



CITY OF RALEIGH HOUSING & NEIGHBORHOODS DEPARTMENT
REQUEST FOR LETTERS OF INTEREST
EXTENDED STAY HOTEL MANAGEMENT

The City of Raleigh is soliciting letters of interest from non-profit partners to provide property management, asset management, and supportive services for the property known as Hospitality Studios, a 113-room extended stay hotel located at 2800 Brentwood Road (the “Property”). The Property was acquired by the City on September 24, 2021. The previous owner is under contract to continue managing the Property for a period of six months until a non-profit operator has been selected. It is anticipated that the initial term of the operating agreement would be five years with options to renew. The Property is located just off Capital Boulevard which has high frequency bus service and is a future bus rapid transit (BRT) corridor.

Background

The Property was built in 1987 and operated as a conventional hotel with 117 guest rooms, meeting rooms and a swimming pool. There was not an on-site restaurant. When it was acquired and converted to an extended stay hotel by the previous owner in 2000, the two meeting rooms were closed and subsequently used for storage. Currently, three guest rooms are used for storage and one room serves as the on-site manager’s apartment. Potentially, the rooms used for storage can be reactivated. While the pool was closed to guests and secured, it was not actually filled in and the City intends to permanently close to pool and improve the site as an outdoor amenity area. To provide food preparation capabilities, guest rooms were equipped with a two burner cook top, microwave, refrigerator and sink.

Management office hours are 8 AM to 7 PM Monday-Friday and 9 AM to 5 PM on Saturdays. The office is closed on Sunday. Housekeeping is provided weekly and includes bed sheet and towel service. Between weekly services, clean bed sheets and towels can be exchanged for a fee. An on-site laundry room provides washing and drying for \$1.50 per load.

The Property has two wings. The two-story wing has exterior access to rooms while rooms in the three-story wing are accessed by an interior corridor. Rooms are rented by the week as shown in the table below. Within the market, the hotel operates at the “economy” level among extended stay hotels, with the two higher levels being “mid-price” and “upscale.” The Property’s

room rates are significantly below those charged by other economy extended stay hotels in the immediate market area. Rates may be lower for some of the long-term guests.

One person/One bed	\$249 plus tax per week
One person/Two beds	\$269 plus tax per week
Two people/One bed	\$289 plus tax per week
Two people/Two beds	\$309 plus tax per week

It should be noted that the Property has been managed in a very hands-on, respectful and compassionate manner. The previous owner knows many of the long-term guests by name and they, in turn, call him by his name. Many guests are hourly workers, including those in the food service industry and partly dependent on tips for their income. The previous owner has also offered other payment schedules to provide options to guests who do not have a regular and fixed weekly paycheck.

The Property is largely occupied by long-term guests, approximately half of whom have lived there for more than a year. One guest has lived there for 15 years and the average length of stay is two years. The average occupancy in 2019 was 95%. Occupancy increased to 99% in 2020 and remains stable. Financial operations have been very strong with income exceeding expenses by a factor of roughly two to one. The overwhelming majority of the rooms are occupied by a single individual. No rooms are occupied by more than two individuals.

According to a recent Property Condition Assessment Report, the building structure and its major systems are in “good condition” while interior finishes are considered to be in “fair condition.” In the near term, the City plans to proceed with permanently closing the pool, creating an outdoor amenity space and installing security and fire alarm monitoring systems.

Long-Term Vision

Extended stay hotels, such as this one, represent an important housing option for many. The acquisition of this Property by the City ensures that existing guests will be able to remain stably housed. The future vision for the Property is to continue to accommodate mixed occupancy as vacancies occur, and to combine the existing extended-stay model with opportunities for permanent supportive housing (PSH). It is important for permanent supportive housing guests to be prepared for semi-independent living to ensure continuation of a living environment attractive and appealing to all. Existing guests have been assured they will not be forced to vacate the property.

The City is entering into a contract with HR&A Advisors to evaluate historic and projected income and expense information and the physical needs of the property conducted as a part of due diligence. HR&A will provide recommendations for the following questions:

- What mix of market-rate extended stay and permanent supportive housing units can be achieved in order to cover operating expenses and maintain adequate operating and replacement reserves?
- What is the appropriate level of operating and replacement reserves for this property?
- What level of on-site supportive services can be sustained by the mix of market-rate extended stay and permanent supportive housing units and what supportive services will need to be funded from external sources?

Ideally, the selected non-profit partner/operator would provide a range of property management and asset management functions, including:

Property Management:

- Operate the Property as a hybrid extended stay hotel/affordable housing project where income from the extended stay rooms covers all operating expenses, including operating and replacement reserves.
- Maintain existing management staffing, transition new staff, and oversee all property management (existing management contract is \$10,000 per month).
- In addition to the previous owner/manager, the current staffing configuration consists of one salaried on-site manager (whose compensation includes an on-site room for residence), two hourly front desk staff, two hourly maintenance people and two hourly housekeeping people.
- Work with the City of Raleigh to install appropriate property management systems. The existing software system was inherited when the property was purchased in 2000.

