



Hotel Development Opportunity

Solicitation for Development
Partner Proposals



Bermuda Run, NC | Fall 2018

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The Opportunity

This document is an invitation to experienced development teams to present conceptual plans for the development of an upscale brand or independent boutique hotel in Bermuda Run, North Carolina.

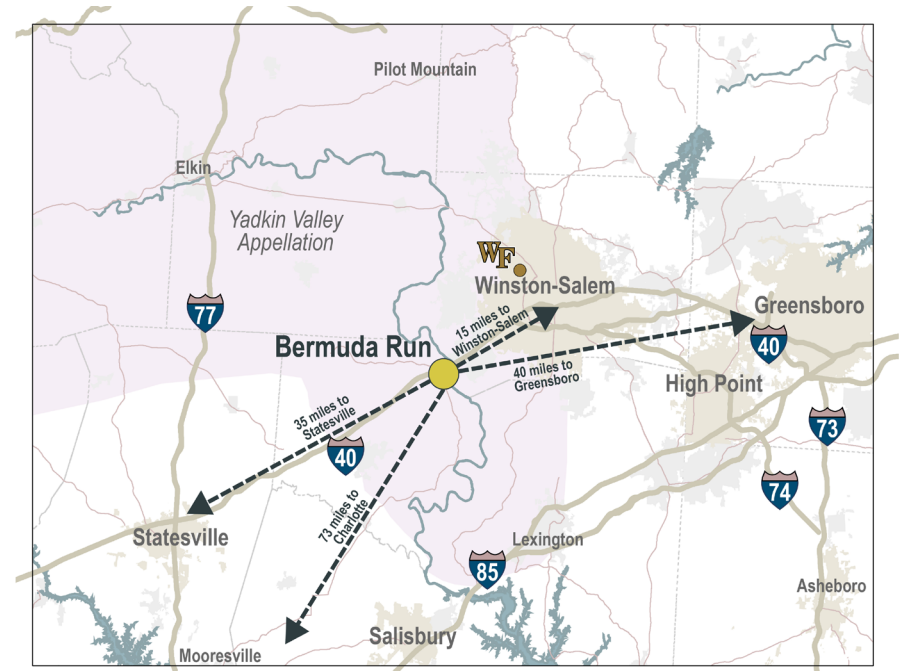
The Town of Bermuda Run engaged the Development Finance Initiative (DFI) to conduct predevelopment services for the development of a hotel. The Town Council has received guidance from DFI regarding public participation options and is currently soliciting interest from developers for the project. Development project proposals are due December 14, 2018, and the process of selecting and negotiating with a development partner will begin. The development is projected to break ground in Q1 2020.

DFI will assist developers with understanding and responding to the Town's requirements for the hotel development. Once DFI and Town staff have reviewed all proposals, they will be presented to Bermuda Run's Town Council with a recommendation for endorsement. While an endorsement by Council is not final approval, it will trigger an exclusive period of negotiation between the Town and the selected partner for a development services agreement between both parties.

PRELIMINARY CONCEPT

On November 14, 2017, the Town of Bermuda Run adopted a comprehensive plan that called for the recruitment of a boutique hotel to capitalize on significant Bermuda Run area tourism and traffic generated by the BB&T Sports Park, WinMock at Kinderton Event Center and other demand drivers.

The Town currently has an option on approximately 9 acres located in



the town center on East Kinderton Way (see Appendix B), adjacent to the WinMock Event Center and visible from I-40. A prime 2.9 acre portion of the site with future bridge access to the Sport Park has been identified for a hotel. Conceptual plans developed by DFI considered upscale brand and independent boutique hotels with up to approximately 130 keys.

The new hotel will contribute to the vision laid out in the comprehensive plan for a town center and will serve as a catalyst for further private development. Council is also willing to discuss other commercial uses to complement the hotel on the entire 9-acre parcel if they meet the Town's long-range goal of developing the Bermuda Run Town Center.

PUBLIC INTERESTS

The Town of Bermuda Run Council worked with DFI to identify project-specific public interests to guide the hotel site selection and inform the hotel development program. Council adopted the following guiding public interests:

- Recruit a hotel to accommodate visitors to the WinMock Event Center, the BB&T Sports Park and other Bermuda Run tourist destinations.
- Anchor the development of a town center that will serve both tourists and residents.
- Minimize public investment and maximize private investment.

