

11/1/23 UT
5:12 pm

November 1, 2023

Historic District Commission
118 N Cross Street
Chestertown, Md 211620

Dear District Commissioners,

I am taking this opportunity to expand upon an important point included in the letter submitted to you on October 31, 2023, as signed by myself and two others. The point is that of the proposed project's viability.

Based on my experience in the construction industry, for a project to be deemed financially and otherwise viable, specific proofs including analytical market data, financial data, focused reports and design drawings are typically submitted and relied upon by the project owner, its investors and the build team to formulate a financing plan, project schedule and project cost estimate, to name a few.

The current application submitted by Washington is devoid of any such information to establish that the project is in fact, viable. This is particularly important relative to a decision to demolish the historic armory. As I have written before, a decision to demolish the building only to have an empty lot is not an option.

The construction market has significantly changed when the hotel project was first being studied in 2017. The cost of capital to construct hotels has risen significantly since the Federal Reserve began raising interest rates in March 2022. Even before the increases, lenders interested in hotel projects had stepped back to watch how the industry was to recovery after the pandemic panned out. Higher interest rates complicate financing for new hotel projects and we are currently in the highest interest rate environment experienced in many years. When you are looking at a 3% to 4% environment and you are now in a 8% to 9% environment, that matters dramatically to investors and developers.

Additionally, at this juncture, I would expect to see a Project Feasibility Report, letters of interest from investors (referred to a LOI's), a Basis of Design Study (BOD) and schematic design drawings of the proposed project.

The absence of the above benchmark documents leads me to question not only the viability of the hotel project, but the College's intent to follow through with their representations to the community.

I request your request for all such proofs to insure this is in fact a real project that will materialize before any vote is taken in this matter.

Respectfully submitted,

Tom Kocubinski, RA