



THE SHEPHERD HOTEL



THE SHEPHERD HOTEL

DOWNTOWN CLEMSON

COLVIN CASE STUDY COMPETITION 2022

Team #15 Submission

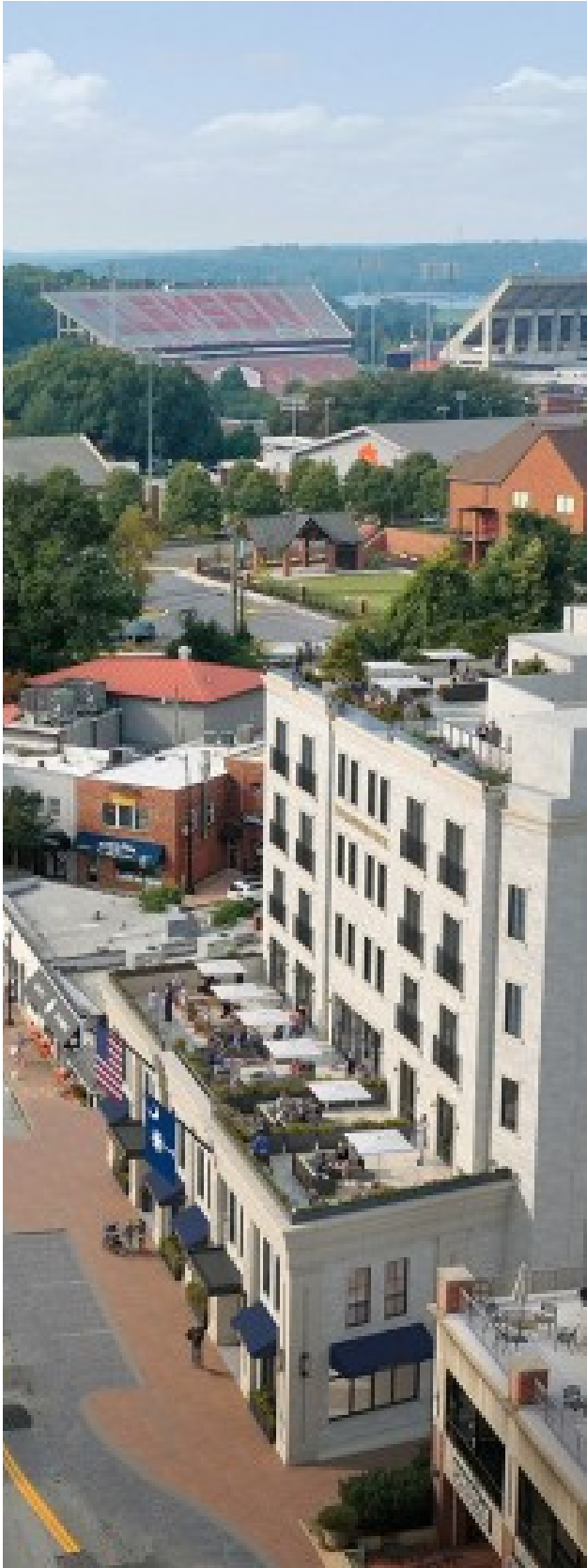


TABLE OF CONTENTS

Summary.....03

Introduction.....04

SMALL SCALE, BIG IMPACT

Vision.....05

OVERCOMING CHALLENGES

Market Analysis06

Planning Process.....07

Construction.....08

Design.....09

Financial Analysis.....13

LONG-TERM SUCCESS

Operation.....16

Future Growth.....17

Conclusion.....17

Sources.....18

The Shepherd Hotel

The Shepherd Hotel has successfully demonstrated how the real estate development industry can make a difference in a community and work towards a positive social impact. This luxury six-story hotel was constructed in downtown Clemson, SC, in just over two years. The developers aimed to deliver not only a profitable project but a project that changed the lives of those within the special needs community. This class-A hotel has transformed downtown Clemson while also employing 40 students with disabilities.

The development process was far from simple, and many complications and setbacks had to be overcome. There was a high level of risk because of the small site in a high-profile location with a delivery of a product that hadn't been seen in the market. There was a lack of comparable hotels in Clemson, which meant they must look at Greenville's market in order to study accurate demographics. The community had a decent amount of pushback initially because of the fear that the downtown culture would experience a shift. With a 65-foot height limit, there had to be an interesting approach to the design of the building. All of these, plus many other issues, meant that the development team had to gather creative solutions throughout the process.