DFI'S ROLE

DFI is a program of the UNC School of Government (SOG) that provides specialized finance and development expertise to assist local governments in attracting private investment for transformative projects. DFI has been engaged in more than 100 projects representing more than \$1 billion of current and planned investment in communities across North Carolina, Virginia and South Carolina.

DFI performed a four-part assessment to arrive at the recommended development program. The assessment included:

- *Market Analysis:* Evaluated supply and demand for hospitality. Studied the region to identify the type of hotel product that could be supported by the market area.
- *Site Planning:* Identified site constraints and established the highest and best use of the site that met the Town's public interests. Produced massings and conceptual plans to help partners understand how potential development will fit with surrounding area.
- *Financial Feasibility Analysis:* Determined the financial feasibility of an upscale and boutique product and modeled options for public participation.

- *Public Engagement:* Engaged with stakeholders to learn more about their vision for a town center as well as the type of hotel product envisioned. Identified and addressed any concerns, and more generally incorporated public interests into the final development.

The findings of this four-part assessment are the basis for this solicitation. More detailed findings are available upon request.

DFI's predevelopment work thus far will benefit the private developer selected by Council by significantly reducing the time, effort, expense and overall risk required to move the project through the Town's public planning process. The Town has therefore agreed in a contract fully executed on March 1, 2018, that the developer selected following the Solicitation for Development Partners pay a fee equal to one percent of the total development cost to SOG as part of any Development Services Agreement related to the development of the project site. The terms of the fee are further described in Appendix A of this document.

View of golf course from Bermuda Run Country Club

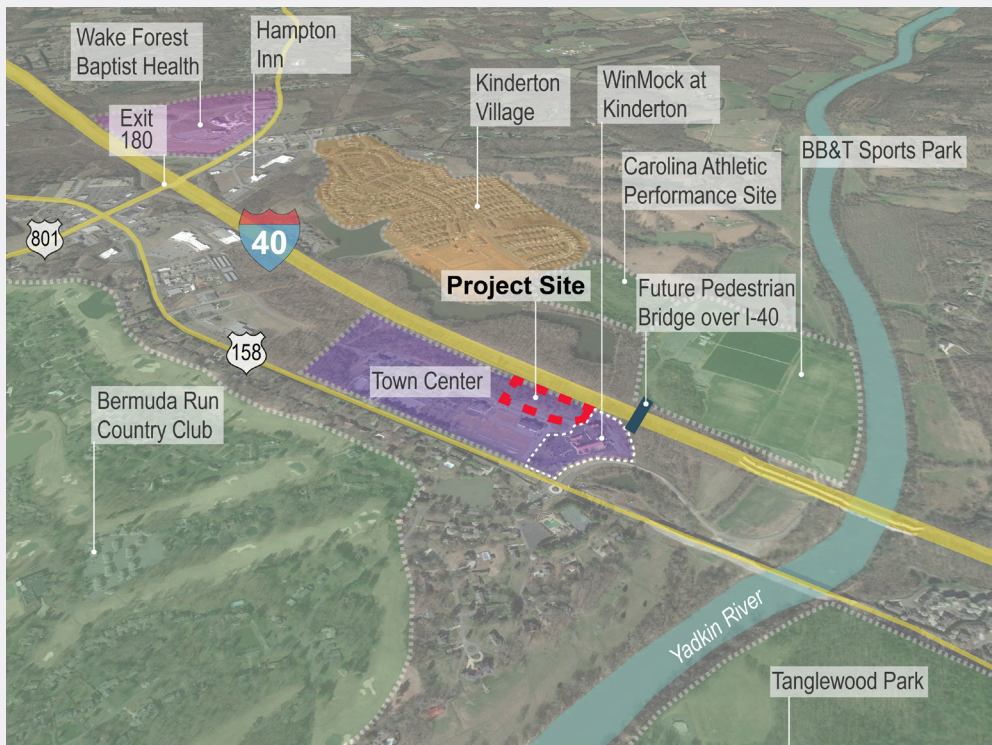


Source: Bermuda Run Country Club, www.clubcorp.com

Bermuda Run Market Overview

Ideally located in the Western Piedmont of North Carolina, the Town of Bermuda Run is an emerging sports, event, and tourism destination. The affluent community is situated in the western portion of the Winston-Salem MSA (home of Wake Forest University) and in the heart of the Yadkin Valley American Viticultural Area (AVA).

