



# Amarillo, Texas

## Mixed-Use Residential Market & Financial Feasibility Study

REPORT

JULY 13, 2023



# Background

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Hunden Strategic Partners was engaged to conduct a comprehensive market and financial feasibility study in downtown Amarillo. HSP studied the dynamics of downtown Amarillo and has provided recommendations for a singular development, referred to as "the Project" throughout this analysis. The Project encompasses a diverse range of components, including for-sale condos, rental apartments, office space, and retail space. It is worth noting that the availability of living units and retail developments in downtown Amarillo is currently limited. Within urban areas, retail and residential assets are synergistic developments that depend on each other heavily.

Ideally, this development could be built in one phase, but with ever-changing macroeconomic conditions, likely this development would need to be developed with a phased approach. While the phasing would impact feasibility of the assets, HSP's recommendations detail an ideal first project to be developed in downtown Amarillo. This Project would be a catalyst for change in downtown Amarillo.



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# Headlines

## TOURISM



Visitors primarily travel through and to Amarillo for vacation and utilize the area as a stop along their way to other locations. Its roadway connectivity and unique assets have resulted in the market performing well throughout the COVID pandemic.

The Civic Center and Globe-News facilities have struggled to return to pre-pandemic levels, generating additional pressure to develop an attractive downtown for visitors.

## RESIDENTIAL



Interviews with residential operators and surveys of corporate stakeholders indicated that downtown Amarillo's future depends on new housing developments. The few downtown apartments charge high-rates and have limited vacancy, even with few grocery stores, gyms and amenities for residents.

## HOSPITALITY



Of the asset classes studied, hospitality has the strongest historical performance. There is still a market opportunity at the luxury and upper upscale quality level. The current market has a greater trouble with ADR as opposed to occupancy. Higher rates can be achieved with greater amenities and guest experiences.

The current hotel market's amenities are lackluster.

## RETAIL



The majority of retail and restaurant assets in downtown Amarillo are aged and under perform. Leasing retail space continues to be a struggle.

**“Chicken or the Egg” Dilemma.** For residential to succeed, more retail is needed, but residential cannot be developed without new retail. Current downtown residents must drive to the suburbs for grocery stores, gyms and other amenities that residents desire.

# SWOT Overview

The following SWOT analysis details the strengths, weaknesses, opportunities, and threats of the Project.

## STRENGTHS



- Increasingly activated downtown
- Strong performance of hotel assets in downtown
- Limited supply of high-quality living opportunities in downtown
- Leisure and corporate travel

## WEAKNESSES



- Geographic isolation
- Current downtown development
- Limited regional visitation to civic center

## OPPORTUNITIES



- Impactful tax revenues and activation for downtown and the City.
- Further revitalize downtown with housing and new retail
- Bridge the gap between Polk St and Hodgetown Stadium
- New amenities to downtown

## THREATS



- Available sites
- Absence of similar large residential developments in downtown
- Feasibility Gap

# Recommendations: “The Project”

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## ~160 Residential Units

125 Apartments (100 One-Bed, 20 Two-Bed, 5 Three-Bed)  
25 Condos (10 One-Bed, 10 Two-Bed, 5 Three-Bed)  
10 Live/Work Units (8 One-Bed, 2 Two-Bed)

There is a significant lack of housing units available in downtown Amarillo. A large-scale residential project is needed to bring a live, work and play dynamic to downtown Amarillo.

## ~80-90 Hotel Rooms

Quality: Upscale or Boutique  
70% Kings, 30% Double Queens

While there are many hotels in downtown Amarillo, there are no hotels with a strong amenities offering. The performance of the Barfield has proven that there is strong demand for high-quality hotels in the downtown area.

## ~15,000 SF Food Hall & Retail

The residential and hospitality assets depend on the development of retail and restaurant assets. “Eatertainment” assets would bring a new style and offering to downtown, further enticing travelers and residents.

A Project of a large size and scale is needed to bring satisfy the needs and wants of residents and travelers in the region. Each use recommended use type depends on the others for success, as residential and retail assets need to happen simultaneously for the success of the development. A development would stand out if it had amenities that increased quality of life such as an on-site gym and pool.

