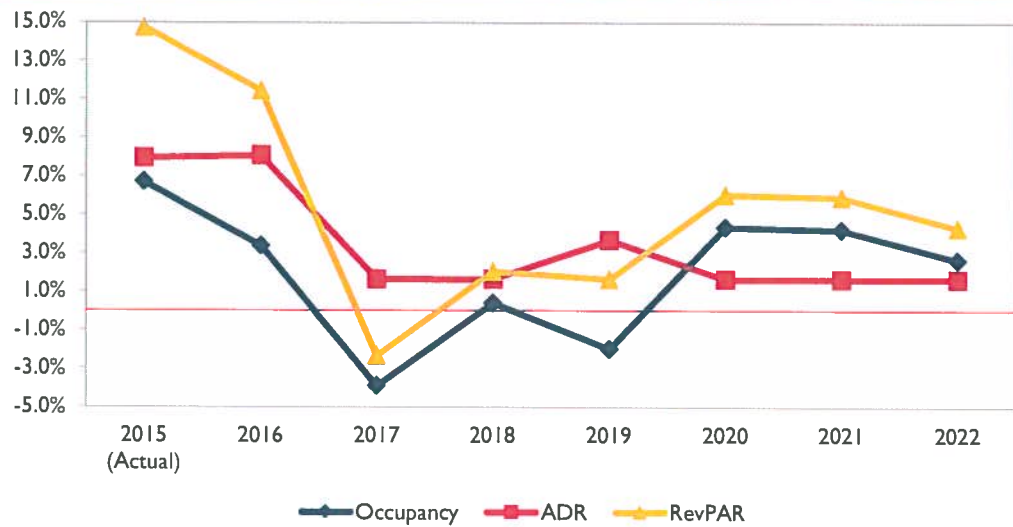
**Market Performance Indicator Projections: 2015 - 2022**



Source: STR, Inc. and Horwath HTL Projections

Leading into 2019, fluctuations in Occupancy, because of additions to supply and steady ADR growth, result in a short-term dip in RevPAR. In subsequent years, Occupancy will experience a two year boost due to increases in demand, while ADR will grow at a constant rate, resulting in a growing RevPAR.

**Market Performance Indicator Projections - % Annual Change: 2015 - 2022**



Source: STR, Inc. and Horwath HTL Projections

Provided new supply in 2019, the resulting positive RevPAR growth for that year will be led by a short-term boost in ADR due to new competitive supply introduced to the market. Overall, market RevPAR will fluctuate during periods of additions to supply while maintaining a stable growth thereafter.

### 5.3 SCENARIO 2: ADDITION OF 80-ROOM HOTEL AND 100-ROOM HOTEL

#### 5.3.1 Scenario Description

For Scenario 2, there will be a limited-service 80-room upper midscale hotel and a limited-service 100-room upper midscale or upscale hotel artificially introduced into the market in 2019 and 2021, respectively. These hotels will have basic amenities, strong brands, and an acceptable location relative to demand generators and market supply. It is anticipated that with the introduction of quality supply to the market, there will be additional demand attracted to the Perry market.



### 5.3.2 Projected Demand Growth

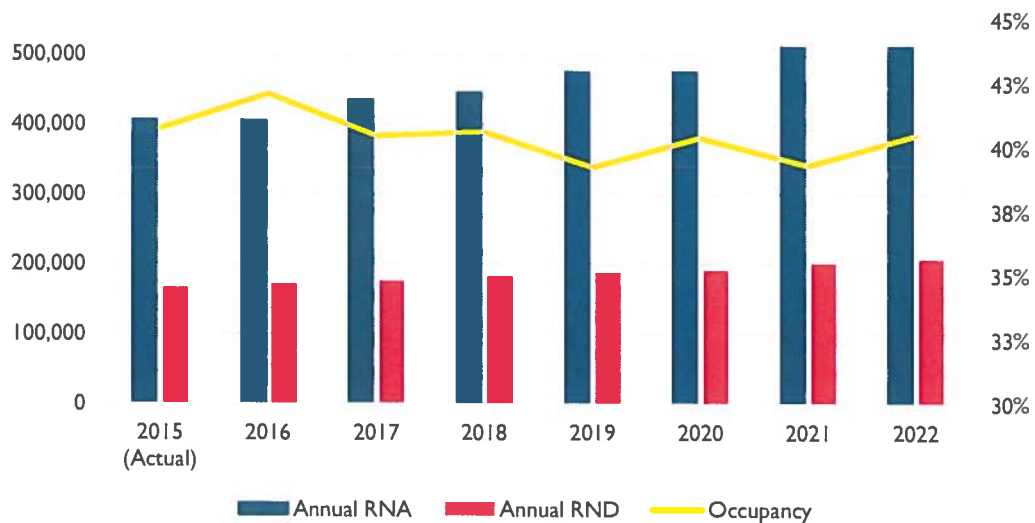
#### Market Demand Segmentation Growth Projections: 2016 - 2022

	Annual RNA	% Change	Annual RND	% Change	Occupancy
2015 (actual)	406,452	-	165,511	-	41%
2016	405,880	-0.1%	165,511	3.2%	42%
2017	435,080	7.2%	175,971	3.0%	40%
2018	446,030	2.5%	181,126	2.9%	41%
2019	475,230	6.5%	186,432	2.9%	39%
2020	475,230	0.0%	191,894	2.9%	40%
2021	511,730	7.7%	201,166	4.8%	39%
2022	511,730	0.0%	207,192	3.0%	40%
<b>CAAG ('16 - '24)</b>	-	3.4%	-	2.8%	-

Source: STR, Inc. and Horwath HTL Projections.

In this scenario, an 80-room hotel is introduced into the market in 2019 and then a 100-room hotel in 2021. Initially the increase in supply will cause Occupancy to decrease or stagnate; eventually, the new hotel will attract more demand into the market until stabilizing in 2023.

#### Market Supply and Demand Projections: 2016 - 2022



Source: STR, Inc. and Horwath HTL Projections

Occupancy will remain within the 39%-42% range due to anticipated supply and demand growth during 2016 to 2022.