Map of Bermuda Run destinations and proposed hotel site



The following regional destinations, all within a ten-minute drive of the proposed hotel site, contribute to the attractiveness of an upscale or boutique hotel development:

SPORTS

- BB&T Sports Park attracts an estimated 250,000 unique visitors to its fields annually. The renovation of existing fields and the addition of eight new artificial-turf fields will allow the park to remain open year-round and is projected to substantially increase the park's economic impact. DFI estimates that the park renovations will generate demand for 18,000 annual room nights. Once completed, the expansions will form one of the largest sports parks of its kind on the East Coast, allowing the facility to host not only the existing national and regional soccer competitions but also additional events in ultimate frisbee and lacrosse year-round.
- Next door to the Sports Park, the addition of a 120,000-square-foot indoor sports complex, known as Carolina Athletic Performance (CAP), is also under construction. The Winston-Salem Convention and Visitors Bureau has identified CAP as a "game-changer" for the region. The complex expects to attract at least 175,000 visitors in the first year, the majority of which will be traveling from outside the MSA. In addition to extending the area's sports season with its indoor basketball and volleyball courts, CAP will also provide services in training and injury rehabilitation, opening the door to a new type of sports-oriented tourism. Both the Sports Parks and CAP are 1.5 miles from the proposed hotel site and will soon be directly connected via a pedestrian bridge across I-40.

View of the WinMock Event Center



Source: WinMock Event Center

EVENTS (CORPORATE & WEDDING)

- WinMock at Kinderton is adjacent to the proposed development site and features multiple event spaces that can accommodate small groups and functions with up to 450 guests. Recognized with an individual listing on the National Register of Historic Places, WinMock hosts over 250 corporate, wedding, and social events and attracts roughly 100,000 visitors each year. While this demand currently translates into an estimated 8,000 to 10,000 annual room-nights, a vast majority of these are leaving the immediate market due to a lack of quality supply nearby. With an average wedding cost of about \$30,000, expectations of quality are unmet by the current market. According to WinMock management, guests frequently seek boutique and upscale accommodations as far as 15 miles away.

TOURISM & LEISURE

- Centrally located in the thriving Yadkin Valley Wine Country, Bermuda Run is within 20 miles of over 20 wineries. Research from the NC Wine and Grape Council suggests that roughly two million wine tourists contributed \$320 million to the state's economy in 2016, representing market growth of over 100% since 2009. The large majority of that growth occurred on Bermuda Run's doorstep in the the Yadkin Valley, the most renowned wine-growing region in the state (with the closest vineyard, Raylen Vineyards & Winery, a mere 6 miles from the hotel site).
- Bermuda Run boasts eight golf courses within 15 miles of the site. Two courses, including the Bermuda Run County Club and Tanglewood Park, are located within two miles. Tanglewood Park, whose golf course is currently undergoing a \$2 million renovation, also features horseback riding, swimming, fishing, and BMX racing, and estimates it attracts 550,000 visitors annually.