# Why Mixed-Use?

## TRENDS.

Following the pandemic, the development of mixed-use buildings has been rising across the United States, with some prime examples popping up in the state of Texas. Today people look for greater flexibility and hybridization. This trend has surged the **blending of professional and personal lives.**

Reports have shown that mixed use properties generally have shorter lease-up periods and can **command rent premiums compared to single-use properties** in the same markets. These premiums are driven by the unique lifestyle offered by concierge-style amenities.

## WHAT IS IT?

Mixed-used buildings are a single building housing three or use types. Within Texas is it common for mixed-use buildings to include retail and restaurant establishments on the first floor with offices, hotels or and residential units on the upper floors. All-in-one buildings are more readily absorbed by larger markets where demand is bountiful, but a project within Amarillo may need to incorporate these elements in a district over a phased period.

## Sienna at the Thompson – Austin, Texas (2022)

331 Residential Units  
Thompson Hotels Austin – 229 Hotel Rooms  
Tommie Austin – 193 Hotel Rooms



## The Allen – Houston, Texas (U/C)

Residences at the Allen - 99 Residential Units  
The Thompson Hotel - 172 Hotel Rooms  
Retail - 97,000 SF Luxury

# Summary of Impacts

Over 30 years the Project, a development with 85-hotel rooms, 125 apartment units, 33 condos and 15,000 square feet of leasable retail space, is expected to generate nearly \$760 million in net new spending to Amarillo, \$330 million in net new earnings and 199 net new full-time equivalent jobs (by Year 10).

Over 30 years, the City of Amarillo and Potter County will likely experience an additional \$38.9 million in tax revenues as a result of the development. The impacted tax streams include local sales taxes, hotel occupancy taxes and property taxes.

But for the Project, these impacts would not exist.

30-Yr. Summary of Impacts - Rec. Development Not Including Construction	
<b>Net New Spending</b>	<b>(millions)</b>
Direct	\$479.0
Indirect	\$186.9
Induced	\$93.8
<b>Total</b>	<b>\$759.8</b>
<b>Net New Earnings</b>	<b>(millions)</b>
From Direct	\$212.5
From Indirect	\$75.9
From Induced	\$42.4
<b>Total</b>	<b>\$330.7</b>
<b>Net New FTE Jobs</b>	<b>Actual (Yr. 10)</b>
From Direct	124
From Indirect	50
From Induced	26
<b>Total</b>	<b>199</b>
<b>Potter County Taxes</b>	<b>(millions)</b>
Property Tax	\$18.4
<b>Amarillo Taxes</b>	<b>(millions)</b>
Sales Tax (2.00%)	\$9.6
City - Hotel Occupancy Tax (7.00%)	\$8.5
APEVD - Hotel Occupancy Tax (2.00%)	\$2.4
<b>Total</b>	<b>\$20.5</b>
<b>County &amp; City Total</b>	<b>\$38.9</b>
Source: Hunden Strategic Partners	





# Survey Results

# Survey Introduction

## Amarillo Mixed-Use Development Survey

Hunden Strategic Partners (HSP) is a real estate consulting firm based out of Chicago. HSP was retained by a real estate developer in the Amarillo area to perform a study on the feasibility of a mixed-use project in downtown Amarillo. The potential project may likely have a combination of condos, apartments, hotel rooms and a restaurants/ a food hall. This study is one step HSP has taken to combine community/corporate feedback with market analysis to determine the demand for the various potential use types.

In coordination with the Amarillo Economic Development Department, HSP gathered a list of corporate stakeholders in the Amarillo market to understand the corporate viewpoint on a potential mixed-use development. The survey asked several questions relating to the corporate need for hospitality, residential and retail assets in downtown Amarillo.