### 5.3.3 Projected Market Performance

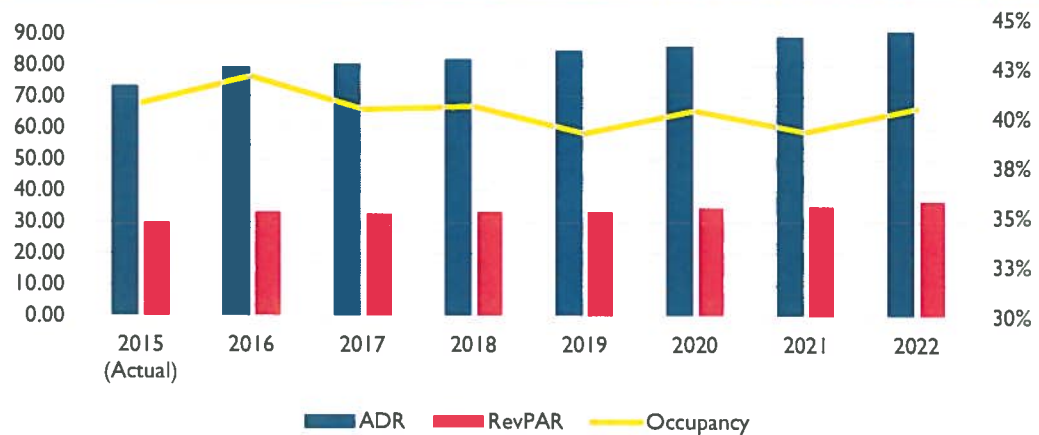
#### Market Performance Indicator Projections: 2015 - 2022

	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2015 (Actual)	41%	6.7%	73.29	7.9%	29.91	14.8%
2016	42%	3.4%	79.20	8.1%	33.33	11.4%
2017	40%	-3.9%	80.49	1.6%	32.55	-2.3%
2018	41%	0.4%	81.80	1.6%	33.22	2.0%
2019	39%	-3.4%	84.79	3.7%	33.26	0.1%
2020	40%	2.9%	86.18	1.6%	34.80	4.6%
2021	39%	-2.6%	89.34	3.7%	35.12	0.9%
2022	40%	3.0%	90.80	1.6%	36.76	4.7%

Source: STR, Inc. and Horwath HTL Projections.

RevPAR growth during the period will be driven by healthy ADR growth during 2019 and 2021, while Occupancy will decline during those same years. In this scenario, RevPAR in year 2022 will yield lower results due to lower Occupancy.

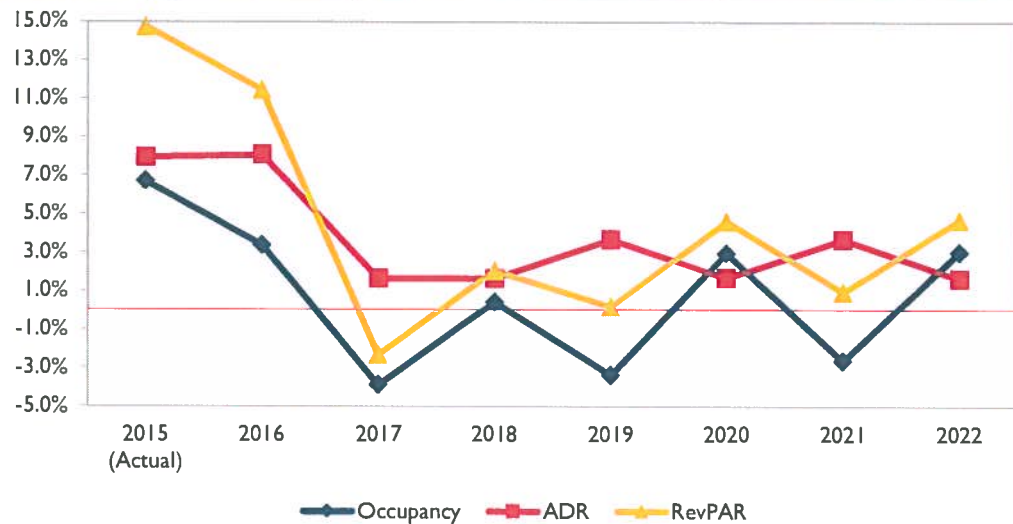
#### Market Performance Indicator Projections: 2015 - 2022



Source: STR, Inc. and Horwath HTL Projections

Greater supply in the market will deter Occupancy growth while improving market ADR. Comparatively with the Baseline scenario and Scenario 1, the achieved market RevPAR will be lower due to lower Occupancy in the market.

**Market Performance Indicator Projections - % Annual Change: 2015 - 2022**



Source: STR, Inc. and Horwath HTL Projections

The resulting year-over-year changes in RevPAR fluctuate accordingly with changes in Occupancy. ADR in 2019 and 2021 will receive boosts due to the new competitive supply to the market, but will steadily grow thereafter. Overall, the resulting RevPAR growth for the market is unstable in this scenario and growth is reliant upon constant ADR growth for the market.

## 5.4 CONCLUSION

### 5.4.1 SWOT Analysis

The lodging market of the city of Perry has a total of approximately 24 properties and only 15 of them are reporting their data to STR. The analysis and the data below include the 15 reporting properties, which are 1,112 guestrooms at the market. There is one property in the pipeline for the city of Perry, GA submarket. In 2015, Occupancy levels in the Perry market reached 40.7% in 2015, a 6.7% increase over 2014.

#### Strengths/Opportunities

- Location:** Perry is right on I-75 with four exits on the interstate. It is located at the junction of U.S. Highway 341 and U.S. Highway 41 making Perry an accessible location for interstate travelers, who can be a major source of transient demand.
- Venues:** Georgia National Fairgrounds and Agricenter (GNFA), located in Perry, is one of the biggest fairgrounds in Georgia. This is one of the biggest demand generators in the region, which is also planning to add more space for events.
- Activities:** Perry offers a wide selection of activities for visitors such as the Historical Downtown, shopping, entertainment, restaurants, museums, and nature activities.
- Growth:** the city of Perry has experienced robust growth in population, jobs, and businesses. The lodging market has shown constant growth for the past three years in ADR and RevPAR.
- Development:** The city is constantly working on improving and beautifying the area with new signage, historical sites, and walkability of the area.

- **Current Lodging Market:** the current lodging market in the city of Perry is mostly economy hotels, while the demand has been switching to the upper scale accommodations. This could become an opportunity for the midscale-upscale class development.
- **Hotel Development Opportunities:** there is currently potential land for the hotel development near the fairgrounds, which is favorable for the additional supply for the market.

#### **Weaknesses/Threats**

- **Current Lodging Market:** more than 70% of local hotels are in the economy scale, and most of them are more than 15 years old and have not been renovated in recent years. The FF&E, amenities and design of these properties are outdated.
- **Low Occupancy:** the occupancy of the local lodging market is relatively low compared to the surrounding major markets, but has been steadily growing for the past five years.
- **Low ADR:** the ADR of the local lodging market is relatively low compared to the surrounding major markets, but has been steadily growing for the past five years.
- **Low Barriers to Entry:** the city of Perry does not have a highly competitive hotel market nor high land costs, and the city's high land availability allows the possibility of new supply.
- **Neighboring Markets:** Warner Robins is one of the neighboring markets that has higher scale hotels and amenities. Based on the market interviews, a large number of visitors to the Georgia Fairgrounds in Perry choose hotels in Warner Robins instead of hotels in Perry.