Raylen Vineyards & Winery, Yadkin Valley AVA



Source: www.RaylenVineyards.com

Davie Medical Center

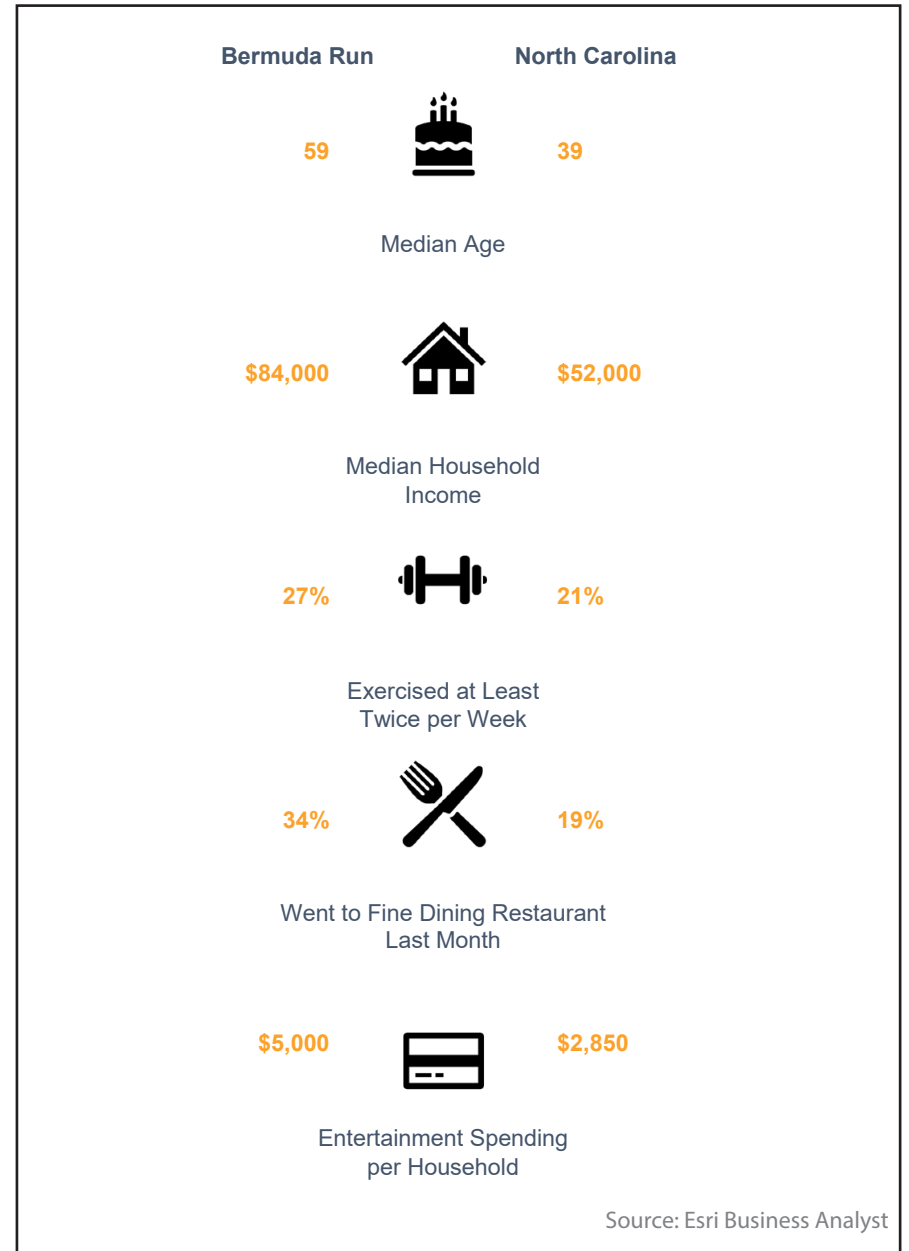


MEDICAL

- The Wake Forest Baptist Davie Medical Center is a state-of-the-art, 50-bed medical facility located within two miles of the proposed site. Originally constructed to replace the existing hospital in neighboring Mocksville, the facility serves the greater Davie County area.
- The Novant Health Clemmons Medical Center is a 36-bed medical facility located just three miles from the proposed site and provides specialty services in surgery and orthopedics.
- Located directly across from the proposed site, two facilities, Advanced Oral and Facial Surgery of the Triad and Novant Health Brain and Spine Surgery, offer services in cosmetic, oral, facial, spine, and brain surgeries.

Local residents will also be strong supporters of the development. The affluent and mature population has unmet demand for ancillary hospitality facilities, such as a spa or restaurant. Community members are extremely active, participating in both wellness and entertainment activities at higher rates than comparable communities.