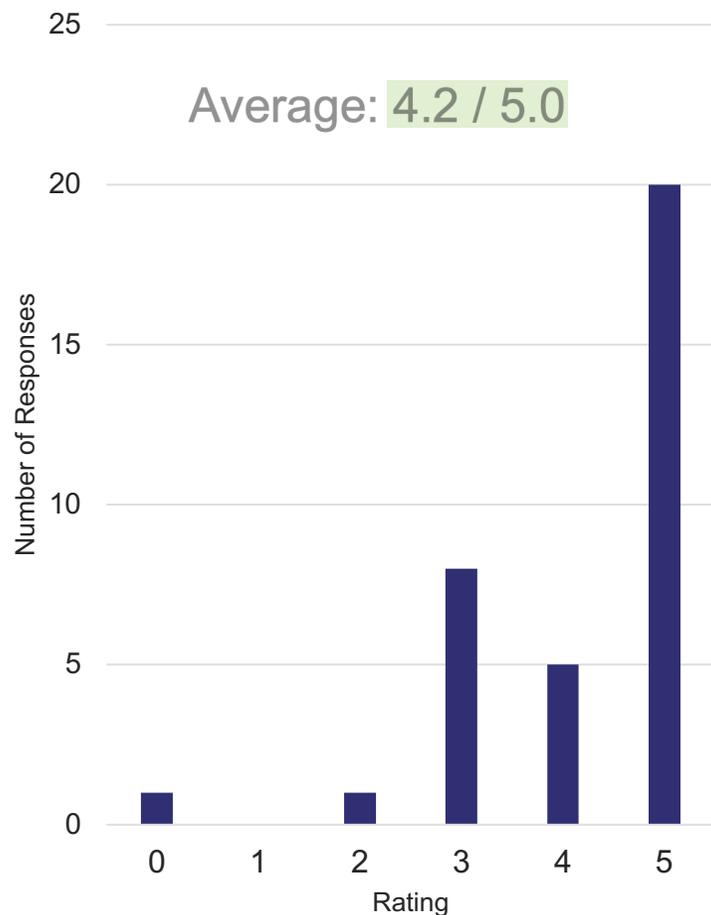
HSP's survey received **36 responses** from various stakeholders in the community. The organizations and industries that shared insight for this survey are shown below.

HSP Survey   Respondent Firm or Industry		
Specific Entities		Industries (When Firm Not Specified)
Affiliated Food Service	City of Amarillo	Architecture
Alpha Media Amarillo (Radio)	Double U Marketing & Communications	Aviation
Amarillo Chamber of Commerce	Education Credit Union	Banking
Amarillo College	M & R Package Store	Construction
Amarillo ISD/Education	Mays Inc.	Education
Amarillo National Bank	Moreland Real Estate Group	Electricity
America's SBDC at WTAMU	Pantera Energy Company	Government
Bedlam SDI Management	Pedernales Springs LP	Government
Bell	Shiver Megert Architects	Hospitality
Center City of Amarillo	SKP Creative/Marketing	Legal/Real Estate Investments
Center City of Amarillo	Team Insight & Associates, LLC	Marketing
City of Amarillo	Texas Tech University Health Sciences Center	Real Estate Development