The hotel was an extraordinary, one-of-a-kind project that would not have been possible without the social impact. The developers plan to replicate this model at other universities across the country with the same mission in mind.

QUICK FACTS

Location:
Clemson, South
Carolina

Project Type:
Hotel

Site Size:
0.26 Acres

Project Address:
110 Sloan St.
Clemson, SC 29631

Cofounder/Developer:
Richard Davies
CEO of Pavilion
Development Company

Cofounder/Operator:
Rick Hayduk
CEO of Good Shepherd
Hospitality

Architect: Goff
D'Antonio

Construction:
Mashburn
Construction

Interior Designer: IIG
Design

Civil Engineer:
Seamon Whiteside
MEP Engineers: Saber
Engineering

INTRODUCTION

On the opening night of the Shepherd Hotel, Developer Richard Davies stood before a crowd of guests and visitors stating “We should not be standing here tonight.” A four-star, boutique hotel in a rural college town fully financed in 2020 amid a global pandemic never should have happened. But with a vision for a home-like place for visitors of Clemson with a social impact that changes the lives of so many, the project was possible.

The real estate development industry has seen a shift towards more socially responsible development (Kalsi 2021). There is a growing interest in assuring that real estate developments maintain a high level of social and environmental standards in addition to generating a profit. Following these standards can positively impact communities with many looking to create newly emerging trends for others to follow. There is an emergence of more nonprofits, community developers, and socially conscious private developers in the United States who are working to build important assets with positive social impact (Heller 2015). These developers have an underlying mission of improving people’s lives by making communities stronger and more prosperous. Social impact developments can be difficult, but collaboration is the key to overcoming the challenges.

The Shepherd Hotel has made its mark on Clemson, SC, setting in stone a social impact to last a life-time. The culture of this small boutique hotel speaks to both diversity and inclusion for those with intellectual disabilities. The hotel has joined the movement towards more socially responsible development, offering employment opportunities for individuals with special needs. The story behind the hotel serves

as an example of how people come together for the common good.

This case study portrays the heart behind this development while discussing the challenges that were overcome in order to bring it to life. The three different themes create a complete assessment of The Shepherd Hotel’s development. These three themes are small scale/big impact, overcoming challenges, and long-term success and under each of them, the process of how the idea for this hotel became a reality will be discussed. Every development in the real estate industry has an impact on its community and understanding that is crucial to finding the motivation behind a project. The story behind the Shepherd Hotel acts as a precedent for future projects and how the real estate industry can engage in socially responsible development.

SMALL PROJECT, BIG IMPACT



From the outside, the Shepherd appears to be a small 4-star boutique hotel that aims to provide a place for alumni and parents of the local university to stay during the weekends. But, when you look deeper, you will see that the heart behind the development is making an impact in the community that isn’t noticed at first glance. The Shepherd Hotel has a mission that

Is focused on the impact it can have on not only the community but also the lives of students with intellectual disabilities. While the hotel is a small-scale development, it is making a large impact that sets a precedent for future developments.

The hotel works directly with the local university's disabilities program. This program aids the development of individuals with intellectual disabilities. The program allows these individuals to gain the necessary skills to integrate into a working world following graduation due to the fact that the unemployment rate for those with disabilities is 80 percent. The Shepherd Hotel employs graduates of this program directly into its operations as they are explicitly trained for hospitality roles while in the program. This ensures that the employees will be fully equipped to handle the roles given to them when starting at the Shepherd Hotel. However, this comes with some difficulty. Due to their intellectual limitations, disabled staff usually operate within a 50 percent productivity ratio compared to those without disabilities. In most cases, operations would struggle to run smoothly with staff at a relatively low productivity ratio. But just as the hotel overcame constant struggle to become built, the Shepherd Hotel would not shy away from giving these individuals an opportunity they would be passed up for at other hotels. Instead, the Shepherd Hotel looks to provide a learning and engagement opportunity for the intellectually disabled.

PROJECT VISION

Before the site became a hotel, it was a BB&T bank that Richard Davies bought in 2015. Davies had a vision for the site as an anchor for downtown that did not exist. However, he was unsure what that would be until he rode to a

Rick Hayduk with his daughter, Jamison.



football game with Rick Hayduk in 2019, who then presented him with the idea for the hotel. The idea for the hotel, backed as a mission-driven development, was to collaborate with a university program that employs individuals with intellectual disabilities. The way Hayduk saw the hospitality industry changed when his daughter, Jamison, was born with down syndrome instilling in him a strong passion for creating opportunities for people with special needs. Hayduk envisioned a hotel that would have a goal of helping both his children and the entire special needs community.