Key demographics and spending habits of Bermuda Run and NC residents



Tourism revenues in the larger Winston-Salem MSA have grown at an annual rate of 5.7% since 2009. In 2017 alone, the metro generated tourism revenues of \$1.17 billion. To support the significant growth in hospitality demand, 471 new hotel rooms have been built over the last five years. Of these new properties, however, none has been built to accommodate demand generated in the western portion of the MSA. Bermuda Run and surrounding communities have remained severely underserved even though occupancy rates among upscale and upper mid-scale hotels along I-40 in west Winston-Salem are currently nearing 70%.

Despite its proximity to some of the region's strongest demand drivers, Bermuda Run has only 86 upper midscale rooms available within the town's limits. Within a five-mile drive, three additional properties provide only 260 rooms, ranging from economy to midscale. (An area STR report is available upon request.)

DFI has determined that an upscale branded or boutique property would be best equipped to capture the demand generated by wedding and corporate events, sports, tourism and medical services in the area. The proposed site's proximity to the BB&T Sports Park and WinMock at Kinderton, as well as its access to I-40, uniquely positions any future hotel development to capitalize on the area's key demand drivers.

Twin City Soccer tournament at BB&T Sports Park



Interior view of the WinMock Event Center



Source: (Top) www.bbtssportspark.com; (Bottom) WinMock Event Center

Proposed Program and Feasibility

As part of the predevelopment process, DFI developed multiple conceptual plans and assessed the financial feasibility of both an upscale and boutique product.

BOUTIQUE HOTEL

Figure 1 below shows a 133-key, 83,000-square-foot boutique hotel including spa and fitness facilities, a full-service restaurant and a swimming pool.



UPSCALE HOTEL

Figure 2 illustrates a concept for a 130-key, 75,000-square-foot upscale brand hotel that includes limited service features, such as breakfast amenities, a bar, fitness facilities, and a swimming pool.



Based on current cost conditions, similar projects in the area and conversations with local general contractors, DFI has assumed the following total development costs:

	Independent Boutique	Upscale Brand
Total Development Costs	\$23.3M - \$24.6M	\$19.5M - \$20.8M
Cost per Room (Including Land)	\$175,000 - \$185,000	\$150,000 - \$160,000

Market findings indicate that the hotel could justify a rate premium over existing area hotels. A significant gap in supply in the immediate area and close proximity to key demand drivers support the following assumptions for a boutique and branded concept at stabilization:

	Independent Boutique	Upscale Brand
Average Daily Rate (ADR)	\$130 - \$140	\$120 - \$130
Occupancy Rate	65%	70%

DFI's detailed development budget and annual operating cash flow summary is available upon request.

Bermuda Run Town Hall



Source: TownofBR.com

PUBLIC PARTICIPATION

The Town of Bermuda Run is prepared to work with a development partner to facilitate the development of an upscale brand or independent boutique hotel. If the Town Council determines that a proposal meets the stated criteria, it is committed to exploring the following options for public participation:

- Acquisition of the three-acre site (or land as needed).
- Sale of the hotel portion of the site only to developer (excluding land for parking) with a loan in the amount equal to the cost of the land (i.e. seller financing).
- Construction and operation of hotel parking and any potential adjacent commercial activity, with spaces leased back to the hotel.

Council may consider additional or alternate forms of public participation for proposals that include a hotel and development of complementary uses surrounding the hotel, and that can prove additional support is needed to achieve the Town's vision.

Submission of Proposal

Developers shall organize their proposals and qualifications in the format described below. Please submit the requested information in appropriate detail to allow adequate review and evaluation of qualifications and plans. Any information that a respondent requests be kept confidential should be sent under a separate cover (see below "Submission Procedure").

1. Letter of Introduction

Include a summary of the respondent's basic qualifications, experience, and reasons for interest in this opportunity. The letter should be signed by a principal or authorized officer for the entity.

2. Hotel Concept:

- Product Type
 - If franchise, indicate potential brand(s) and product class
 - If independent boutique, indicate expected management partner/entity.
- Number of keys
- Average room size and mix
- Total gross square footage and building height
- Amenity Package (i.e. restaurant, spa, fitness room, etc.)
- Parking requirements
- Preliminary Site Plan, including the following:
 - Massing
 - Floor plans

3. Development Assumptions

- Expected average daily rate and occupancy rate
- Projected cash flows including expected spa and restaurant revenue if included in amenities package
- Site acquisition price
- Detailed development budget

4. Financing Assumptions

- Expected amounts and sources of debt and equity
- Required investor return hurdle rate

To arrange a site visit, please contact Sarah Odio at odio@sog.unc.edu.