#### **5.4.2 Scenario 1: Addition of 80-Room Hotel**

In this scenario, an 80-room hotel is introduced into the market in 2019. In sequential years, the new supply will compete with the existing supply for market share in Perry. This could lead to necessary improvements in existing market supply. With the introduction of an upper midscale hotel, the market-wide Occupancy will decline in the first year of operation. Market ADR will continue to rise over the next three years resulting in an annual increase of RevPAR during that period. Overall, the results of this scenario are favorable for an 80-room upper midscale hotel in the Perry market, given a superior location near the major market demand generators and in close proximity to GNFA, the proper economic opportunity, and continued improvement of the market amenities.

#### **5.4.3 Scenario 2: Addition of 80-Room Hotel and 100-Room Hotel**

The forecast for a second scenario shows unfavorable results for an additional 100-room midscale property in the Perry market. In this scenario, an 80-room upper midscale property is introduced in 2019 and a 100-room upper midscale or upscale property is later introduced in 2021. The additional market supply will greatly increase competition, resulting in a required improvement of the current market supply. After the introduction of the first property, the growth of the market demand is not expected to be sufficient to support the additional supply. The slight growth in market ADR following the first scenario does not produce favorable RevPAR for the market due to a decline in market Occupancy. Overall, introducing both an 80-room upper midscale property and 100-room midscale property in 2021 would result in a lower market RevPAR and create an unstable market given the current economic conditions and projected demand.





## CHAPTER 6



**Horwath HTL**

*Hotel, Tourism and Leisure*

**DEVELOPMENT CONCEPT**



## 6. DEVELOPMENT CONCEPT

The following section analyzes the market position and development concept recommendations for the city of Perry hotel market. Our recommendations are based on a thorough examination of the competitive hotels and Perry and nearby markets' environment and demand characteristics, as well as possible brands and their scale and amenities.

### 6.1 MARKET POSITIONING AND BRANDING

Because of the limited supply of the upper midscale and upscale hotels in Perry and nearby markets, additions to hotel rooms supply should be midscale - upscale to diversify the market. After thorough analysis of the current market and possible brands, it is recommended to develop a limited-service midscale, upper - midscale, or upscale hotel similar to the below mentioned.

#### Recommended Brands

Brand Name	Parent Company	Chain Scale	Notes
Fairfield Inn and Suites	Marriott	Upper Midscale	Targeted to the business traveller
Hyatt Place	Hyatt	Upscale	Targeted to the business traveller
Tru	Hilton	Midscale	Targeted to cost conscious business and leisure traveller
Candlewood Suites	IHG	Midscale	Targeted to extended stay guests

Source: Horwath HTL

### 6.2 CONCEPT

All of the above brands provide the standards and amenities that are suitable for the market's current and growing demand. The limited-service and midscale-upscale chain brands of the top parent companies insure brand recognition and high quality concepts. Some amenities of the above brands include complimentary breakfast, meeting space, business center, fitness center, pool, guest laundry, and complimentary parking.

## 6.3 GUESTROOMS

The following section identifies our recommendation for the guestroom mix of the possible 80-room hotel development based on our analysis of competitive market facilities and the market demand characteristics.

### Guest Room Mix of Competitive Hotels

Competitive Hotels	Room Count	Chain Scale
Country Inn & Suites Warner Robins	61	Upper Midscale
Fairfield Inn & Suites Warner Robins	74	Upper Midscale
Hilton Garden Inn Warner Robins	90	Upscale
Wingate By Wyndham Warner Robins	78	Midscale
Hampton Inn Warner Robins	87	Upper Midscale
<b>Average</b>	<b>78</b>	

Source: Horwath HTL

### 6.3.1 Recommended Guestroom Amenities

Key guestroom items that are most important to travelers include the quality and comfort of the bed, adequate work surface, a functional clean bathroom with reliable services, intuitive lighting / room controls, and good soundproofing.

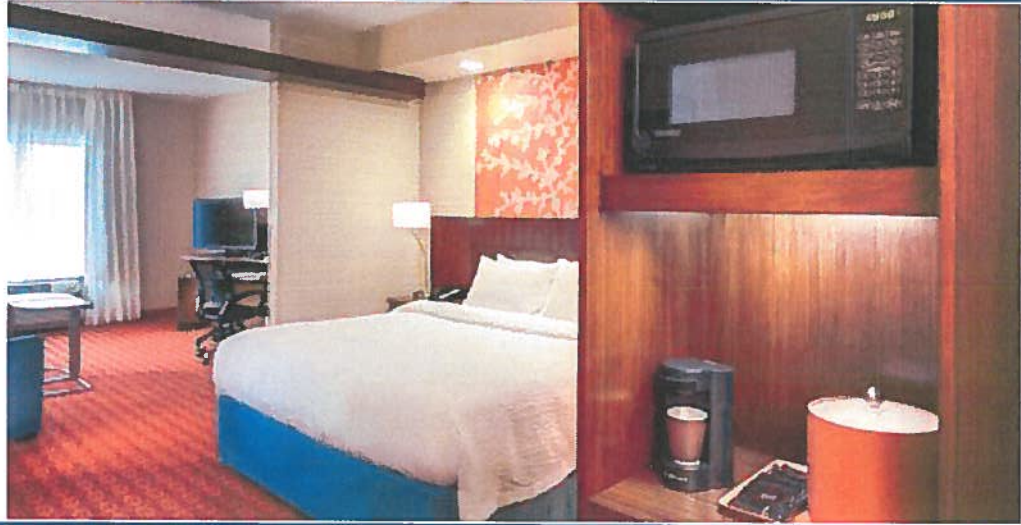
Emphasizing the importance of functionality, ease of use, comfort, and reliability, the following are some key amenities suggested for the standard guestrooms:

#### Bed / Living Areas

- Where permitted by local law, an ironing board and iron should be stored in a caddy mounted to the closet wall.
- Each room should have a brand-approved blanket in a zippered bag, stored on the top shelf of the closet.
- Include one coffee maker with minimum 4-cup capacity with auto shut-off feature, and it should comply with current UL commercial standards.
- All televisions in the guest rooms should be used with an individual remote control. All televisions must have 1080p vertical resolution and the TV or its accompanying set-top box must have digital tuners capable of receiving HD free to guest TV content in the country where the property is located.
- Wireless, broadband internet access that is reliable and reasonably fast should be available in all guest accessible interior areas of the hotel.
- A freestanding or wall-recessed safe should be provided in the guest room, and it should be located in the bedroom closet.
- A minimum of four outlets at the desk/activity table must be available above the surface and may include wall outlets or outlets in the lamp package.

- A brand-approved clock, with battery back-up, must be placed on the nightstand.
- A telephone should be placed by the bed and the desk.