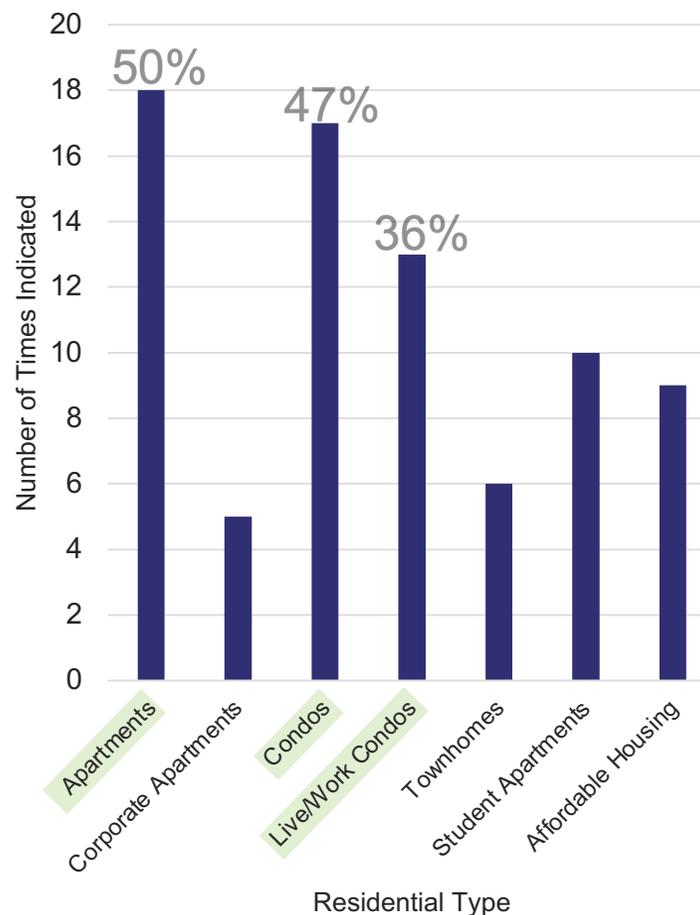
Source: Hunden Strategic Partners (01/06/23 - 01-20-23)

# Survey Results - Residential

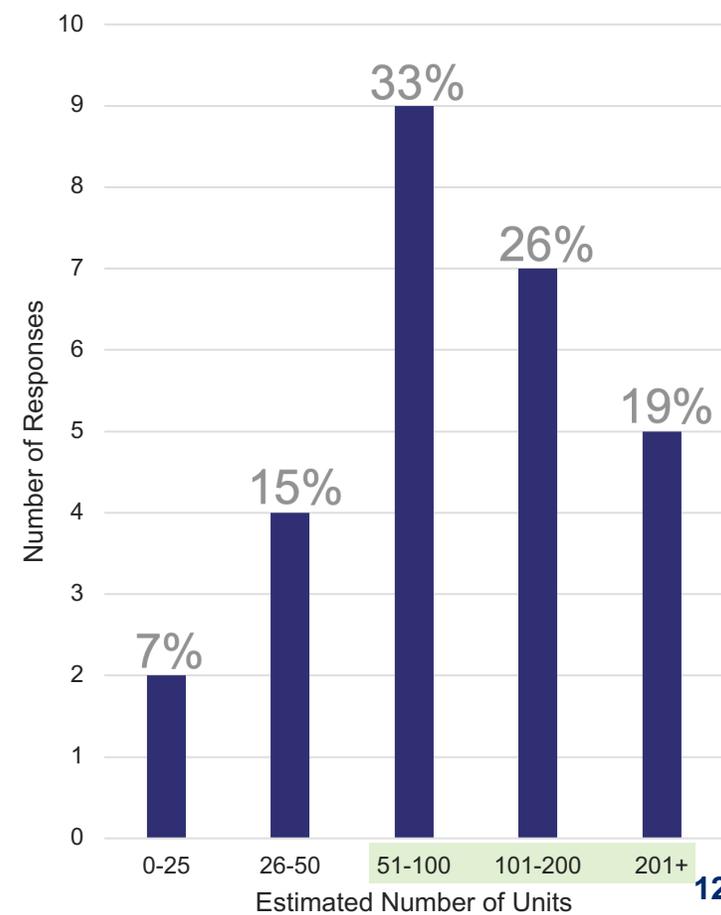
How would your organization rank the need for a new residential building in downtown Amarillo? (5=Strong, 0=No Need)



What type of new residential development makes the most sense in downtown? (Select multiple if needed)