Submission of Qualifications

1. Development Team

- Identify partner firms and roles, including co-developers, architects/designers, and general contractor.
- Provide an overview of each firm on the team, including brief history of firm, past experience working with the developer, and relationship of the firm's parent company with the office responsible for this project, if applicable.
- Identify and provide resumes of lead staff (principals and project managers) who will be responsible for negotiating a development agreement with the Town and completing the remainder of the pre-construction approval process.

2. Experience & References

Provide relevant development experience, particularly in developing hotel projects. Provide information on at least three, and no more than five projects. Each comparable development should detail the following information:

- Location and name of project
- Name of hotel management partner or franchise
- Scope and scale of development program
- Photos/illustrations of completed project
- Total development budget by use
- Amounts and sources of debt and equity funds used to finance the project, including governmental sources.
- If a public-private partnership, contact information for a representative of the primary public agency partner in the project
- Developer's role in and ownership of each project (e.g., fee developer, equity investor, and/or property manager).

3. Financial Capacity

- Provide evidence of sufficient financial strength to undertake and successfully complete a project of this scale.
- Identify any projects/financing on which the team or any of its members has defaulted.

4. Disclosure

- Disclose any potential conflicts of interest that could be relevant to this project in any manner.
- Disclose whether the developer or any officer, director, or owner thereof has had judgments entered against him or her within the past 10 years for the breach of contracts for governmental or nongovernmental construction or development.
- Disclose whether the developer has been in substantial noncompliance with the terms and conditions of prior construction contracts with a public body.
- Disclose whether any officer, director, owner, project manager, procurement manager, or chief financial official thereof has been convicted within the past 10 years of a crime related to financial fraud or to governmental or nongovernmental construction or contracting.
- Disclose whether any officer, director, or owner is currently debarred from bidding or contracting, pursuant to an established debarment procedure, by any public body, agency of any state, or agency of the federal government.

Submission Procedure

Development Partner proposals are due by 5:00 p.m. EDT on December 14, 2018. Proposals should be submitted electronically in PDF format to odio@sog.unc.edu.

Proposals must be prepared in conformance with the guidelines described under "Submission of Proposals." The email subject must be "Development Partner Proposal: Bermuda Run Hotel."

All responses are subject to public disclosure under the North Carolina Public Records Law. DFI recognizes that respondents must submit information that it may deem confidential and proprietary in order to comply with the requirements of this solicitation. Respondents are entitled to request that certain information remain confidential, when permitted by law, as follows: (1) the respondent identifies the confidential proprietary portions of the response, (2) the respondent identifies as confidential and proprietary only those portions of the submittal that actually are confidential and proprietary, and (3) the respondent states why protection is necessary. Respondents shall not designate their entire response as confidential and proprietary, nor shall they so designate information that is already public.

Any information that the respondent would like to remain confidential should be e-mailed separately to odio@sog.unc.edu. The e-mail subject must be "PROTECTED: Development Partner Proposal: Bermuda Run Hotel."

For information concerning the procedure for responding to this Solicitation for Development Partners (SDP) or clarifications of the terms, conditions, and requirements of this SDP, please e-mail Sarah Odio, Project Manager, DFI, at odio@sog.unc.edu.

Selection Process

EVALUATION CRITERIA

The Town of Bermuda Run intends to select a development partner with a plan that is viable and will best serve the public interests. Extensive due diligence will be completed on each response. DFI will lead the analysis of responses, contact references, and coordinate interviews as necessary.

Responses will be evaluated according to the following criteria:

- Level of integration of guiding public interests (see section titled “Public Interests”)
- Qualifications and experience of the development team, with preference given for experience successfully executing the type of development proposed in the respondent’s plan for the site
- Quality and success of prior development projects and public-private partnerships
- Demonstration of capacity
- Confidence in the Bermuda Run market

After a review of submitted proposals, DFI and the Town may request additional information. Unless requested, no additional information may be submitted by developers after the December 14th, 2018, deadline. Council will then select their preferred partner to begin exclusive negotiations of a development services agreement. Following Council’s selection, DFI will advise the Town in the negotiation of a formal development agreement.