### Examples of Fairfield Inn and Suites Guestroom



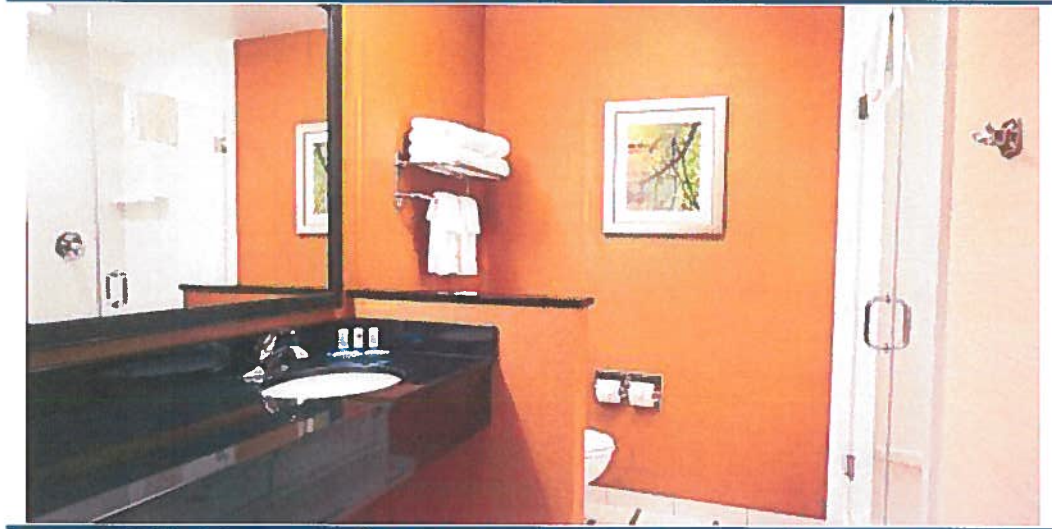
Source: Fairfield Inn & Suites

### Bathroom/Dressing Area

All fixtures in the bathroom need to be of high quality, intuitive to use, and most importantly, reliable. With regard to the bathroom design, the following key features should be taken into consideration, in addition to the basic, essential bathroom fixtures and amenities:

- A solid wood and single panel barn door with a full-length mirror on the outside and an approved brand graphic on the inside, is required at the bath. The bath doors and frames should be white.
- All hardware must be commercial grade and have a finish to coordinate with the surrounding bath accessories.
- The bathroom area must be mechanically exhausted to the exterior. A separate wall switch should be provided for an exhaust fan.
- A tank type, vitreous china water closet with an elongated bowl should be provided in each room. Each should have a commercial grade, closed-front, solid plastic seat with cover.
- Wall-mount or deck-mount commercial grade faucets with single or dual-level handles should be provided for the vanity. Each hot and cold supply must have an individual shut off valve.
- Water basin must be an undermount vitreous china bowl.
- Provide a wall switch adjacent to the entrance of the bathroom, and the light and exhaust fan must be on separate switches.

### Examples of Hampton Inn & Suites Bathroom



Source: Fairfield Inn & Suites

## 6.4 PUBLIC SPACE FACILITIES

The following section identifies our suggestions and recommendations for the public space facilities for the 80-room hotel, based on research of the facilities at comparable properties.

### 6.4.1 Comparable Facilities

The following table shows the F&B offerings at the competitive set hotels:

#### Public Space Facilities Summary of Comparable Hotels

Competitive Set	Room Count	Restaurants	Fitness Center
Country Inn & Suites Warner Robins	61	0	1
Fairfield Inn & Suites Warner Robins	74	0	1
Hilton Garden Inn Warner Robins	90	1	1
Wingate By Wyndham Warner Robins	78	0	1
Hampton Inn Warner Robins	87	0	1
<b>Average</b>	<b>78</b>	<b>-</b>	<b>-</b>

Source: Horwath HTL, STR, Inc.



### Example of Fairfield Inn & Suites Lobby Area



Source: Fairfield Inn & Suites

## 6.5 MEETING AND FUNCTION FACILITIES

### 6.5.1 Comparable Meeting and Function Space

The following table shows the meeting and function space allocation at the competitive set hotels:

#### Meeting Facilities Summary of Comparable Hotels

Competitive Set	Room Count	Meeting Area (SF)	No. of Meeting Rooms	Guest Capacity
Country Inn & Suites Warner Robins	61	0	0	0
Fairfield Inn & Suites Warner Robins	74	777	1	50
Hilton Garden Inn Warner Robins	90	1,500	6	90
Wingate By Wyndham Warner Robins	78	1,080	3	50
Hampton Inn Warner Robins	87	960	1	87
<b>Average</b>	<b>78</b>	<b>863</b>	<b>2</b>	<b>55</b>

Source: Horwath HTL, Official Hotel Websites.

For the ballroom, the entrance doors should swing flat against the pre-function wall, and the material of the doors is required to be tamper-proof, solid-core wood. The wallcovering should be vinyl, and the ceiling should be acoustic tile. Lighting should be provided along the perimeter of the room. AV equipment and other meeting needs should also be available. It is recommended to design the ballroom in a way that it may be divided into smaller meeting rooms when needed, to host multiple meeting or events at the same time.

## 6.6 OTHER FACILITIES

The following table outlines other facilities and amenities in the possible 80-room hotel. Recreational facilities are varied by hotels. Most of them include an indoor pool and a 24-hour fitness center.



**80-room Hotel Function Other Facilities**

Amenities	Area (SF)
Business Center	150
Fitness Center	1700
Public Restrooms	180
Pool and Pool Deck	1,700
Fire-Pit Lounge	1,500
<b>Total</b>	<b>5,930</b>

Source: Fairfield Inn & Suites Development



## CHAPTER 6

## 7. OPERATING PROJECTIONS

This section of the report presents a preliminary assessment of the feasibility of an 80-room limited-service hotel.

To estimate the proposed hotel's market performance, we evaluated its likely competitiveness and several factors that influence a potential guest or a third party's decision of accommodation selection, including the following:

- Accessibility and proximity to demand generators and external support facilities.
- Location and quality of surroundings.
- Market positioning and brand affiliation.
- Room rate structure and discounting policies, as compared with competitive hotels.
- Quality and variety of facilities offered.
- Anticipated overall quality of physical product and finishing.
- Age and chain scale of competitive supply.

### 7.1 ESTIMATED PROPOSED HOTEL PERFORMANCE

The following table summarizes the projected occupancy, ADR and RevPAR levels for the first 10 years of operation for the proposed hotel in constant 2016 USD value:

#### Overall Performance Forecast of Proposed Hotel

Year	Occupancy	ADR	RevPAR
1	55.0%	92.00	50.60
2	58.0%	95.00	55.10
3	60.0%	97.00	58.20
4	60.0%	99.91	59.95
5	60.0%	102.91	61.74
6	60.0%	104.97	62.98
7	60.0%	107.06	64.24
8	60.0%	109.21	65.52
9	60.0%	111.39	66.83
10	60.0%	113.62	68.17

Source: Horwath HTL projections

The performance projections for the proposed hotel are based on the market performance and Horwath HTL analysis of all the data available as of November 2016. The performance of the 80-room limited-service hotel is expected to increase ADR every year at a significant pace for the first three years. In the fourth year of operation, growth should begin to stabilize resulting in 60% Occupancy, \$99.91 ADR (2016-dollar), and \$59.95 RevPAR.