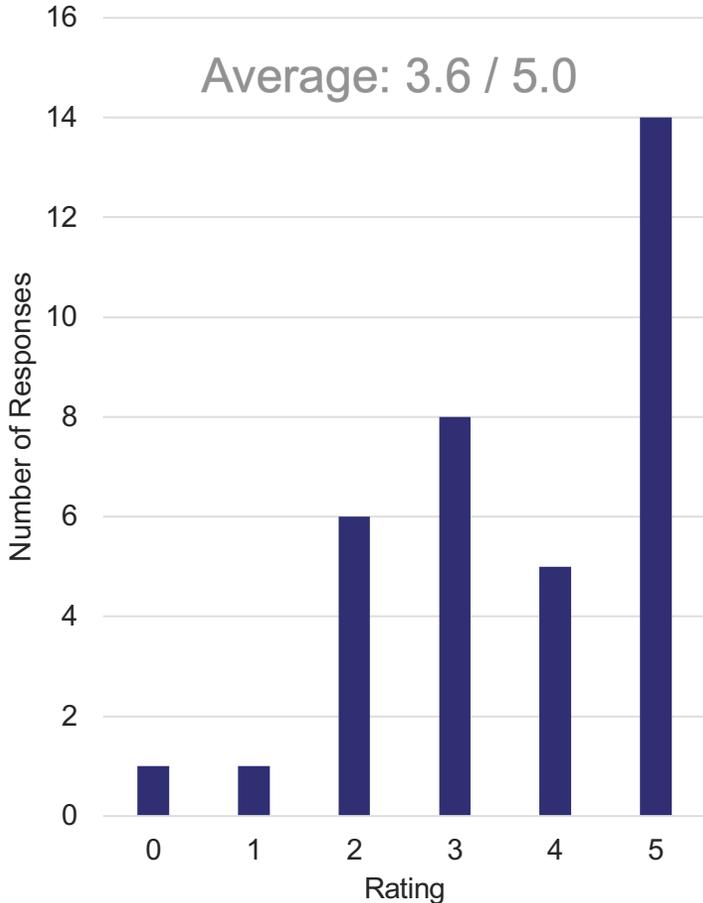


Approximately how many new residential units would your organization think are needed in downtown Amarillo?

