

**FORT LEE, VIRGINIA  
TEMPORARY LIVING QUARTERS  
MARKET & FISCAL IMPACT ANALYSIS**

**Prepared for the Crater Planning District Commission  
Petersburg, Virginia  
January 13, 2010**



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**Temporary Living Quarters Market and  
Fiscal Impact Analysis  
Fort Lee, VA**

January 13, 2010

**Prepared for**

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# TABLE OF CONTENTS

<b>Chapter 1 INTRODUCTION .....</b>	<b>1-1</b>
A. Purpose and Need For Study.....	1-1
<b>Chapter 2 EXECUTIVE SUMMARY .....</b>	<b>2-1</b>
A. Background .....	2-1
B. Hotel Market Analysis.....	2-3
C. Lodging Success Program Impacts .....	2-4
D. Commercial Market Analysis.....	2-4
E. Fiscal Impact Analysis .....	2-5
<b>Chapter 3 LODGING MARKET ANALYSIS .....</b>	<b>3-1</b>
A. Introduction .....	3-1
B. Historic Market Context.....	3-1
C. Development Trends and Pipeline Projects .....	3-7
D. Market Projections.....	3-8
E. Implications .....	3-13
<b>Chapter 4 LODGING SUCCESS PROGRAM ANALYSIS.....</b>	<b>4-1</b>
A. Introduction .....	4-1
B. Tier Delineation.....	4-1
C. Methodology .....	4-2
D. Demand Capture Results.....	4-6
E. Implications .....	4-11
<b>Chapter 5 COMMERCIAL MARKET ANALYSIS .....</b>	<b>5-1</b>
A. On-Post Commercial Supply Analysis .....	5-1
B. ALU Student Survey.....	5-5
<b>Chapter 6 FISCAL IMPACT ANALYSIS .....</b>	<b>6-1</b>
A. Introduction .....	6-1
B. Fiscal Impact Analysis .....	6-1
C. Implications .....	6-5

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# 1 INTRODUCTION

## A. PURPOSE AND NEED FOR STUDY

In the Fall of 2009, RKG Associates, Inc. was retained by the Crater Planning District Commission to analyze the market and tax revenue impacts associated with the proposed development of a 1,000-unit Army lodging facility inside the gate at Fort Lee, VA. This new facility is projected to come on line by September 2011. The purpose and need of the study was defined by the host cities of Petersburg, Colonial Heights, and Hopewell and the counties of Dinwiddie, Prince George, and Chesterfield. The municipal impacts associated with this study include hotel/motel occupancy taxes, hotel/motel sales tax, and retail sales taxes.

In addition to the municipal impacts RKG was retained to analyze the market impacts of the proposed lodging facility on the region's private hotel/motel market. During August of 2009, Fort Lee Garrison Command presented the results of an Environmental Assessment of the temporary living quarters (TLQ), which relied on an earlier analysis prepared by RKG Associates and presented in the Fort Lee Growth Management Plan dated February 2008. This limited analysis was not part of the Fort Lee Growth Management Plan scope of services, but was prepared once it was apparent that the TLQ construction funding was in jeopardy and considerable market opportunities might accrue to the region's private hotel/motel market.

The hotel/motel market impact analysis examines: (1) changes in hotel/motel annual room night supply, (2) changes in projected annual room night demand by all market segments, and (3) changes in annual occupancy rates based on changes in room night supply and demand between 2009 and 2015. RKG Associates also prepared an impact analysis associated with the 17 Lodging Success Program (LSP) hotels that are under contract to provide hospitality services to Fort Lee-related personnel, in all its forms. The LSP hotel analysis examines how changes in Fort Lee demand over the 2009-2015 projection period will impact various hotel tiers. Hotel tiers in this context are categorized by their general proximity to Fort Lee. RKG Associates created a "gravity model" that distributed future hotel room night demand by a number of proximity, quality, and price factors

During the course of this analysis, a loosely-formed coalition of hotel operators and small business owners raised concerns about the potential impact that the proposed TLQ would have on the private hotel/motel market. These merchants are collectively concerned that constructing 1,000 new lodging rooms on-post will effectively pull hotel and retail spending from private businesses. In addition, the new facility would be constructed following a period of rapid expansion, which has occurred over the past several years. While RKG was not retained by the hotel coalition and did not meet with the group's leadership, interviews were conducted with a number of independent hotel operators to understand their concerns and to obtain information about their past and current operations.

To the extent possible, RKG has attempted to document all the future demand assumptions made by the Army relative to future training activities at Fort Lee. Unfortunately, it is very difficult for the Army to truly know its future training loads several years in the future. Undoubtedly, these loads will fluctuate with changing needs and projections made in 2009 may or may not come to fruition. Given these limitations, RKG has taken a conservative approach to this analysis.

The impact analysis consists of the following sections:

- Section 1 – Introduction
- Section 2 – Executive Summary
- Section 3 – Lodging Market Analysis
- Section 4 – Lodging Success Program Analysis
- Section 5 – Consumer Spending Analysis
- Section 6 – Fiscal Impact Analysis