## 7.2 OPERATING CASH FLOW PROJECTIONS

The following section presents the hotel's cash-flow projections. The 10-year cash-flow statements commence during the anticipated first full operating year. The prospective financial analyses are based on the operational performance of comparable existing properties in Georgia. The projections were calculated with a base year in constant 2016 values and then inflated to project operating results at a rate of 2.0% per year.

Horwath HTL cannot guarantee that the prospective operating and financial estimates presented in this report will materialize, nor is any warranty intended or implied. However, based on the hotel's attributes, location, and expected competitive positioning in Perry, and emphasizing the need for aggressive management and marketing with appropriate control over costs and expenses, the projections are considered to be reasonable.

The prospective financial analysis is explained in the following sections. Unless specifically identified otherwise, all the figures referenced in the following text are presented in constant 2016 USD terms.

The ranges and benchmarks used to determine the following measures of performance were derived from a selection of comparable properties in South Atlantic, Interstate, and Upper Midscale properties. These properties are seen to be the most representative of the proposed hotel's future performance because they are of similar branding, positioning, structure, and location:

**Cash Flow Projection Assumptions, Stabilized Year of Operation**

	Interstate Hotels	Upper Midscale Hotels	80-room Limited-Service Hotel
<b>Rooms</b>			
Room Expenses Ratio-to-Sales (USD)	23.8%	24.1%	23.3%
<b>Rentals &amp; Other Income</b>			
% Total Revenue	1.6%	2.2%	1.8%
<b>Administrative &amp; General (A&amp;G)</b>			
% of Total Revenue	10.1%	8.9%	8.3%
<b>Marketing</b>			
% of Total Revenue	4.5%	4.8%	2.9%
<b>Property Operation &amp; Maintenance</b>			
% of Total Revenue	5.0%	4.5%	4.1%
<b>Franchise Fee</b>			
% of Total Revenue	6.0%	6.7%	7.4%
<b>Utility Charges</b>			
% of Total Revenue	4.3%	3.9%	4.0%
<b>Fixed Charges</b>			
Taxes % Total Revenue	3.7%	3.9%	3.7%
Insurance % Total Revenue	1.1%	0.9%	1.0%
<b>Management Fee</b>			
Base % Total Revenue	3.0%	3.3%	3.0%
<b>FF&amp;E</b>			
Reserves % Total Revenue	1.1%	1.7%	3.0%

Source: STR, Inc., STR Global, Horwath HTL



A summary pro forma financial statement for the 80-room limited-service hotel in 2016 dollar values is presented below:

**Limited-Service Upper Midscale 80-Room Hotel  
Perry, GA**

**Operating Statistics**

Occupancy	60.0%
Average Daily Rate	\$97.00
RevPAR	\$58.20
Number of Rooms	80
Days In Period	365
Available Rooms	29,200
Occupied Rooms	17,520

	Year Three			
	Amount	Ratio	POR	PAR
<b>Revenue</b>				
Rooms	\$1,699,440	98.2%	\$97.00	\$58.20
Rent & Other	30,600	1.8%	\$1.75	\$1.05
<b>Total Revenue</b>	<b>1,730,040</b>	<b>100.0%</b>	<b>\$98.75</b>	<b>\$59.25</b>
<b>Departmental Expenses</b>				
Rooms	396,232	23.3%	\$22.62	\$13.57
Rent & Other	24,055	78.6%	\$1.37	\$0.82
<b>Total Departmental Expenses</b>	<b>420,288</b>	<b>24.3%</b>	<b>\$23.99</b>	<b>\$14.39</b>
<b>Undistributed Oper. Expenses</b>				
Admin. and Gen.	144,331	8.3%	\$8.24	\$4.94
Management Fees	51,901	3.0%	\$2.96	\$1.78
Franchise Fees	127,458	7.4%	\$7.28	\$4.37
Marketing	50,544	2.9%	\$2.88	\$1.73
Utility Costs	68,440	4.0%	\$3.91	\$2.34
Property Oper. and Maint.	70,762	4.1%	\$4.04	\$2.42
<b>Total Undistributed Oper. Expenses</b>	<b>513,437</b>	<b>29.7%</b>	<b>\$29.31</b>	<b>\$17.58</b>
<b>House Profit</b>	<b>796,316</b>	<b>46.0%</b>	<b>\$45.45</b>	<b>\$27.27</b>
<b>Fixed Charges</b>				
Insurance	17,270	1.0%	\$0.99	\$0.59
Property Taxes	64,147	3.7%	\$3.66	\$2.20
Reserve for Replacement	51,901	3.0%	\$2.96	\$1.78
<b>Total Fixed Charges</b>	<b>133,319</b>	<b>7.7%</b>	<b>\$7.61</b>	<b>\$4.57</b>
<b>Net Operating Income</b>	<b>\$662,997</b>	<b>38.3%</b>	<b>\$37.84</b>	<b>\$22.71</b>

## 7.3 NOI SUMMARY

The proposed hotel's net operating income (NOI) for ten years of operations, are summarized in the table below, both as an amount (in thousands) and as a percentage of total revenue:

### NOI Projections Summary of the Proposed Hotel

Year	Occupancy	ADR	Total Revenue	GOP RTS	NOI	NOI RTS
1	55.0%	92.00	1,507	44.7%	551	36.6%
2	58.0%	95.00	1,638	45.8%	621	37.9%
3	60.0%	97.00	1,730	46.0%	662	38.3%
4	60.0%	99.91	1,781	46.1%	684	38.4%
5	60.0%	102.91	1,834	46.2%	706	38.5%
6	60.0%	104.97	1,871	45.8%	713	38.1%
7	60.0%	107.06	1,908	45.4%	720	37.7%
8	60.0%	109.21	1,947	45.4%	727	37.3%
9	60.0%	111.39	1,986	45.2%	734	37.0%
10	60.0%	113.62	2,025	44.8%	740	36.6%

Source: Horwath HTL projections

The projected 10-Year Cash Flow Statement for the proposed hotel in inflated USD is presented in Appendix I.

## 7.4 INVESTMENT ANALYSIS

Based on the average development costs from data acquired from the HVS Hotel Development Cost Survey, the Fairfield Inn & Suites prototype, and Horwath HTL analysis; the development cost per key is projected to be at \$89,750 per key, which includes Property Acquisition, Hard Costs, Soft Costs, FF&E, and Pre-Opening and Working Capital.