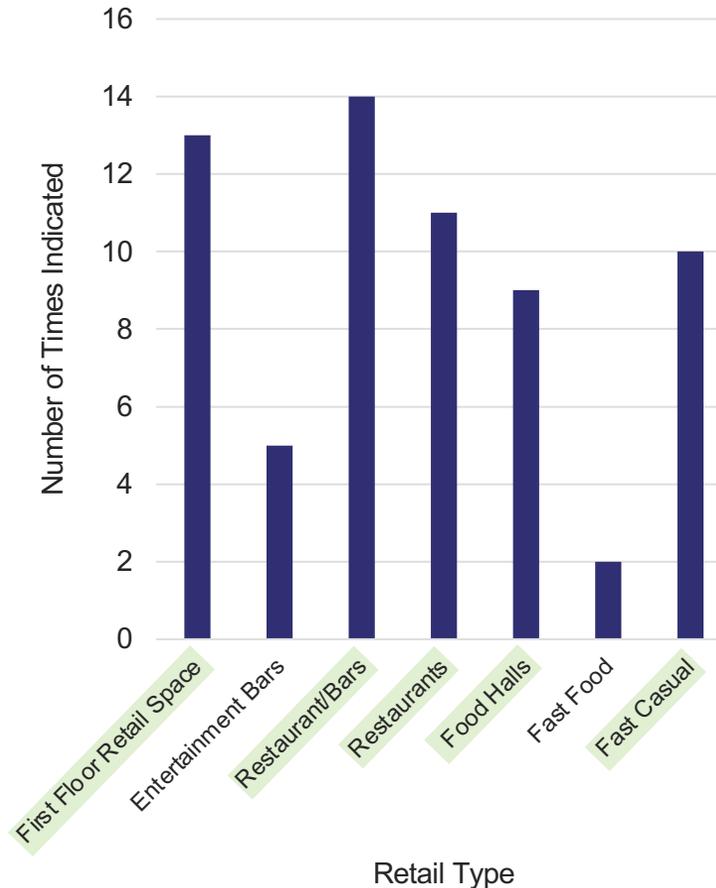


# Survey Results – Retail & Restaurant

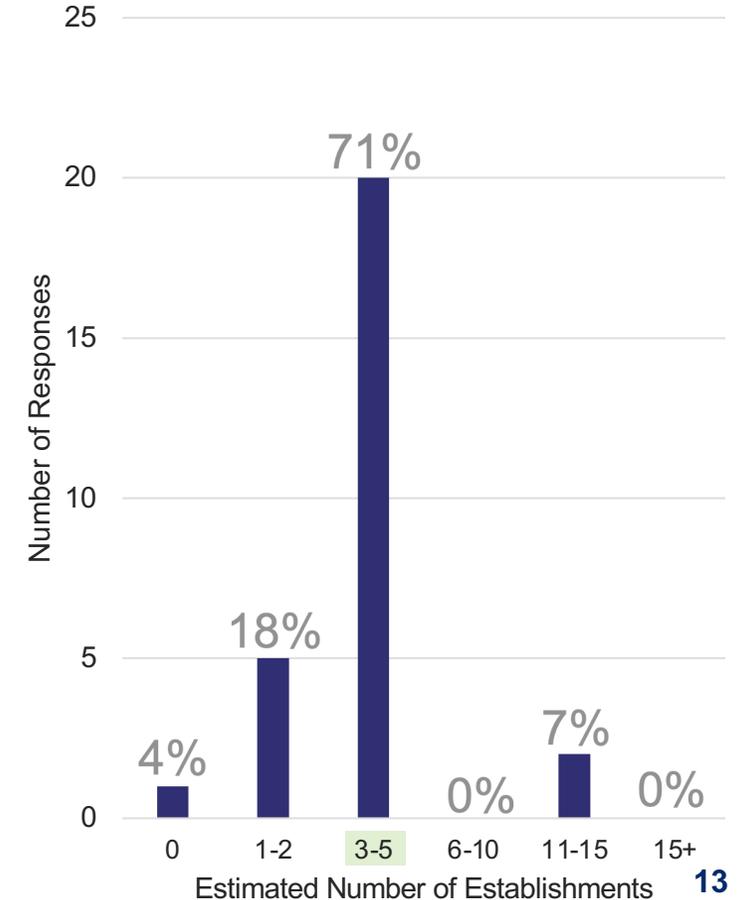
How would your organization rank the need for a new retail space & restaurants in downtown Amarillo? (5=Strong, 0=No Need)



What type of retail/restaurant developments make the most sense in downtown Amarillo? (5=strong, 0=Not Needed)

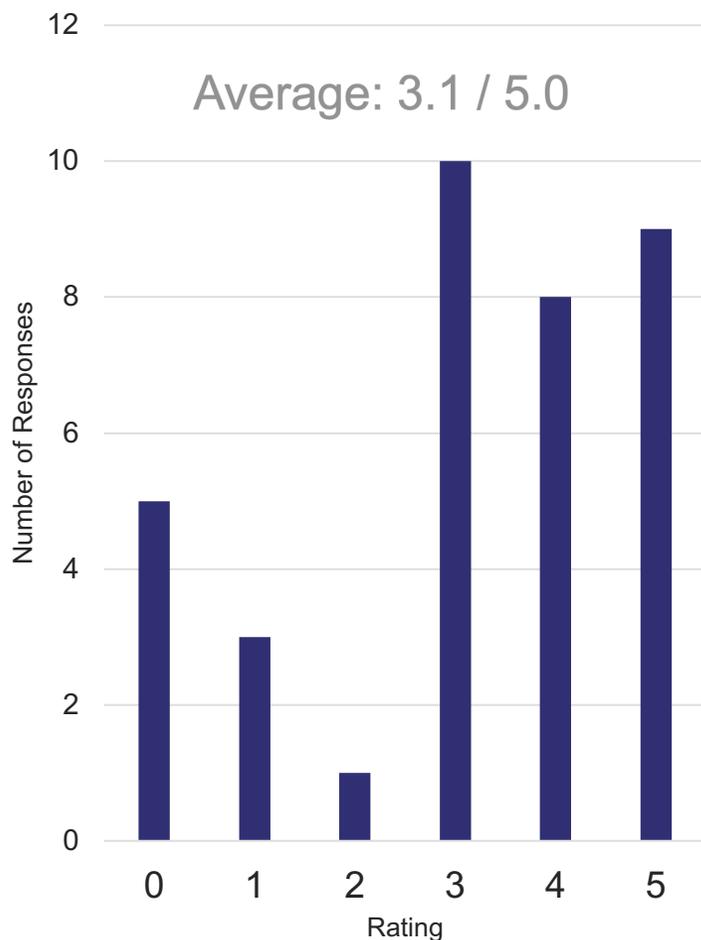


Approximately how many new restaurant/bars would your organization think are needed in downtown?

