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Via email only to: commission@knoxmpc.org

MPC Commissioners

Knoxville-Knox County MPC
Suite 403, City County Building
400 Main Street
Knoxville, Tennessee 37902

Re: Agenda Item #29
Ed Smith – Pratt Partners, LLC

Dear Commissioners:

This is written on behalf of our client, the applicant, and is in support of the revised staff recommendation for O-1 on a portion of the property formerly included in the rezoning request.

Mr. Smith presently operates the Hampton Inn on Pratt Road just off Cedar Lane in the Inskip area. This hotel has been very successful and he is seeking to open another Hilton hotel product across Pratt Road from it. You have in your packet an elevation and typical floor plan for the new hotel.

I am enclosing herewith Mr. Smith's brief in support of the new hotel, along with some statistics about the Merchant's Road/I-75 exit, the Hampton Inn and the proposed new Tru Hotel.

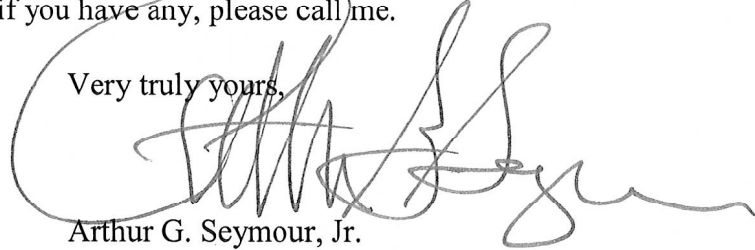
Mr. Smith's problem is success. The Hampton Inn presently runs near capacity. When he is not able to accommodate all the guests wishing to stay there, he must refer them to competitive hotels at the Merchant's Road exit. With the addition of the new Hilton Tru Hotel, he will be able to expand the offerings he can make at that interchange.

We would urge you to support the revised staff recommendation for the zoning.

Under the O-1 zoning, he will need to come back to the Planning Commission for a Use-on-Review and approval at a public meeting.

Mr. Smith and his staff will be present at the meeting on Thursday to answer any questions, but in the meantime, if you have any, please call me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Arthur G. Seymour, Jr.", written over a circular stamp or seal.

Arthur G. Seymour, Jr.
FRANTZ, McCONNELL & SEYMOUR, LLP

AGSJ:lbh

Merchant's Road I-75 Exit

This exit is classified as having Critical Mass in the hospitality industry. The exit is located at the intersection of major North-South and East-West Highways with a short, fast, direct route to the heart of downtown Knoxville, the University of Tennessee, and major area attractions. Multiple restaurants such as Outback, Applebees, Puleo's, Cracker Barrels, Monterey's, El Chico, Red Lobster, IHOP, Waffle House, McDonald's, and Wendy's. This list of restaurants is not exhaustive but emphasizes the quality and quantity of eating establishments that contributes to making this a Critical Mass exit. An Ingles grocery store, along with Pilot and other gas stations, and small convenience stores are located at this exit. Even though there are multiple hotels at this exit, the existing Hampton Inn and Suites on Pratt Rd is by far the top of the list in terms of occupancy and gross revenue. Most of the other hotels tend to be considered to be in a lower category than the Hampton Inn and Suites, which is considered to be at the high end of the Mid Scale Limited Service brands.

Hampton Inn and Suites History

The current Hampton Inn and Suites on Pratt Road completed construction and opened in August 2008. The flag was moved from an existing exterior corridor Hampton Inn located on Merchant's Road, which is now a Quality Inn and owned by a different company not associated with the current Hampton Inn and Suites' ownership. In September 2010, the Hampton Inn and Suites ownership changed to Lodgingsmith Hospitality LLC. Lodgingsmith Hospitality LLC is a family business, whose owners live in Knoxville. This is the only hotel they own.

The hotel includes 102 guest rooms, an environmental sensitive salt-water pool, and sufficient on site parking to handle the vehicles for the many sell out nights that the hotel experiences year round.

The Hampton Inn and Suites on Pratt Road is a multiple year award winning property. For the last 64 consecutive months this hotel has been rated by Trip Advisor guest reviews as the number 1 out of 87 hotels in the Knoxville area. Hilton recognizes the top 5% performing properties with an award called the Light House. Hampton Inn and Suites on Pratt Road has received the Light House award 4 of the last 5 years. There are over 1700 Hampton Inn's and Suites in the U.S. Forbes has ranked Hampton as the number 1 franchise in the country for the last 2 years.