### Project Development Cost Assumptions

Item	Cost	Cost per Key
Property Acquisition	\$500,000	\$6,250
Hard Costs	\$4,000,000	\$50,000
FF&E	\$800,000	\$10,000
Soft Costs	\$1,800,000	\$20,000
Pre-Opening and Working Capital	\$280,000	\$3,500
<b>Total</b>	<b>\$7,180,000</b>	<b>\$89,750</b>

Source: HVS Hotel Development Cost Survey 2014/2015; Horwath HTL; Fairfield Inn & Suites Prototype

It is important to note that these estimates will need to be refined by a certified quantity surveyor based on the final design and material specification of the proposed development, and do not form part of the current scope of work.

The Fairfield Inn & Suites costs are based on assumed January 2015 numbers and follow the criteria listed below:

- All buildings are assumed to be constructed using conventional foundation
- Development on a flat site with utilities located at the property line
- Exclusion of special code requirements including, but not limited to seismic, hurricane or additional locality requirements
- Use of prototypical room mix and decorative FF&E design packages
- Requirements to meet Marriott International Brand Design Guidelines

#### Fairfield Inn & Suites Prototypical Cost Plans

Item	Cost per Key	Cost per SF
General Contractor Cost	61,243	122.34
Permits and Fees	3,063	6.12
FF&E	10,468	20.91
Project & Design Management	2,667	5.32
Other Construction Costs	7,234	14.46
<b>Total</b>	<b>84,675</b>	<b>169.15</b>

Source: Fairfield Inn & Suites Prototype

## 7.5 IRR ANALYSIS

Factors used in the International Rate of Return (IRR) calculations are as follows:

- A capitalization rate of 9.5%, derived from Real Capital Analytics for Limited-Service Hotels in the state of Georgia.
- Assuming a base land cost of \$500,000, derived from the Horwath HTL analysis.
- The cash flows generated by the subject property are pre-tax.
- Leveraged IRR is calculated based on 70% LTV ratio, derived from our experience.
- 30% of the total estimated construction costs were allocated in 2016 and 70% in 2017.
- The interest rate for the construction cost is assumed at 5.5%.
- The loan term is assumed at 30 years, standard in the industry.
- The inflation rate is assumed at 2.0%, derived from the Wall Street Journal's Economic Survey of forecasted inflation.
- The project incentive at 2.0% of the total cost or \$145,000 to insure the success of the project.

- Per Real Capital Analytics, as of January 2017, the Capitalization Rate for limited-service hotels range from 7% to 11%. In this study, we have assumed the cap rate at 9.5% comparable with the average for the non-major markets. According to Realtyrates.com, the permanent financing interest rate for lodging properties in the 1<sup>st</sup> Quarter 2016 is between 3.46% to 13.26% with an average of 5.67%. The construction financing interest rate for lodging properties in the 1<sup>st</sup> Quarter 2016 is between 4.52% to 10.29%, with an average of 7.44%. In this study, we have assumed a construction loan interest rate at 5.5%. The loan term for lodging properties is typically 30 years.
- The 10-Year IRR and for the hotel is presented in the table below:

<b>Ten-Year Leveraged IRR</b>	17.8%
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Appendix I  
10-Year Cash Flow



	Year One	Year Two	Year Three	Year Four	Year Five	Year Six	Year Seven	Year Eight	Year Nine	Year Ten
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio
<b>Revenue</b>										
Rooms	\$1,477,520	\$1,608,920	\$1,659,440	\$1,750,423	\$1,802,936	\$1,838,995	\$1,875,775	\$1,913,290	\$1,951,556	\$1,990,587
Rent & Other	30,000	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150
<b>Total Revenue</b>	<b>1,507,520</b>	<b>1,638,920</b>	<b>1,730,040</b>	<b>1,781,635</b>	<b>1,834,772</b>	<b>1,871,468</b>	<b>1,908,897</b>	<b>1,947,075</b>	<b>1,986,016</b>	<b>2,025,737</b>
<b>Departmental Expenses</b>										
Rooms	369,380	372,592	396,232	407,327	418,732	430,456	442,509	454,900	467,637	480,731
Rent & Other	23,400	23,400	24,055	24,729	25,421	26,133	26,865	27,617	28,390	29,185
<b>Total Departmental Expenses</b>	<b>392,780</b>	<b>395,992</b>	<b>420,288</b>	<b>432,056</b>	<b>444,153</b>	<b>456,589</b>	<b>469,374</b>	<b>482,516</b>	<b>496,027</b>	<b>509,916</b>
<b>Undistributed Oper. Expenses</b>										
Admin. and Gen.	120,000	140,400	144,321	148,372	152,527	156,798	161,188	165,701	170,341	175,110
Management Fees	45,226	49,168	51,901	53,449	55,043	56,144	57,267	58,412	59,580	60,772
Franchise Fees	110,814	120,669	127,458	131,282	135,220	137,925	140,683	143,497	146,367	149,294
Marketing	45,226	49,168	50,544	51,960	53,414	54,910	56,443	58,028	59,653	61,323
Utility Costs	56,210	64,357	68,440	70,356	72,336	74,352	76,433	78,574	80,774	83,035
Property Oper. and Maint.	63,316	68,835	70,762	72,743	74,780	76,874	79,026	81,239	83,514	85,852
<b>Total Undistributed Oper. Expenses</b>	<b>440,791</b>	<b>492,596</b>	<b>513,437</b>	<b>528,163</b>	<b>543,311</b>	<b>557,002</b>	<b>571,045</b>	<b>585,451</b>	<b>600,228</b>	<b>615,587</b>
<b>Gross Operating Profit</b>	<b>672,949</b>	<b>750,322</b>	<b>796,316</b>	<b>821,417</b>	<b>847,308</b>	<b>857,876</b>	<b>868,478</b>	<b>879,107</b>	<b>889,761</b>	<b>900,434</b>
<b>Fixed Charges</b>										
Insurance	16,800	16,800	17,270	17,754	18,251	18,762	19,287	19,828	20,383	20,953
Property Taxes	60,800	62,400	64,147	65,943	67,790	69,688	71,639	73,645	75,707	77,827
Reserve for Replacement	45,226	49,168	51,901	53,449	55,043	56,144	57,267	58,412	59,580	60,772
<b>Total Fixed Charges</b>	<b>122,826</b>	<b>128,368</b>	<b>133,319</b>	<b>137,146</b>	<b>141,084</b>	<b>144,594</b>	<b>148,193</b>	<b>151,885</b>	<b>155,670</b>	<b>159,552</b>
<b>Net Operating Income</b>	<b>\$551,123</b>	<b>\$621,955</b>	<b>\$662,997</b>	<b>\$684,271</b>	<b>\$706,224</b>	<b>\$713,282</b>	<b>\$720,284</b>	<b>\$727,223</b>	<b>\$734,091</b>	<b>\$740,882</b>
<b>Operating Statistics</b>										
Occupancy	55.0%	59.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Average Daily Rate	\$92.00	\$95.00	\$97.00	\$99.91	\$102.91	\$104.97	\$107.06	\$109.21	\$111.39	\$113.62
Re/Par	\$50.60	\$55.10	\$58.20	\$59.95	\$61.74	\$63.58	\$65.46	\$67.38	\$69.34	\$71.34
Number of Rooms	365	365	365	365	365	365	365	365	365	365
Available Rooms	29,200	29,200	29,200	29,200	29,200	29,200	29,200	29,200	29,200	29,200
Occupied Rooms	16,060	16,936	17,520	17,520	17,520	17,520	17,520	17,520	17,520	17,520
Total Revenues	1,507,520	1,638,920	1,730,040	1,781,635	1,834,772	1,871,468	1,908,897	1,947,075	1,986,016	2,025,737
Total Costs	956,397	1,016,955	1,067,043	1,097,365	1,128,548	1,158,185	1,188,613	1,219,852	1,251,925	1,284,855
<b>Change in Revenue</b>		8.7%	5.6%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Change in Costs</b>		6.3%	4.9%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%

