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**CITY OF TEMPE**  
**REQUEST FOR COUNCIL ACTION****Council Meeting Date: 10/3/2013**  
**Agenda Item: 5E1**

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**ACTION:** Adopt a resolution authorizing the Mayor to execute a development agreement with Beacon Development Company, LLC for the development of approximately 1.5 acres of City-owned property located at 1415 North Mill Avenue within the Rolling Hills Golf Course. (Resolution No. 2013.108)

**FISCAL IMPACT:** The development agreement contemplates the ultimate execution of a 50-year ground lease with two, 25-year renewal options. Although execution of the lease will require further Council approval, it is presently structured so that the City would be paid a \$200,000 onetime payment and annual lease payments of the greater of \$45,000 or 2.5% of gross room revenue. The \$45,000 annual payment will be the floor and will be adjusted every 5 years based on the lower of the cumulative change in the Consumer Price Index or the percentage change in the property's assessed valuation. Additionally, Beacon Development will reimburse up to \$10,000 in City administrative costs related to this transaction. No City payments or offsets will be required for this project.

**RECOMMENDATION:** Adopt Resolution No. 2013.108.

**BACKGROUND INFORMATION:** (RFP 13-073) A Request for Proposal (RFP) was developed and distributed to approximately 80 companies for the opportunity to develop and operate a hotel (3 star or better) on approximately 1.5 acres of City land within the Rolling Hills Golf Course. The land is located just south of the existing Club House located at 1415 North Mill Avenue. A site map has been included as an attachment to this action that depicts the available space.

On June 13, 2013, City Council approved a resolution that directed staff to initiate negotiations with Beacon Development, LLC in order to complete a development agreement for the proposed site. These negotiations were successful resulting in the submission of the current resolution that asks the Mayor to execute the completed development agreement.

Beacon Development Company, LLC specializes in the niche market of developing high-income producing hotel properties on golf courses and other sites located in high-density, commercial active areas that are desirable locations for the development of nationally recognized franchised hotels. This market focus allows Beacon Development Company the ability to target the business traveler during the week as well as the leisure traveler on weekends. Although the company is less than two years old, its three partners have a total of 90 years combined experience in hotel development, hotel construction and golf course operations.

The specific hotel brand has not been confirmed, but it is intended to be an extended stay model using the flag of Hyatt, Hilton, Marriott, IHG or Carlson Rezidor. The hotel will utilize approximately 1.5 acres along the Mill Avenue frontage, just south of the existing Club House. Although the actual design is yet to be established, it will most likely be a four story structure hosting anywhere from 96 to 124 rooms. The hotel would most likely include a complimentary breakfast area, market pantry, fitness and activity room, outdoor area, swimming pool, and guest parking. In addition to course play, the food and beverage capabilities of the existing Rolling Hills Golf Course restaurant will be available to the hotel guests. Based on estimates from the National Golf Foundation, approximately 7-percent of hotel guests will play golf at Rolling Hills.

**Next Steps**

If the Development Agreement is approved by Council, Beacon Development Company, LLC will begin the process of securing the hotel franchisor, operations franchisee, construction firm, and project investors. Construction is tentatively planned to begin during the spring of 2014 and will continue for approximately one year.

**ATTACHMENTS:** Rolling Hills Golf Course Site Plan  
Development Agreement

**STAFF CONTACT(S):** Don Bessler, Public Works Director, 480-350-8205

Department Director: Ken Jones, Finance & Technology Department Director

Legal review by: David Park, Assistant City Attorney

Prepared by: Michael Greene, C.P.M. Central Services Administrator