Supportive Services:

- Provide appropriate level of supportive services to new permanent supportive housing guests.
- Continue to work with existing long-term extended stay guests in a respectful and compassionate manner.
- Work with existing long-term extended-stay guests to enable those so inclined to move into conventional rental housing. Some may lack the ability to save for rent and utility deposits while others likely have more significant barriers such as poor credit or eviction histories.

Asset Management:

- Work with the City of Raleigh to develop a two-to-three-year Capital Improvements Plan that utilizes budgeted American Rescue Plan Act funds for property improvements and renovations including bringing meeting rooms back online for non-profit, resident and community use.
- Work with the City of Raleigh and selected architect to develop room renovation prototypes that can be quickly undertaken as rooms are vacated to include new flooring solutions painting, window treatment, “kitchen” appliances/cabinetry, and select furnishings.
- Work with the City of Raleigh to rebrand the Property Rebranding (including the design and installation of new signage) must occur no later than 30 days following the expiration or termination of the existing management contract.
- Maintain financial budgets, financial reporting and coordinate annual property audit.

The selected non-profit operator should be prepared to take control of the property and asset management responsibilities when the existing management contract ends in March 2022.







Letter of Interest Requirements

The City of Raleigh is using this Letter of Interest (LOI) solicitation to gauge the interest of potential non-profit partners to operate the hotel. Beyond the LOI, there are two potential paths forward depending on the responses received. One path might be to invite two to three non-profits to respond to a more defined and formal Request for Proposals. The other path would be to pursue the development of an operating agreement with the non-profit submitting the most complete and thoughtful response to the LOI in consultation with HR&A Advisors based on its analysis of the how the operating model should be structured.

To ensure the most complete responses possible, the Department will host a virtual question and answer session on Wednesday, December 1st at 3:00 p.m. Questions and responses from the virtual session will be posted on the Department's website.

Virtual Meeting Information – December 1

Meeting Link:

<https://cormp.webex.com/cormp/j.php?MTID=m8572e6460ccc8560427eb25468ecad36>

Password:

Raleigh

Meeting Number:

2310 107 0374

Join by Phone:

1-650-479-3208 Call-in number (US/Canada)

Access code: 2310 107 0374

Responses in the form of a viewable and printable Adobe Portable Document File (PDF) will be due no later than 4:00 PM on Friday, January 7, 2022 to Lamont.Taylor@raleighnc.gov. The following should be included in the submittal.

Cover Letter (Possible 40 points)

A cover letter signed by the non-profit's Executive Director articulating the organization's interest in managing the property must be submitted. The cover letter should summarize the organization's vision for managing the property in a manner that best achieves objectives shared with the City of Raleigh. It should also describe how being the City's partner in managing the property is consistent with or furthers the organizational mission. Any proposed partnerships with agencies or service providers should be identified.

Management/Operating Plan (Possible 30 points)

A narrative should be provided describing plans or possible options for managing the Property's day to day business functions and whether this would be accomplished with existing staff of the non-profit or by way of a new hire. The plan should also describe the extent to which the non-profit has experience in or is already providing similar property management functions. Describe how the existing "hands on, respectful and compassionate" property management culture can and will be maintained.

Supportive Services/Guest Liaison Plan (Possible 30 points)

Describe plans or possible options for providing services to permanent supportive housing guests and existing market rate guests. Would this be accomplished with existing in-house staff or through partnerships? How many hours per week would staff be on site? Describe plans or possible options for dealing with infractions of hotel rules (or laws) or behavior or activities that detract from the quality of the living environment for all guests. Indicate whether permanent supportive housing guests will be selected from your organization's internal client roster, or whether referrals from other non-profits or service providers will be considered. If the latter, how will you vet the readiness of the proposed guest(s) for semi-independent living?

Rights to Submitted Material

All proposals and supporting materials, as well as correspondence relating to this LOI solicitation, shall become the property of the City unless the material is qualified to be a trade secret under North Carolina law. *Any proprietary data must be clearly marked as such in the manner required by North Carolina law and included in a separate envelope marked, "Trade Secret Materials."* In submitting a Proposal, each Prospective Proposer agrees that the City may reveal any trade secret materials contained in such response to all City staff and City officials involved in the selection process and to any outside consultant or other third party who serves on the Evaluation Team or who is hired by the City to assist in the selection process.

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the Proposer of the conditions contained in this Notice of Funding Availability.

Proposals marked entirely as "confidential," "proprietary," or "trade secret" will be considered non-responsive and will be removed from the evaluation process.