

Fiscal Year 2009-10 Capital Construction Request

Metropolitan State College of Denver

Hotel Learning Center

PROGRAM PLAN STATUS

2010-072

Approved Program Plan? Yes Date Approved: March 26, 2009

PRIORITY NUMBERS

Prioritized By _____ Priority _____
Dept/Inst 2 of 2

PRIOR APPROPRIATION AND REQUEST INFORMATION

<u>Fund Source</u>	<u>Prior Approp.</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>Future Requests</u>	<u>Total Cost</u>
CF	\$0	\$39,327,762	\$0	\$0	\$39,327,762
Total	\$0	\$39,327,762	\$0	\$0	\$39,327,762

ITEMIZED COST INFORMATION

<u>Cost Item</u>	<u>Prior Approp.</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>Future Requests</u>	<u>Total Cost</u>
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$0	\$3,126,000	\$0	\$0	\$3,126,000
Construction	\$0	\$29,922,888	\$0	\$0	\$29,922,888
Equipment	\$0	\$4,267,665	\$0	\$0	\$4,267,665
Miscellaneous	\$0	\$0	\$0	\$0	\$0
Contingency	\$0	\$2,011,209	\$0	\$0	\$2,011,209
Total	\$0	\$39,327,762	\$0	\$0	\$39,327,762

PROJECT DESCRIPTION / SCOPE OF WORK

Metropolitan State College of Denver (Metro) is requesting cash funds spending authority to construct a 30,000-GSF Hotel Learning Center as part of a new hotel to be built on the site of Parking Lot R at the corner of Auraria Parkway and Speer Boulevard on the Auraria Higher Education Center (Auraria) campus. The college plans to establish a public-private partnership with a hotel operator to construct a new hotel and hotel learning center to be operated by the Metro Department of Hospitality, Tourism, and Events in order to create a hands-on learning laboratory to train students in the hospitality industry. The entire project cost is \$39.3 million, including \$30.6 million, or 77.9 percent, for hotel construction, and \$8.7 million, or 22.1 percent, for hotel learning center construction.

The Hotel Learning Center will include a 10,000-GSF banquet room and 16,286 square feet in conference and conference support space. It will also include full production speciality kitchens and a beverage management center, amphitheatre-style, distance-learning capable classrooms, teaching laboratories, faculty offices, and student gathering areas. Metro says that students enrolled in the hospitality program will also have the opportunity to work in the hotel. The project will allow Metro to expand hospitality management courses to include experiential learning, direct advanced management training courses, and hospitality-based research, study, testing, development, and promotion of products and services.

Request for proposals. According to Metro, a request for qualifications (RFQ) was submitted in December 2008 for a national search to identify a management and design team and general contractor for the project. The due date for the RFQ is May 2009. A request for participation will be released to qualified teams identified by the RFQ in May 2009. The college plans to negotiate a land lease between the Auraria Board of Directors and the Metropolitan State College of Denver Foundation, which would in turn sublease the property to the hotel operator. This option would

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require the hotel operator to finance both hotel construction and yearly lease payments. However, Metro does not want to preclude qualified investors and so it extended its RFQ deadline from March 2009 to May 2009 in order to allow for other land lease or ownership options to be submitted.

PROJECT JUSTIFICATION

Metro says the Department of Hospitality, Tourism, and Events experienced significant growth between 1998 and 2007 and that it expects enrollment to increase by 103 FTE in the next 10 years. In FY 2007-08, there were 148 students enrolled in the department and Metro estimates student enrollment will increase 29.7 percent to 192 students by academic year 2010-11. The department is currently housed in only 5,847 square feet, and during the fall 2007 semester it was spread out between four buildings. Metro says the program has only one teaching laboratory kitchen that it shares with two other programs, which is insufficient to support the department's growth needs. Furthermore, Metro says faculty and staff office space is at capacity. Metro says its goal is to attain a 20:1 student faculty ratio and so it will need to hire four additional FTE to meet the growth in student enrollment.

According to Metro, the construction of a new hotel and hotel learning center will create a space large enough for Auraria to host local, regional, or national conferences or to sponsor charity events. Also, locating department headquarters adjacent to the hotel is necessary for the experiential learning process, and to allow for faculty interaction with hotel management to understand current industry needs, says Metro. Finally, Metro says approval of this project will aid in its fundraising efforts.

Project alternatives. Metro offers three project alternatives, including: (1) construct only a hotel, but no Hotel Learning Center; (2) lease space for the Hotel Learning Center in lower downtown Denver; or (3) construct a shell space for future completion of the Hotel Learning Center. Metro says the first alternative is not a viable option because the program's success depends in part on adjacency to an operating hotel and furthermore it needs the space that will be vacated by the program to address other campus space shortage needs. Metro says the second alternative is not an option because it may be more expensive to lease space than to build a Hotel Learning Center, and the third alternative is not an option because project costs could increase 6 to 12 percent if construction does not commence on schedule.