**NOTE:** The forecast projections and investment analyses represented herein contain estimates and assumptions based on our study of the current market conditions. Horwath HTL and/or Panther Hospitality LLC neither warrants nor guarantees the results of these projections and analyses since unanticipated events and circumstances may occur.

Appendix II  
IRR Calculations

**LEVERAGED IRR ANALYSIS**  
*Upper Midscale Hotel / Fairfield Inn • Perry, Georgia*

**SOURCE AND USE OF FUNDS**

USE OF FUNDS	Per Key	Costs	Pct	Source
Property Acquisition	6,250	\$500,000	7%	First Mortgage
Hard Costs	50,000	4,000,000	56%	Equity
FFBE	10,000	800,000	11%	Incentives (1)
Soft Costs	20,000	1,600,000	22%	
Pre-Opening & Working Capital	3,500	280,000	4%	
<b>Total Use of Funds</b>	<b>\$89,750</b>	<b>\$7,180,000</b>	<b>96%</b>	<b>\$7,180,000</b>
Number of Rooms	80			
Total Cost per Room	\$89,750			

**FIRST MORTGAGE**

Mortgage Amount	Monthly Payment	Year One	Year Two	Year Three	Year Four	Year Five	Year Six	Year Seven	Year Eight	Year Nine	Year Ten
\$5,036,000	\$28,537	\$5,026,000	\$4,958,295	\$4,886,771	\$4,811,213	\$4,731,393	\$4,647,070	\$4,557,991	\$4,463,886	\$4,364,474	\$4,259,454
Interest Rates	5.50%	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445
Amortization Period	30 years	\$274,740	\$270,921	\$266,887	\$262,625	\$258,122	\$253,366	\$248,341	\$243,033	\$237,425	\$231,501
		\$67,705	\$71,624	\$75,558	\$79,423	\$83,323	\$87,079	\$90,104	\$92,412	\$94,102	\$95,220
		\$4,958,295	\$4,886,771	\$4,811,213	\$4,731,393	\$4,647,070	\$4,557,991	\$4,463,886	\$4,364,474	\$4,259,454	\$4,149,510

**YEARLY CASH FLOW SUMMARY**

	Year One	Year Two	Year Three	Year Four	Year Five	Year Six	Year Seven	Year Eight	Year Nine	Year Ten
Net Operating Income	\$551,123	\$621,965	\$662,997	\$684,271	\$706,224	\$713,282	\$720,284	\$727,223	\$734,091	\$740,882
First Mortgage Annual Payment	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445	\$342,445
Cash Flow after Debt Service	\$208,678	\$279,520	\$320,552	\$341,826	\$363,779	\$370,837	\$377,839	\$384,778	\$391,646	\$398,437
Debt Service Coverage Ratio	1.61	1.82	1.94	2.00	2.06	2.08	2.10	2.12	2.14	2.16

**CAPITAL GAIN CALCULATION**

Tenth Year Net Operating Income	\$740,882
Terminal Cap Rate	6.5%
Gross Sales Price	\$7,798,753
Less: Debt	(3,000,000)
Net Sales Price	\$4,798,753
Remaining First Mortgage Balance	\$4,647,070
Return of Equity	\$2,009,000
Capital Gain	\$908,721
Sales Price per Room	\$97,484

**LEVERAGED IRR ANALYSIS**

	Year Zero	Year One	Year Two	Year Three	Year Four	Year Five	Year Six	Year Seven	Year Eight	Year Nine	Year Ten
Equity		\$208,678	\$279,520	\$320,552	\$341,826	\$363,779	\$370,837	\$377,839	\$384,778	\$391,646	\$398,437
Cash Flow after Debt Service	(\$2,009,000)	\$208,678	\$279,520	\$320,552	\$341,826	\$363,779	\$370,837	\$377,839	\$384,778	\$391,646	\$398,437
Net Sales Price											\$7,564,790
Remaining First Mortgage Balance											(4,647,070)
Net Cash Flow		10.4%	13.9%	16.0%	17.0%	18.1%	18.5%	18.8%	19.2%	19.5%	19.5%
Cash-on-Cash Return											
<b>Ten-Year Leveraged IRR</b>											<b>17.8%</b>

**NOTE:**  
(1) Incentives are an estimated number that was calculated to benchmark the possible feasibility of the project.  
The financial projections and investment analyses represented herein contain estimates and assumptions based on our study of the current market conditions. Horwath HTL and or Panther Hospitality LLC neither warrants nor guarantees the results of these projections and analyses since unanticipated events and circumstances may occur.



## Where Georgia comes together.

Department of Economic Development

To: Mayor and Council

CC: Lee Gilmour, City Manager  
Bryan Wood, Community Development

From: Robert D. Smith, Director

Date: March 1, 2017

Re: City of Perry Opportunity Zone

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One of the most important economic and community development incentives we have in the City of Perry is our Opportunity Zone (OZ). Established in November 2008 in association with the *Perry Redevelopment Plan* the City's OZ provides the state maximum job tax credits (\$3,500 annually per job) to eligible businesses within its boundaries (map attached). Developed and administered through the Georgia Department of Community Affairs (DCA) as a tool to promote community redevelopment, the OZ program has essentially been co-opted by the Georgia Department of Economic Development as a primary location incentive tool.

In its earlier years (when Perry established our OZ) the OZ program took off thanks to a combination of fluid and easily attainable establishment guidelines and aggressive administration of the program. Perry was fortunate enough to have most of the City included in our OZ. A few quick facts about our OZ:

- There are 2,344 parcels with a value of \$403,558,315 comprising our OZ
- The properties in our OZ constitute a total of 5,628 acres
- There are approximately 441 businesses (66% of all City businesses) operating within our OZ

The OZ has been very successful in our community with many employers moving forward with the certification process and taking advantage of the tax credits available to them. The fact that we have an OZ also drives a lot of prospect interest concerning the Houston County Development Authority and their activities. Recently, Sandler Nonwoven has mentioned our OZ as a considerable determining factor in their decision to choose Perry and we recently completed their OZ certification process.