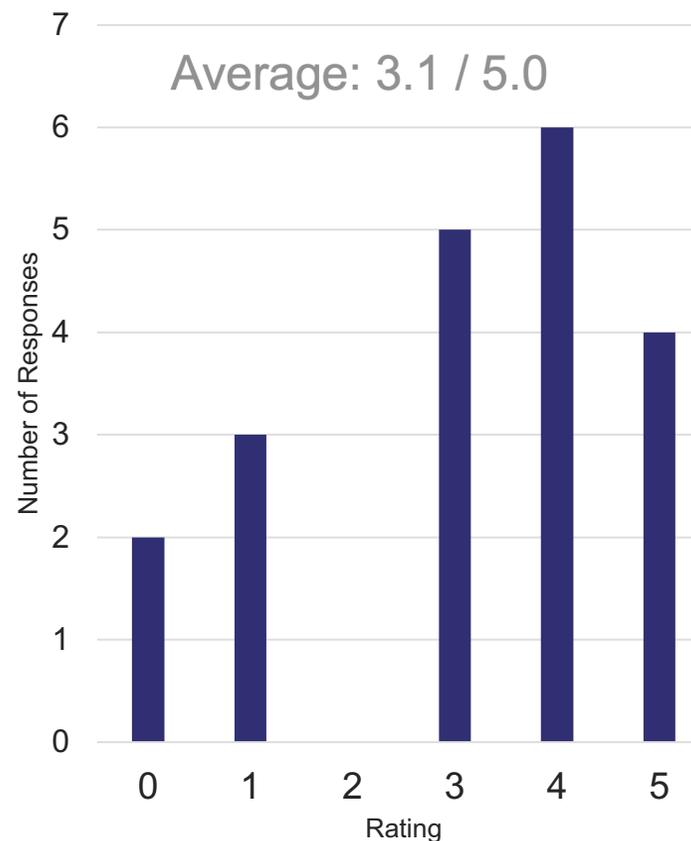


# Survey Results - Hotels

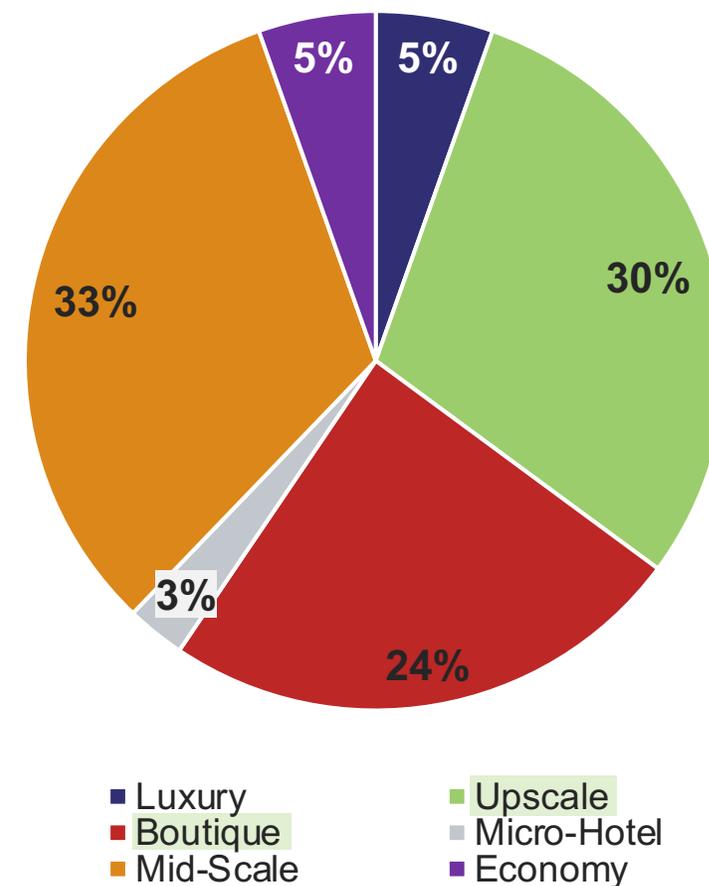
How would your organization rank the need for a new hotel in downtown Amarillo? (5=Strong)



