

Staff photo by Bill Green

A birds-eye view of the former *Frederick News-Post* building on East Patrick Street as seen looking north from the top of the All Saints Street parking deck. Carroll Creek Park is in the foreground.

# HOTEL CONFUSION

## New estimates bump up cost for downtown hotel project to \$84 million

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If there is one thing clear about the the proposed downtown hotel project — confusion has reigned about the estimated costs for the 200-room hotel and conference center.

Adding to that confusion is that the most recent cost estimate, which was produced in February by the Forella Group, a consultant hired through the Maryland Stadium Authority, bumps the project cost up to \$84 million — \$31 million in public funds, plus \$53 million put up by hotel developer Plamondon Hospitality Partners.

And that February estimate, paid for jointly by the city and by Plamondon Partners, wasn't widely publicized or disseminated at the time, although some officials dispute that.

The new projection is \$14.2 million, or 20 per-

cent, higher than the \$69.8 million figure pitched to state lawmakers in the 2016 legislative session. The projected public cost also rose \$5.3 million, or 21 percent, from the \$25.7 million discussed during the General Assembly session.

A portion of the February report by the Forella Group was recently shared with *The Frederick News-Post*.

Proponents of the project say they presented the new information as soon as it was available. But they also acknowledge that confusion about project costs has permeated the discussion. Comments by public officials and community members also show varying degrees of awareness about the new costs.

The terms of the public-private partnership call for Plamondon to pay the cost of the full-service, 200-room hotel. A combination of city, county and state dollars will fund an affiliated conference center and related public infrastructure.

Project partners anticipated the February increase because of rising construction costs, according to Richard Griffin, the city's economic development director.

Earlier estimates for the hotel project were based on numbers from 2012 and 2014, from

(See **HOTEL A6**)

## Price tag for city lobbying on hotel project: \$75,000

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The city of Frederick has paid more than \$75,000 for lobbying efforts on behalf of the downtown hotel and conference center in the past three years.

The city released accounting records Friday, after a Freedom of Information Act request, detailing its contributions to the Frederick County Chamber of Commerce's lobbying fees since 2014.

Greenwill Consulting Group, an Annapolis-based lobbying firm, is

(See **LOBBYING A6**)

## The story so far

**Jan. 21, 2010:** First report on demand and feasibility of downtown hotel project is published. Study estimates \$45 million cost for project, based on market analysis by private consulting firms Pinnacle Advisory Group and OPX.

**July 2012:** Maryland Stadium Authority presents updated cost estimates based on study by Crossroads Consulting and Hospitality and Gaming Services. Update estimates project cost at \$62 million.

**May 2014:** Plamondon Hospitality Partners submits response to city request for proposals on downtown hotel and conference center project, which includes a cost estimate of \$64 million based on a privately

commissioned market study.

**November 2015:** City publishes online a two-page pamphlet about the downtown hotel project. The document lists the project cost as \$64 million, plus \$19 million in project "enhancements" including the sixth parking deck.

**December 2015:** City aldermen approve a memorandum of understanding with Plamondon outlining the terms of the public-private partnership and sources of funding. Total cost of \$82.47 million project includes a sixth public parking deck. The cost without the enhancements remains at \$64 million. City also approves a memorandum of understanding with Maryland Stadium Authority to conduct a new study updating project construction costs.

**Jan. 7, 2016:** Forella Group publishes initial report estimating

total cost of the project, at \$120.8 million, \$27.7 million of which is for the parking deck.

**Feb. 4, 2016:** After a meeting with the Frederick County General Assembly delegation, the city releases a one page "preliminary revised budget" showing the hotel and conference center total cost at \$69.8 million, without the sixth parking deck. The total public funding — from the city, county and state — listed then is \$25.7 million. Those figures are generally used for the rest of the General Assembly session. A state fiscal analysis provided to lawmakers does not include total numbers for the project or the public financing portion of the budget.

**Feb. 11, 2016:** Forella amends its report based on clarification and additional information provided by the city as well as cost estimates

from three private contractors. The new information estimates the public cost at \$31 million, but does not include a total for the private cost.

**February 2016:** City updates its pamphlet on the hotel project to include the \$31 million total for public funding. The two-page document does not include any mention of the grand total or the private share.

**May 2016:** City updates its pamphlet on the hotel project to include the \$53 million updated estimate for Plamondon's share of the project. This puts the new total at \$84 million, although the document does not list a total.

Sources: City of Frederick Department of Economic Development website and document center, Richard Griffin

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Hotel

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earlier studies done through the Maryland Stadium Authority and Plamondon, respectively.

