



CHATHAM
LODGING TRUST

PL201700061
PL2017-061

June 1, 2017

VIA EMAIL AND FEDERAL EXPRESS

Bruce Bunker, Engineering Technician
City of Bloomington
1800 West Old Shakopee Road
Bloomington, MN 55431-3027

RE: PL2017-61 ("Proposed Hotels")

Dear Mr. Bunker,

We are the owners of the Homewood Suites hotel located at 2261 Killebrew Dr, Bloomington, MN 55425. We received notice of the development of the Proposed Hotels and the proposed combination of lots necessary for said development. The Proposed Hotels, the Home2Suites and Tru hotels, which like our hotel are Hilton branded, are expected to be located across the street, only a mere 458 feet from our hotel Suites (see attached Map 1). This development would cause tremendous gridlock but, more importantly, will have a huge negative impact on our hotel and the market which is already oversaturated by new supply.

The Proposed Hotels would be entering a market already greatly impacted by new supply. In the last year and a half, there has been a 107-room Home2Suites and a 200-room Hilton Garden Inn conversion added in close proximity to our hotel. In addition to all of the new Hilton openings, a TownePlace Suites by Marriott, JW Marriott, and a Hyatt Regency have opened this year. In 2016 alone, a total of 869 rooms were added to the market. Additionally, three (3) new properties are scheduled to open in 2018 adding 627 new rooms: a Cambria Suites, a Holiday Inn Express, and an Intercontinental (see attached Map 2 which reflects all of the hotels except for the Cambria, the Intercontinental, and this development). Finally, the currently closed Radisson is converting to a Great Wolf, and when it opens, it will add another 403 rooms not currently in the market. As a result of these new hotels, we are currently experiencing a 10% decline to our weekday/weekend transient and group business and our Mall of America traveler volume which we expect to decline even more.

The impact of the Proposed Hotels will be disastrous to our retail business. Mall travel makes up 85% of our retail production with the remaining being business travelers and airport layovers. We stand to lose an estimated 25% of our retail segment. Certainly, the likelihood of leisure travelers moving to a brand new Hilton Product within the same proximity of the mall is high. Our weekend business will be adversely affected as well. 70% of our weekend guests are visiting the Mall of America. We will lose an estimated 3,500 transient room nights annually from the leisure and business travelers visiting the Mall of America.

222 Lakeview Avenue, Suite 200, West Palm Beach, FL 33401
(561) 802-4477

Historically, our hotel has operated less like an extended stay hotel and more like a transient select service hotel running between at between 20-30% extended stay business on any given month. The new supply coming into the market in 2016 and 2017 has increased and will continue to increase our hotel's reliance on extended stay business which will be reduced by more than 50% if the Proposed Hotels allowed to be built.

Furthermore, the two proposed Hilton hotels will dilute our room night production from Hilton Honors program and rewards redemptions. The estimated 20% Hilton Honors reduction will result in the loss of 1,384 room nights from rewards member paid stays and 660 through redemption stays. Our ability to achieve the rewards high redemption threshold of 96% has been a key driver to our hotel's ability to maintain a premium ADR over our competitors. The hotel has averaged an impressive conversion rate of 80% which we estimate will be slashed in half if these Proposed Hotels are allowed to be built. The estimated revenue from missed high redemption days would cost the hotel an additional \$111,000 annually for this alone.

Finally, putting two new hotels across the street from our hotel in an already saturated market will cause gridlock. This is a supply heavy market with an existing pipeline of additional hotels being added. Market demand does not justify this supply growth nor does this area sufficiently provide for the added traffic. The introduction of the Proposed Hotels in this market will impact our hotel in many detrimental ways. Therefore, we oppose this development and respectfully ask that you reject the proposal to combine these lots. Should you need any additional information, please contact me at ekentoff@cl-trust.com. Thank you

Sincerely,
CHATHAM LODGING TRUST

By: 

Name: Eric Kentoff

Its: Senior Vice President and General Counsel

Enclosures

Proposed Home 2/Tru

Only 458 feet from our Homewood

Map 1

Legend

- 2435 E Old Shakopee Rd
- 458 Feet!!
- Our Homewood Suites

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PL2017-061

2435 E Old Shakopee Rd

Our Homewood Suites

Google earth

400 ft



Map 2