The hotel employs 37 individuals and is very proud of the team that makes the hotel such a success. Each February our hotel hosts the Remote Area Medical Team that comes from all over the country to provide medical care to needy Knoxville residents and homeless individuals. The hotel not only provides the RAM team with around 100 free room nights but also provides dinners and a reception for 50 RAM team members. The hotel donates 5 rooms a month to the American Cancer Society for use by patients undergoing cancer treatment in the local area. Additionally the hotel donates supplies to animal shelters and homeless shelters and participates in the Clean the World program by donating toiletries for reuse in Third World countries. Various team members serve meals at homeless shelters,

support the Emerald Youth Foundation, and participate in Muscular Dystrophy Association and Kiwanis fundraising events. Hilton has recognized several members of the staff for their outstanding performance and contributions to the local community.

In building the Hampton Inn and Suites on Pratt Road, three rundown, section-8 houses were torn down. The hotel has improved the appearance of the Pratt Rd neighborhood and has been a good neighbor to the area and the community. In 2015 the hotel's top line was just over \$3,500,000. The hotel paid \$110,000 in combined property taxes to the City and the County. The hotel also paid; \$104,480 in City Tax, \$174,190 in Occupancy Tax, and \$321,420 in State Tax. The payroll for the 37 employees was \$772,664.

The hotel recommends to our guests various restaurants at our exit and provides gift coupons that generate revenue for various establishments at our exit. Our customer base consists of repeat business travelers during the week who stay multiple nights at a time, several times a month; families traveling on weekends for pleasure or sporting events; and seniors repositioning during different seasons or just sightseeing. The hotel also host several bus tours monthly. The hotels annual occupancy is close to 90%, which means many nights during the year the hotel is sold-out and many guests are turned away. These guests most likely never stop at the Merchants Road exit but travel to an exit where a Hilton property is available.

Over the last 10 years or so the Hampton brand has grown from its original concept of being in the middle of the limited service hotel brands to being the high-end leader of the category.

Proposed new TRU by Hilton

TRU is a new limited service mid-scale hotel with amenities and rates focused on the middle of the range (where Hampton originally started). The TRU hotel is being designed to satisfy the needs of millennial's traveling for business, young families traveling for pleasure, and other cost conscious travelers who want quality that is consistent from property to property.

Two TRU hotels are currently under construction with the first opening in March 2017 in Georgia. Currently Hilton is negotiating with owners for franchising over 200 new TRU hotels to be constructed over the next several years. Hilton is committed to provide the advertising and marketing support to make the TRU brand the fastest build-out of a hotel brand in hospitality industry history. We hope to be the first TRU hotel in the Knoxville area and possibly the State.

Our TRU will consist of 90 rooms with an indoor salt-water pool (Attached is a drawing of the building and a layout of the property). The TRU design is meant to sit on less than 2 acres. We are proposing to place the TRU on the 5 acres we have purchased on Pratt Road directly across the street from our existing Hampton Inn and Suites. This will allow for sufficient parking to satisfy any contingency. The goal is to start construction by the end of 2016 with a planned opening in February 2018.

The new TRU on Pratt Road will replace an abandoned house and 2 small existing houses. The current property tax base for the existing 4 properties is around \$2000. The new TRU tax basis will be around \$8,000,000 generating

estimated annual property taxes of around \$40,000 for the City and \$35,000 for the County. Additionally with annual revenues projected at \$2,800,000, the hotel will pay around; \$78,000 in City Taxes, \$129,000 in Occupancy Taxes, and \$240,000 in State Taxes. The payroll for the 35 employees will be around \$620,000.

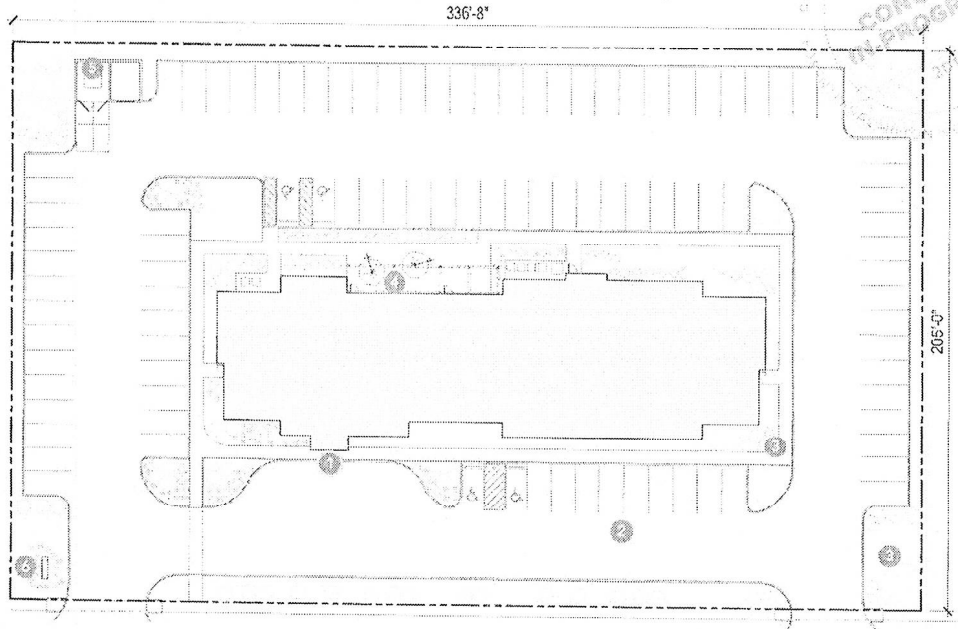
The new TRU will allow us to better manage the excess occupancy we are experiencing with the existing Hampton Inn and Suites while bringing in additional guests to the Merchant's Road Exit with additional revenues for the hotel and other local businesses. We do not expect to take customers from other hotels at the exit but to bring additional travelers to the Merchant's Road exit. The new TRU will improve the residential area along Pratt road and we will continue to be good neighbors.



Site Plan

4 story; 1.58 acres; 41,555 SF (gross of total building), 98 keys, 98 parking spaces (1:1 ratio)

● Denotes Signature Brand Element



① Entrance Vestibule

④ Property Landscape

⑤ Waste Receptacles

② Parking

④ Outdoor Patio

⑥ Monument Sign Location

For the record, this plan is preliminary and subject to change. All dimensions are approximate and subject to field verification.

The Merchant Rd I75 exit

- This exit has critical mass for the hospitably industry
 - o Multiple restaurants ranging from fast food Waffle House, MacDonald's, IHOP; to family style Cracker Barrels, Puleo's, and Applebee's. There are grocery stores such as Ingles and multiple gas stations.
 - o There are over 17 hotels at this exit. Our Hampton generates the majority of the revenue out of all of these hotels. We often turn away business that could be kept at the intersection
- This exit is an easy drive to down town, the University, and to all local attractions
- During key events at the University, the Convention Center, and the Expo center many travelers look at this exit for lodging

Hampton Inn and Suites

- Opened Aug 2008 (the hotel replaced 3 Section 8 units)
- 102 rooms Mid Scale
- 37 employees with a very low turnover rate
- The Hampton Inn generates \$780,000.00 in payroll annually
- Ranked #1 on Trip Advisor out of 87 hotels in the Knoxville area for 64 consecutive months
- Ranked in the top 5% of the 1700+ Hampton Inns and Suites in the US 4 of the last 5 years
- Revenue for 2015 was \$3,500,000
- Paid \$104,480 in City Tax
- Paid \$174,170 in Occupancy Tax
- Paid \$321,420 in State Tax
- Paid \$110,000 in property taxes to City and County
- Hotel runs at an Occupancy Rate in excess of 85%
- Hotel generates significant income for the restaurants, grocery stores and gas station at the Merchants Rd I75 exit
- We provide 100 room nights to Remote Area Medical (RAM) annually when they come to Knoxville to provide Dental and Medical care to low income individuals and families
- We also Donate 5 rooms a month to the American Cancer Society for use by patients undergoing cancer treatment in the local area
- Hampton franchise has been rated by Forbes as the number 1 Franchise in the US for the last 2 years
- Over the last 10 years or so Hampton has grown from its original concept of being in the middle of the limited service hotel brands to be the high end leader of the field

Proposed new TRU by Hilton

- TRU is a new Brand by Hilton,
 - o 2 are under construction, with the 1st opening in Mar 2017 in Georgia
 - o If Approved, this will be the first TRU brand hotel in the State of Tennessee
 - o Over 200 applications have been submitted to build TRU hotels
 - o TRU is a limited service mid-scale hotel with amenities and rates focused on the middle of the range (where Hampton started)
- Our goal is to open a 90 room TRU in Feb 2018
- We will generate 35 new jobs and more business for the local merchants
- Our estimated Revenues will be around \$2,600,000
- Our estimated property taxes will be around \$75,000 with \$40,000 to the City and \$35,000 to the County.
- Our monthly estimated sales and occupancy taxes will be approximately
 - o \$6,500 to the city
 - o \$10,800 to the county
 - o \$20,000 to the State
- The TRU will sit on 5 acres, replacing an abandoned house and 2 small older houses. The land will be cleared to prevent indigent individuals from squatting on the land near the railroad tracks
- The Current property taxes on the 5 parcels of land are \$1,056.88 to the City, \$900.00 to the County
- The TRU will improve the residential areas along Pratt road and bring additional guest to the area