"We knew the [prior] cost estimate was too low," Griffin said in an interview on Thursday. "We knew we were going to come out higher than what was being proposed."

The most recent \$84 million projection includes the cost of physical construction, land acquisition, consultant work and other "soft costs," as well as some contingency money.

It does not account for the cost of a planned sixth parking garage downtown. The garage was included when the city approved a memorandum of understanding with Plamondon in December 2015. The city and related parties to the project later decided to cut the garage component, and its cost, from the project.

The city also in December signed an agreement with the Stadium Authority to fund an updated analysis of the construction costs. That \$53,800 study, the Forella Group study from February, was needed for the authority to serve as the vehicle through which the city expects to obtain state funding.

Spreading the word

Asked how elected officials and community members were notified that new estimates on the project cost were available, Griffin said he and other project partners testified about the latest estimates numerous times during the legislative session in Annapolis.

For those who did not attend those sessions, Griffin pointed to the updated pamphlets available on the city website and distributed at community group meetings and other local events.

"It's not as though it's any big secret," he said.

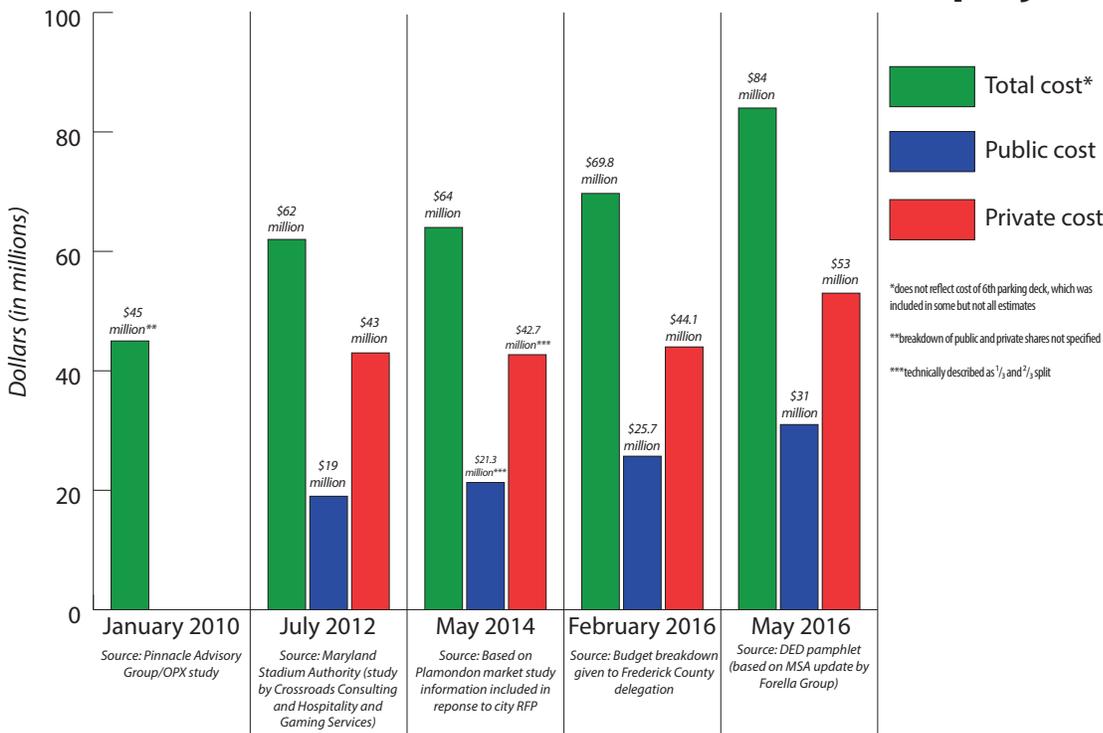
However, in March, after the revised Forella report was given to the city and Plamondon, project supporters didn't testify directly about the total public or private project costs during House of Delegates and State Senate hearings about a hotel funding bill that was before the General Assembly in Annapolis. Testimony submitted by the city of Frederick before the House hearing also did not include project totals, but did attach an economist's report pegging the project cost at \$64 million.

A budget circulated on the eve of a Frederick County delegation vote on the funding bill in February listed \$69.82 million as the total project cost.

Griffin pointed to other areas where the figure was updated.

The department in November created a two-page

Evolution of cost estimates in downtown hotel project



pamphlet, printed and online, summarizing the project. The document included a total cost, as well as the split of public and private funding.

After Forella's report was submitted in February, the department updated the pamphlet with the \$31 million public cost. But the total cost was taken off as part of the February update.