When Davies heard of Hayduk's vision, he made a decision on the spot to bring this idea to life in downtown Clemson at the site he owned. That same day, Hayduk was introduced to Erica Walters and Dr. Joe Ryan, directors of the university program for students with disabilities. They were also immediately on board. Dabo Swinney, who was the local college football coach and also a partner in the project, passed along a book called *The Way of the Shepherd* to Davies and Hayduk, which inspired the name. The book defines a good shepherd as someone who positively impacts the flock by caring for them and thoughtfully tending to their needs, ensuring every single one is seen and accounted for. The Shepherd Hotel embodied what it meant to be a good shepherd

and the experience that guests will have here is unique. The Shepherd Hotel aims to offer Clemson visitors and residents a hotel experience aligned with the family feel of a college community.

The location for the development presented an opportunity for Davies and Hayduk to take advantage of an underutilized site in downtown Clemson which had sat vacant for many years and in turn presented no value to downtown. Downtown Clemson is dominated by many buildings that are a legacy for the community. Davies and Hayduk wanted to create a place that could add another legacy project for the Clemson community. The project is pioneering a movement towards socially impactful development in the real estate industry. Davies and Hayduk hope to continue this movement by replicating the model of this hotel at other universities with similar programs.

OVERCOMING CHALLENGES

Richard Davies with one of the hotel employees.



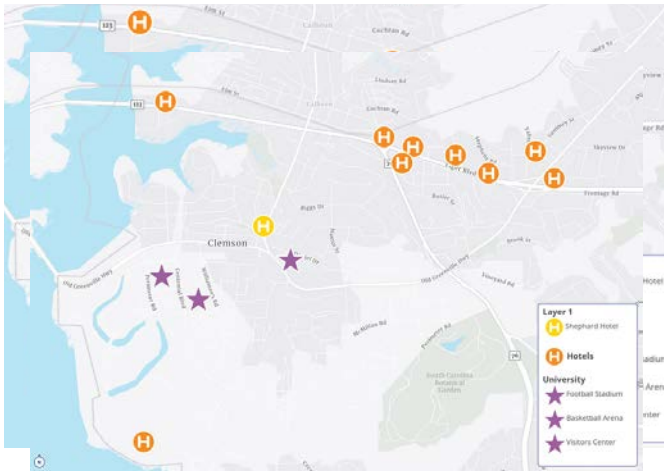
The Shepherd Hotel faced many challenges throughout the development process. Even though it was difficult, the motivation behind the project allowed Hayduk and Davies to push through no matter how many mountains there were to climb. Members of the development team worked together across all facets of the project including market analysis, planning, construction, design, and financing.

MARKET ANALYSIS

Located 30 miles west of Greenville, South Carolina, via Interstate 85, Clemson, South Carolina, is a small college town drawing visitors throughout the year for philanthropic board meetings, prospective student visits, and sporting events, among other things. Clemson also offers other local amenities, including Lake Hartwell, one of the southeast's largest recreational lakes, and the Clemson-Oconee airport, which provides easy access to the university area.

Due to the Clemson market being unfamiliar territory for many investors and lenders, the idea of deploying capital for an upscale hotel with high rental rates seemed unfeasible. The rental rates of the eight hotels present currently in the Clemson area were not sufficient to make the Shepherd Hotel financials work. The Abernathy Hotel and Lakeside Lodge serve as the only reasonable comparable in the Clemson area for a boutique hotel. However, they lacked the location and social mission that the Shepherd Hotel intended to bring to the market. The key to solving this financial obstacle came through meticulous analysis of demographics within the region. Due to the large quantity of high-end hotel options, Hayduk and Davies found that the majority of Clemson visitors chose to stay in downtown Greenville roughly 25 miles to the southeast. By shifting the market analysis from Clemson to that of the larger Greenville area, lenders were more pleased with the competitive set of market data that supported the creation of the Shepherd Hotel.

There are also locational benefits in Clemson that add to the success of the hotel. Located in the heart of Downtown Clemson, The Shepherd Hotel provides convenient pedestrian access to the local nightlife, restaurants, and university facilities, as you will see in this photo.