PROJECT TIMELINE



Additional Information

All facts and opinions stated in this solicitation are based on available information and are believed to be accurate. Nevertheless, neither the Town of Bermuda Run nor the UNC School of Government, nor any of their officers, agents, or employees, shall be responsible for the accuracy of any information provided to any respondent as part of this solicitation or vetting process. All respondents are encouraged to independently verify the accuracy of any information provided. The use of any of this information in the preparation of a response to this request is at the sole risk of the respondent.

Those submitting responses to the Solicitation for Development Partners assume all financial costs and risks associated with the submission. No reimbursement or remuneration will be made by the Town or UNC to cover the costs of any submittal, whether or not such submittal is selected or utilized. The Town reserves the right to reject any or all submittals, or to waive irregularities or informalities in any submittal, in its sole and absolute discretion and accepts no responsibility for any financial loss by such action. Any agreements that may be entered into between the developer(s) and the Town, including but not limited to a Development Services Agreement,

Additional Information are subject to all statutory and legal requirements and ultimate approval by the Town Council in its sole and absolute discretion and nothing herein is to be construed as binding on the Town. In modeling this project, it was assumed that the Town will convey the property to a private developer pursuant to its authority to “convey property for economic development under North Carolina General Statute 158-7.1”, among other statutory authority. The Town makes no express or implied warranty as to matters of title, zoning, tax consequences, physical or environmental conditions, valuation, financial conditions or economic matters, accuracy of the any materials or reports provided, governmental approvals, governmental regulations, or any other matter or thing relating to or affecting the properties described herein or any proposed transaction or agreement contemplated herein.

DFI does not act as a broker or agent of the Town, and no representation made by DFI during the solicitation and vetting process shall be binding on the Town. Notwithstanding any provision herein, this solicitation shall not constitute an offer to contract on the part of the Town and shall not be construed to impose any legal obligations on the Town. This solicitation does not create any obligation or relationship such as a partnership, joint venture or other similar legal relationship between the Town and any potential party. Any references to “partner,” “partners” or other similar terms will not be deemed to create a legal relationship or otherwise alter, amend or change the relationship between any parties in the absence of a formal written agreement specifically detailing the rights, liabilities and obligations of the parties as to a new, specifically defined legal relationship.

Appendix A: Contingent Fee Payment

The conveyance or lease of any portion of the property described herein (the “Property”) to the selected development entity and its successors and assigns (the “Developer”) shall be conditioned upon the execution of an agreement (the “Development Services Agreement”) between the Town and the Developer pertaining to the responsibilities of either the Town or the Developer, or both, regarding any aspect of the development of the Property or any portion thereof (the “Project”). As part of the Development Services Agreement, the Developer shall agree to pay a fee to the Town’s consultant (“SOG”) and its successors and assigns for pre-development services provided to the Town, and the Development Services Agreement shall provide that SOG is an intended third party beneficiary of the Development Services Agreement.

The fee shall be an amount equal to 1% of the total projected costs of development of the Project as calculated by the Developer in the most recent version(s) of pro forma and other financial projections (the “Developer Financials”) prepared by the Developer and delivered to Town or other parties prior to or contemporaneously with the execution of the Development Services Agreement, and in the event of any inconsistencies in the projected total costs among different versions of the Developer Financials, the version of the Developer Financials showing the greatest total costs of development of the Project shall be used to calculate the Development Services Fee. The Development Services Fee shall be due and payable in full to SOG no later than 30 days following execution of the Development Services Agreement.

An alternative payment schedule for payment of the Development Services Fee to SOG may be developed as mutually agreed in writing by Developer and SOG; by way of illustration only, such schedule of payments could be tied to the receipt of any developer fees by Developer. Developer’s obligation to pay Development Services Fee shall not be assignable by Developer to any other entity, nor shall any assignment relieve Developer of its obligation to pay Development Services Fee, except upon written consent of SOG.

Appendix B:
Project Site Map





THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL