

Downtown Norfolk needs conference hotel, officials say | Inside Business

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February 13, 2013

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Posted: February 8, 2013

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A deal for a downtown Norfolk hotel-conference center is in the works again as the worst of the recession appears to be in the rearview mirror, and stakeholders in the public and private sectors reiterated the need for such a development.

"From the convention and visitors bureau standpoint," said Visit Norfolk President and CEO Tony



In 2008 plans called for a 26-story Westin Hotel at Granby and Main streets, shown here in rendering, with a 50,000-square-foot conference center.

DiFilippo, "we need a new product to present to the meeting planners."

The Sheraton Norfolk Waterside, built in 1976, and the Norfolk Waterside Marriott, built in 1991, are the two main conference spots for the city, and Norfolk officials have been looking to add another for at least 10 years.

Officials would not confirm new plans for the project last week by press time, and even those who said talks were ongoing were skeptical.

"I've seen five tries, and I won't believe it until I see it," said Norfolk City Councilman Paul Riddick. He declined further comment.

Councilman Andrew Protogyrou also declined to comment on negotiations, but he did speak about the recent letter of intent by Baltimore-based Cordish Cos. to redevelop the city's Waterside Festival Marketplace into a more lavish entertainment center called Waterside Live!

"I've been saying the same thing," Protogyrou said, "and I will repeat it every time and that is the conference center needs Waterside and Waterside needs the conference center venue to bring people in to downtown."

City spokeswoman Lori Crouch said last week the city had no comment about a deal for a downtown hotel.

When asked about the life of hotel-conference center plans given the \$19.7 million that's designated in the city budget for "conference center," she said:

"It's never been dead – and I'm not going to speak about the specifics about the recent gurglings – but I'm just saying that back in 2003, the whole reason why they did a public amenities fund was that Council identified that Norfolk could have a competitive advantage in a mid-sized conference market if we could build a hotel-conference center."

The last attempt – dating back to 2008 talks with LTD Hospitality Group of Chesapeake – called for a 26-story Westin Hotel, a 50,000-square-foot conference center and a 600-space parking garage.

When the economy tanked, development plans followed, and the site at Granby and Main streets has since been turned into a park known as "The Plot."

It's unclear how much the specifications have changed, but the city has been reaching out to local developers lately to get something going.

"I understand that they've had discussions with Bruce Thompson, the Hilton Hotel developer at the Beach," said Michael McCabe of development firm Harvey Lindsay.

"But as to the status of that, I don't know," said McCabe, who said he made a proposal to the city for the project about a year ago.

Thompson is the CEO of Gold Key | PHR Hotels & Resorts. A Gold Key spokesman said the company had no comment.

The hotel industry locally has been growing steadily since the recession, according to tracking firm Smith Travel Research, including four straight years of room demand growth.

Recent data shows that Norfolk/Portsmouth room rates averaged about \$80.38 in 2012. Revenue per available room, which factors in unoccupied rooms, was \$48.12 last year, up 3.8 percent from 2011. That ranks second in the region behind Virginia Beach, which was \$66.10.

Jim Wofford, MacArthur Center's general manager, said a conference center is "sorely needed."

"I know for a fact," he said, "that we don't have enough conference space to be able to attract that next tier of conferences or

meetings that are possible for downtown Norfolk."

The Sheraton has about 36,000 square feet of meeting space, hotel officials said, and the Marriott has about 60,000 square feet of space. The biggest ballroom in the Marriott is 14,000 square feet, enough for about 900 people, DiFilippo said.

Wofford, a Visit Norfolk board member, said a new hotel product may attract new clientele, which could benefit other downtown hotels.

"It becomes a complement," he said. "If you have a citywide event that can fill up all the hotel rooms at a convention hotel, then that overflow... fills up the hotels in the surrounding area."

Tim Peters, general manager at the Sheraton, said he doubts new development will only impact his property positively.

"They could go after two of my type of groups," Peters said about the new hotel-conference center.

"There are not that many huge conventions that are going to take all 60,000 of their square feet. So they're going to have to have multiple groups in there simultaneously."

Peters said despite initial challenges, new development will benefit the area in the long term.

DiFilippo said it's not just about the meeting space; it's about the 850 combined rooms available from the two downtown conference hotels.

That number needs to grow, he said, as one hotel is not going to commit all of its rooms for a large convention.

"We need a block of committable rooms that'll enable us to attract that convention the size of, you know, 1,000, 1,500 rooms," he said.

DiFilippo also spoke about what a new hotel means as defense cuts loom. In Hampton Roads, nearly half of the gross regional product is predicated on federal spending.

"I think the travel industry, not only in Norfolk but in the region, is very well positioned to fill in for some of that cutback in the Department of Defense spending," he said.

A "public amenities fund" was established in 2003 when City Council increased the lodging and meal tax by 1 percent.

It's generated \$56.7 million since its inception, and funds have been used to cover tourism and attraction expenditures, including renovations to Scope.

Those monies have also been used to service debt related to the roughly \$16 million the city spent on expenses related to prepping the land for developers, Crouch said.

Debt service cost about \$310,000 for fiscal 2013.

It's unclear what will be added to that \$19.7 million earmarked for the conference center in fiscal 2014, Crouch said, because that's determined after other public amenities expenditures.

But Crouch said that \$19.7 million and the average of \$4 million to \$5 million that flows into the amenities fund annually will be enough to cover any debt service when a hotel-conference deal is announced.

"Because it's not just bonds," she said. "It's cash and it's other things that are going to make up how the deal is brought together.

"I can definitely tell you that Norfolk taxpayers are not going to pay for this," Crouch said.

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