PROGRAM INFORMATION

The Department of Hospitality, Tourism, and Events was established in 1977. Metro says it offers the most comprehensive, cost-effective, hospitality baccalaureate degree-granting program serving Colorado and any community within a 400-mile radius of Denver. The program offers individualized interdisciplinary majors with an emphasis in hotel, restaurant, meeting, and travel administration.

LEED CERTIFICATION INFORMATION

The project is not required to comply with the provisions of Senate Bill 07-051 regarding LEED certification because no state funds are requested for the project. However, the college plans to build the facility to the LEED silver standard, the second highest of four possible certification levels.

PROJECT STATUS

This is a new project.

SOURCE OF CASH FUNDS

The source of cash funds is an investment by a flagship hotel, and college fundraising efforts for \$7.5 million. Metro has not yet selected a hotel operator, so no funds have been secured for the hotel component of the project. Fundraising efforts have begun for the Hotel Learning Center, and Metro estimates it will have \$3.1 million on hand by the close FY 2008-09. According to Metro, project construction will not begin until it has raised all funds for the

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project.

STAFF QUESTIONS AND ISSUES

- 1) Please provide an update on Metro's fundraising efforts. How much money has been raised to date?

The Metro State Foundation and the HTE program have convened a steering committee of leaders in the hotel and tourism industries to begin the fundraising process, communicate our intent, generate excitement in the community about the project and its ideal site, and ensure that likely and prospective funders are aware of our plans. Notable names like Walter Isenberg, Jeff Potter, Navin Dimond, Ron Montoya, and Maria Garcia-Berry are advising this process and connecting Metro State to vendors, donors, and in-kind opportunities.

Metro State is also in the process of feasibility interviews, have created a case statement, and other collateral materials about the project, naming rights, etc. Additionally, at the April 14th, 2009, Metro State Foundation board meeting, the foundation agreed to be the "owner" of the Hotel and HLC, which is a significant commitment by the Foundation and the College.

Private fundraising will commence in earnest when the college has a firm "go" on the project and the public financing and developer are in place. However, the pieces have been assembled to be ready for that likelihood.

- 2) Why is the fundraising goal for the Hotel Learning Center only \$7.5 million, if the total cost for this component of the project is \$8.7 million? Where will Metro acquire the additional funds to complete the Hotel Learning Center?

When the program plan was completed in June 2008, the estimated cost for Metro State's portion of the project was \$7.5 million. This was based on the learning center being roughly twenty-two percent of the entire building. The program plan was originally submitted to CDHE on September 19, 2008. At that time, Metro State, AHEC and the architect for the program plan were still investigating the future utility costs for the public/private neighborhood of the Auraria Campus in this particular site location. The architect submitted their revised costs for the site improvements to Metro State on December 11, 2008. This was almost two months after the college had submitted the program plan. Metro State then changed the institutional cost to \$8.7 million (twenty-two percent of the project), but did not change the response to question #15.

Metro State has continued to work with AHEC on finding an accurate estimate for utility improvements. Due to the addition of the science building, the campus has increased its electrical capacity with Xcel so the additional costs may not be as high. Also, future projects in this area may reduce the cost impact to the Hotel Learning Center. It may also be possible that the developer will cover the entire cost for utility improvements. These details need to be addressed with the hotel developer and the Auraria Campus.

The college's fundraising goal remains \$7.5 million for the hotel learning center, but Metro State will monitor the utility costs and work out a possible arrangement with the hotel developer and AHEC.

- 3) Will this new facility compete for Denver conventions? Is the City of Denver aware of this request?

Both the City of Denver and the Downtown Denver Partnership are aware of the Hotel Learning Center as it was an element of the 2007 Campus Master Plan. Both entities have been supportive of the project as it will be the first step towards implementing one of the seven transformative projects in the 2007 Downtown Area Plan – Connecting Auraria. Tamara Door, president and CEO of the Downtown Denver Partnership, is a member of the Auraria Board of Directors, which approved the hotel learning center program plan at their December 2008 board meeting.

Metro State anticipates the hotel being used by both the campus community as well as the larger Denver metropolitan area – especially for visitors coming downtown for an event at the Pepsi Center. The size of the hotel and conference space is not suited to attracting large conventions – which are meant for those venues within the core of downtown. This hotel will instead serve as meeting space for faculty conferences, campus meetings, smaller gatherings, as well as provide a venue for visitors to the campus.

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IMPACT ON OPERATING BUDGET

	1st Year	2nd Year	3rd Year	Total
Personnel Services	Metro explains that the Hotel Learning Center operating expenses will be shared by the AHEC member institutions and it expects the facility to be eligible for future controlled maintenance costs. The hotel operating and maintenance expenses will be paid by the hotel operator.			
Maintenance				
Utilities				
Supplies/Equipment				
Other				

PROJECT SCHEDULE

	Start Date	Completion Date
Physical Planning	January 2010	June 2010
Construction	August 2010	October 2011
Equipment		
Occupancy		January 2012