If your organization books hotels for business, how would your organization rank the need for a new hotel in downtown Amarillo? (5=Strong)



Which style/quality level for a new hotel makes the most sense in downtown?



# Downtown Amarillo Overview



### LEGEND

-  Major Roadway
-  Demand Driver
-  Premier Apartments
-  Development Hub

# Survey – Location Insights

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**QUESTION:** Are there any locations in downtown that stick out to you/your organization that would be ideal for the construction of a mixed-use development? General or exact locations are acceptable.

## **ANSWERS:**

- “It would also be great if whatever was built helped to **bridge the gap between the restaurants on Polk Street and the new developments around the baseball park.**”
- “Near **the new ballpark**”
- “**Polk Street**”
- “West of Polk St”
- “Replace or remodel the old **Herring Hotel** or replace some other old abandoned building.”
- “NE downtown.”
- “Old AIG blank space, West of WT campus near old Globe News”
- “Old Globe News Building, YMCA, all of that area needs to be repurposed”
- “East of Downtown - Old Warehouse district”
- “**Warehouse district**”
- “**Santa Fe Depot, Herring Hotel, Rule Building, warehouse district**”
- “West side”
- “West of downtown”



# Conclusion

# Rationale for Public Participation

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The Project is a forward-looking development that will help the City of Amarillo take a big step forward in reactivating its downtown area. For the City of Amarillo and the Potter County to capture the \$38.9 million in net new taxes generated by the Project, public participation of some level is needed.

In addition to these net new taxes, the Project is expected to generate nearly \$760 million in net new spending, \$330 million in net new earnings and 199 net new full-time equivalent jobs (by Year 10) within the City of Amarillo.

Like many compelling projects in today's interest rate and inflationary environment, the cost of development is greater than the present value of the investment by a modest amount. From a private investor perspective, the market does not generate enough returns in a typical investor time horizon to justify the risk of building such a development.

However, given the impacts that would occur due to the Project, it makes sense to invest a portion of the potential impacts back into the Project to enable it to come to fruition. Typically, a TIRZ district would use its resources to reinvest expected future tax flows from the Project, either upfront or over time, into the project. The reinvestment of Project tax streams for a short period of time are a small reinvestment versus the decades-long stream of future tax revenues that will be generated by the Project to the TIRZ and Amarillo.

In addition, the activity generated by the Project will likely engender confidence amongst other developers who will consider new investments in and around downtown as a result of the Project's development, activity generated and momentum. In short, the continuing development of projects like the Project will send a message to the market that Amarillo is a city on the move and attractive for investment. The more that projects such as this get developed, the needed critical mass in the downtown area will begin to be created. As new developments synergize off of each other, even more impact and investment is likely.

# Recommendations: “The Project”

## ~160 Residential Units

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Hunden Strategic Partners is a full-service real estate development advisory practice specializing in destination assets.

With professionals in Chicago, San Diego, Indianapolis and Minneapolis, HSP provides a variety of services for all stages of destination development in:

- Real Estate Market & Financial Feasibility
- Economic, Fiscal & Employment Impact Analysis (Cost/Benefit)
- Organizational Development
- Public Incentive Analysis
- Economic and Tourism Policy/Legislation Consulting
- Research & Statistical Analysis
- Developer Solicitation & Selection

The firm and its principal have performed more than 750 studies over the past 20 years, with more than \$5.5 billion in built, successful projects.