Griffin explained that the private share of the cost was still being determined by consultants hired by Plamondon.

When the private side cost analysis was finished, the department again updated the pamphlet. A version published in May included the \$53 million estimate for the private share and the \$31 million public cost, but did not explicitly list a total amount of \$84 million.

The Forella report itself has not been made public. Griffin explained this was because the estimates provided through Plamondon were proprietary and included estimates from contractors who may later wish to bid on the construction work.

Prior reports and analyses through Plamondon have not been published. But those paid for by the city, including the 2010 and 2012 studies, are available on the city website.

**Creating confusion**

A small but vocal group of critics continue to criticize various aspects of the project, including the

evolving cost.

One of those critics, Peter Samuel, on Wednesday presented city and county elected officials with a different estimate, also by Forella Group. The Jan. 7 report, obtained by Samuel through a public information act request and shared with *The Frederick News-Post*, estimated the total project cost at \$120.8 million, including \$27.7 million to build a sixth city parking deck. Without the parking garage, the total would be \$93.1 million.

Samuel accused project partners of taking the parking garage out of the project in order to deal with the "financial crisis" posed by the significantly higher estimate. He called the lack of public notice about the new numbers "part of a pattern of shrouding this project in secrecy and happy talk spin."

Griffin on Thursday said the \$120.8 million was a preliminary estimate, one later revised after project partners realized certain assumptions in it were incorrect. Additional information, as well as the decision to cut the parking garage from the project, produced the \$84 million estimate now being advertised.

Gary McGuigan, a senior vice president for the Stadium Authority, confirmed in a phone interview on Friday that the January report was not final.

He framed the revised total from Forella in February not as a deliberate attempt to produce a lower

number, but as a different way to look at the scope of the project.

Griffin also dismissed Samuel's accusations about lack of transparency.

He said Samuel's misunderstanding of the document was one reason why the full report was not made public.

"These reports are not public consumption reports," he said.

**Elected officials weigh in**

Griffin insisted the project partners were informed when the new project costs came out. But some state and local officials appeared unaware the costs had changed when interviewed this week.

Sen. Michael Hough, R-District 4, who was a vocal opponent of the project during the 2016 General Assembly, said he found it difficult to keep up with budget estimates while in Annapolis.

For instance, a Maryland Stadium Authority bond bill — which was ultimately not passed — had hand-written edits to it on the day it was discussed in the delegation's meeting, he said.

Hough said he'd never heard about the estimates from Forella before this week.

Alderman Phil Dacey said in a phone interview on Thursday he was unaware the cost had changed from the \$82.47 million estimate — that price then included the sixth parking garage — that was discussed when the city signed the

memorandum last December.

When told about the new estimate, with a higher cost and no parking deck, Dacey said he was not sure how to respond.

Alderman Michael O'Connor also indicated he didn't know about latest cost estimates. O'Connor wasn't overly concerned, though.

"I'm relying on our experts at the city to make sure we are kept apprised," he said. "I trust staff [to share] whatever updates at the appropriate time."

O'Connor also noted that even the latest estimates were likely to change as the project moves forward.

Sen. Ron Young, D-District 3, said it's not unusual for cost estimates to move around on such large projects.

Young responded quickly when asked whether he knew about an increase to the projected public cost. "Actually it's gone way down," Young said, referring to the decline from the January to February estimates from Forella.

He thinks the way the agreement is worked out, \$31 million is an acceptable figure for the public funding.

"The price that they have now, it's still accounted for," Young said. "The developer is picking up some extra and all the components come together."

Alderwoman Donna Kuzemchak, meanwhile, was less interested in a hypothetical estimate than

the city's contribution when it comes time to sign on the dotted line.

"Until we sign the actual document for the money, then all this is well and good, but it's just a pretty picture," she said.

Delegate Carol Krimm, D-District 3A, noted that despite the increased project costs, the state is locked in to a maximum commitment of \$15 million in future years.

"I think that the state is not going to be the source of those extra funds," Krimm said. "We've sort of established what our limit is."

Additional details on the breakdown of cost-sharing will be provided in the next agreement between the Stadium Authority and the project partners. That document was still being finalized as of this week, according to Griffin. State funding for the project is contingent on execution of the agreement between the city, county, stadium authority and Plamondon.

Project plans call for a 200-room hotel with 24,000 square feet of conference center space with on-site parking and infrastructure improvements at the site of the old *Frederick News-Post* building.

The property at 200 and 212 E. Patrick St. is currently owned by a business entity formed by members of the Randall family. The Randall family also owns the parent company of *The News-Post*.

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