Unfortunately, OZ's are only established for a ten-year period and the City's is set to expire in November 2018. With this in mind I have already begun moving on ensuring we are able to continue to take advantage of this program after November 2018 and am working with our partners to ensure as few businesses as possible are impacted by our OZ's expiration.

Over the ten years of the OZ program the administration of the program has changed and we should expect a very different, more focused, OZ following the expiration of the current OZ. Further, our community has changed a lot since 2008 and the new OZ will reflect these changes.



## **Where Georgia comes together.**

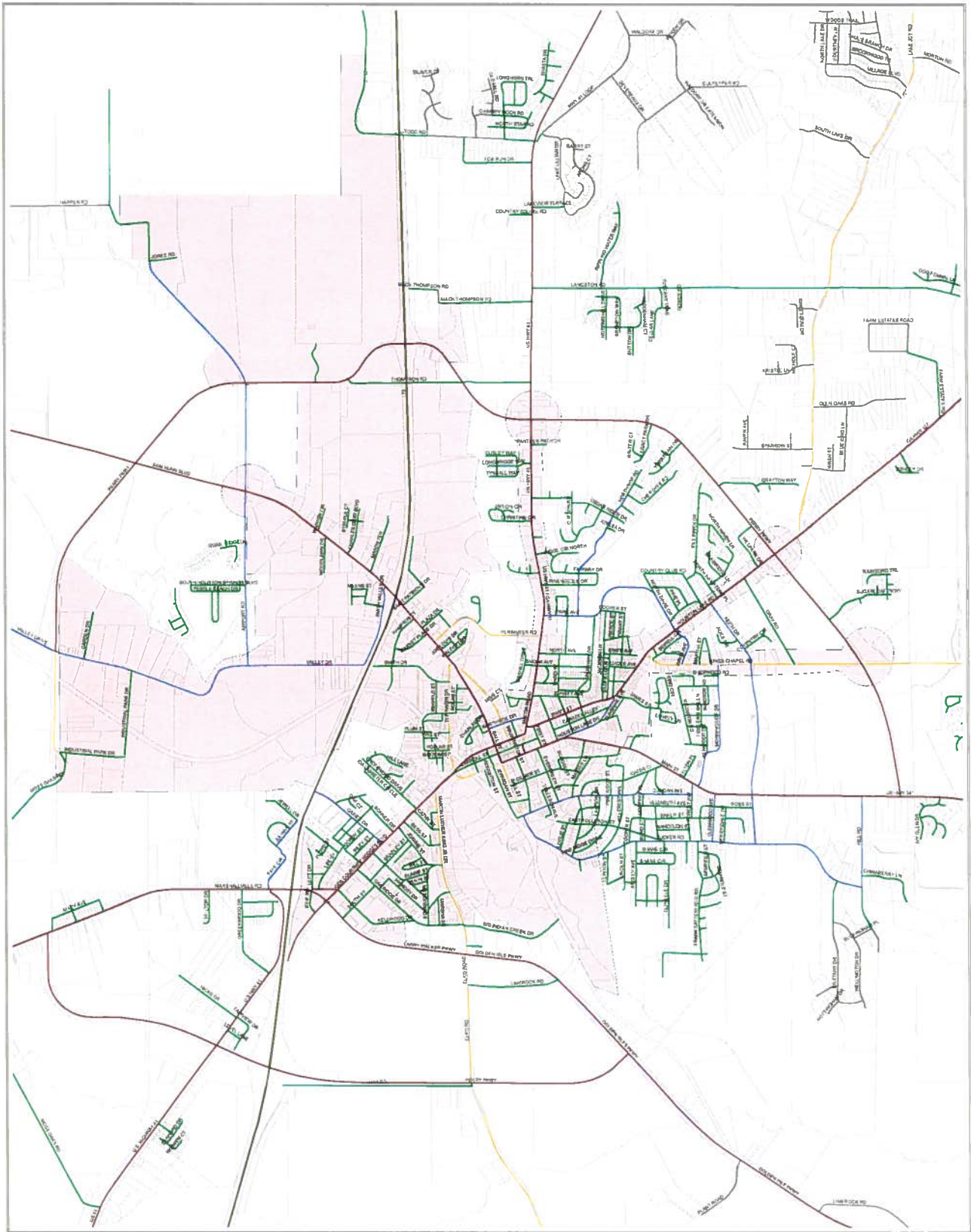
Department of Economic Development

As an extension of the current OZ is not an option we are going to have to go through the process of updating our current Urban Redevelopment Plan (Perry Redevelopment Plan mentioned above), establishing a new OZ boundary based on this plan and guidance from DCA, and reapplying for a new OZ to be effective from November 2018 through November 2028. Working with our partners I will begin this process immediately. The goal is to have another OZ lined up and ready to go the day after our current OZ expires.

I will be sure to keep you posted as this project develops. Please let me know if you have any questions or require any further information.



# City of Perry Opportunity Zone



## Legend

 Opportunity Zone



 Miles  
0 0.2 0.4 0.8 1.2 1.6



**Where Georgia comes together.**

Department of Economic Development

To: Mayor and Council  
CC: Lee Gilmour, City Manager  
From: Robert D. Smith, Director  
Date: March 1, 2017  
Re: 2017 CDBG Project

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As you are aware the City, through the Perry Housing Team, is working to develop and submit a Community Development Block Grant application for the FY2017 award cycle.

The administrative procurement process has been completed and it is recommended that the City select Grant Specialists of Georgia, Inc. and Mrs. Sherri Kurtz. Mrs. Kurtz and her team will, at no cost to the City, prepare and submit the CDBG application on the City's behalf and, if funded, will administer the CDBG grant.

Following the required Request for Qualifications and Proposals the City received two (2) proposals and through an objective rating system it was determined to move forward with the proposal from Grant Specialists of Georgia, Inc. Please let me know if you would like to see the complete proposals or rating documentation.

As you are also aware, Grant Specialists of Georgia, Inc. is currently administering our FY2016 CDBG and CHIP awards and I have full confidence they will do a great job with our FY2017 application and, if awarded, subsequent grant administration.

Just as a reminder, the FY2017 CDBG project will be the completion of phase 2 of the Sand Hill neighborhood housing rehabilitation and reconstruction activities and the City will be requesting \$750,000 in funds to complete the activity. After exploring the possibility of applying for funding for a multi-activity project (\$1,000,000) to also complete infrastructure improvements it was decided to focus on just housing due to the lack of actionable infrastructure issues in the neighborhood. We will be hosting a public hearing on the issue on Wednesday, March 8, 2017 at 1:00 p.m. in City Hall Council Chambers.

Please let me know if you have any questions or require any further information.