

To: Visit Morgan Hill Board of Directors
From: Executive Director, Krista Rupp
Date: October 24, 2022

MEMO: VMH Comment on MoHi/Granada Hotel Project

Background: The MoHi/Granada Hotel Project will go before the City Council on November 16th, 2022 to request approval of a partial fifth floor for an additional eleven rooms. The reasoning provided is to better position the developer to secure the investment/financing necessary to complete construction.

The Executive Director attended and observed the virtual Planning Commission meeting on October 11th, 2022. The Planning Commission opened and closed a public hearing and unanimously adopted:

- A Resolution recommending City Council approval of a Zoning Amendment to add the Planned Development Combining District to the property; and
- A Resolution recommending City Council approval of a Design Permit Amendment for minor facade modifications, including a partial fifth floor to the hotel.

Documents:

[Planning Commission Staff Report](#)

[Planning Commission Meeting Video \(at 2:45:00\)](#)

[Granada Hotel Project Page](#)

Visit Morgan Hill Strategic Plan: The Strategic Plan discusses the organization's role as the tourism voice regarding long-term enhancement of the city's visitor related offerings and explores hotel development as a Gap/Opportunity. The plan supports diversifying Morgan Hill's lodging inventory, specifically full-service hotels that appeal to new markets and do not cannibalize the existing business travel market.

On the next page are Strategic Plan excerpts for the hotel-related portions of the Product Gaps & Opportunities (pg 26) and Appendix Item B – Asset Inventory. Full Strategic Plan linked here:

[Visit Morgan Hill Destination Strategic Plan](#)

Recommendation: Approve support of the Planning Commission's recommendations to City Council and provide a written letter and public comment on the item.

Strategic Plan Excerpts:

PRODUCT GAPS & OPPORTUNITIES (pg 26)

While many stakeholders were enthusiastic and positive about what Morgan Hill has to offer today, there is always room for growth regarding visitor product. In Morgan Hill's case, when considering positions and target markets desired, the following gaps in product were identified through stakeholder perspective and research ("weaknesses/threats" noted in Stakeholder Engagement). Some of these gaps indicate more immediate opportunities, however we have included more longer-term development areas that may not pose a "gap" but rather an "opportunity." While VMH cannot close the gaps on its own, and some may not be achievable overall, defining these is important to developing a long term tourism strategy. The organization shall be active in development through partnership engagement where influence and high overnight visitor return may be had. By working with partners to develop and improve visitor experience related offerings. i.e. City Economic Development, Chamber of Commerce, etc., Visit Morgan Hill will play a role as the tourism voice regarding long-term enhancement of the City.

1. Hotel inventory and location – As noted previously (in the benchmarking section), the current lodging amenities are geared towards business travel, which means that the majority of properties are limited service and are located along major highways and throughways, which makes their location less walkable for leisure visitation. Additionally, more upscale hotel product may better attract visitor markets that match the defined assets identified in the Market Study i.e. culinary, wine and cycling. With potential pipeline projects coming to downtown, this will be a needed boost in the lodging options for visitors looking for a higher end, boutique accommodation experience. It is important to note that new inventory should not directly conflict or cannibalize the existing business travel market, but to serve as an added amenity diversifying the lodging options and appealing to new visitor markets.
 - a. Opportunities to close the gap on hotel product include
 - i. Working with City economic development to provide data, visitor experience sentiment, and support the solicitation of desired hotel development. i.e. full service and upscale or STR classification
 - ii. Identifying locations that would benefit from hotel development and where existing hotel inventory does not reach
 - iii. Identify amenities within potential development areas that should be considered in tandem i.e. banquet/meeting space, restaurant, retail, spa
 - iv. Explore vacation rental/shared accommodations inventory, visitor appeal, and incorporation into TBID for marketing

Asset Analysis Appendix Item B (pg 69)

10. Hotels

Hotels are an overarching destination asset and it is important to understand and articulate the accommodation options when creating strategy. The existing lodging product in Morgan Hill may not be the lead motivator for a leisure guest, but they are attractive to some leisure segments, corporate

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individual, and group markets – they hold a piece to the destination story. Morgan Hill hotels may be described as a quaint collection of mid-scale, limited-service hotels, representing both trusted brand flags and independent management and ownership. The small-town setting provides Morgan Hill hotels with proximity to downtown, dining, entertainment, sports, and recreation/leisure activities. Morgan Hill offers a great selection of reliable branded hotels, friendly to business travelers, families, and groups that want a simple place to rest their head for the night. Rates are typically higher Monday-Thursday, due to business traveler demand, which leaves availability for weekend social and leisure business. This is a potential opportunity, as other popular destinations are at peak rates on weekends. High rates during the weekdays may deter price conscious markets. There are not currently any full-service hotels, however the Granada Hotel is being developed and will offer a boutique full-service product in Morgan Hill, in heart of downtown. There is one resort in unincorporated San Martin, falling outside of the TBID. The location of many of the hotels are not walking distance to downtown, and there is limited rideshare and taxi options.

Number of rooms in City: 897 (529 Mid-Scale rooms, 368 Economy rooms) *

Number of hotels in City: 14 (6 Mid-Scale hotels, 8 Economy hotels)

**Number of hotel rooms updated since completion of Strategic Plan 2020*