This created a new opportunity within the market as the other Clemson hotels did not provide this level of walkability to the downtown area. Many off-campus student housing options were also located along College Avenue, allowing parents to stay in close proximity to their students while visiting. These apartments also provide housing to the local university's disabilities program, many of which are employed at the Shepherd Hotel. According to the American Association of People with Disabilities, "...nearly 2 million people with disabilities who never leave their homes, 560,000 never leave home because of transportation difficulties" (AAPD). This limits these individuals in terms of jobs, entertainment, and general living opportunities. By having housing near the hotel that could be occupied by disabled employees, they

effectively removed the limitation of transportation for these people. They no longer need to rely on private transit or take unreliable local public transportation systems. Instead, they can walk over to the hotel to begin their work. This is a crucial turnaround that gives disabled people a chance to be as effective as possible at work by removing the issue of transportation to their job.

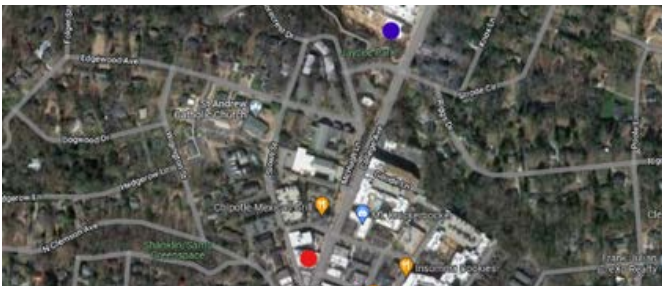
Clemson's market provided a unique opportunity to create a central boutique hotel with an inclusionary workforce. Not only has the Shepherd Hotel surpassed the needs of the market, but its significance to the community also creates an everlasting impact.

PLANNING PROCESS

The planning process added some additional challenges because of specific requirements for the site. The hotel is located in the C-General Commercial zoning district, which permits a hotel not exceeding the height limit of 65-feet, as well as a 25-foot setback requirement off of College Ave.

Although the Shepherd Hotel has become a fantastic addition to Clemson's downtown, it is a moot point if occupants cannot get to it. Similar to interior design choices, specific decisions were made by the developers to solve the parking issues associated with the location of the property. It is evident that the city did not anticipate a boutique hotel downtown because of the parking codes established. According to the Code of Ordinances, there should be 67 spaces for hotel guests and 15 spaces for the maximum 2,000 square-foot restaurant seating area,

totaling 82 parking spaces. A ten percent reduction was allowed for the hotel parcel due to its access to public transit, which reduced the off-street parking spaces from 82 to 74. In 2019, a parking agreement between a private owner and Pavilion granted an easement in the parking parcel for the 74 parking spaces. This owner has a 1.24 acre parcel of land, and the agreement stated that the hotel will use the parking parcel for all 74 parking spaces through a surface parking lot across the street and a mechanized parking structure located in the Astro Building. This parking easement agreement allowed for the hotel to meet the parking requirements. All of the parking at the hotel is valet only and it is located on the back side of the hotel. In this aerial, the Astro Building is located where the blue dot is marked, and the red dot is The Shepherd Hotel. The distance between them is about 0.3 miles.



While there specific requirements from the City of Clemson Code of Ordinances, there were also comprehensive plan sections that were incorporated into the development of the hotel. Chapter 9 of the comprehensive plan discusses the idea of town and gown, which is the relationship between the city of Clemson and the local university. One of the goals in the section is that the city and the university will

partner to build projects that are better than those that could be accomplished individually. The Shepherd Hotel has successfully achieved this goal as the developers partnered with organizations from the university to bring this idea to life, adding value to the city of Clemson and the university, so it is working towards a better town-and-gown relationship.

As with almost any development, there was some pushback from the local community regarding the size of the building. Clemson prides itself on its small-town essence, emphasizing a southern family community. The presence of a large hotel within the smaller Clemson community caused fear among locals who believed the creation of the hotel would ruin the long-lasting character of Clemson's downtown. However, once the hotel was finished, the community quickly realized that it added value to the character of downtown, and the initial fear disappeared. The developers came up with specific design techniques that would be appreciated by those who attended the university.

CONSTRUCTION

After design decisions were finalized and entitlements were set in place, construction on the hotel could begin. However, this did not come without its challenges. The grade change of eight feet from College Avenue to Sloan Street increased costs for construction due to the installation of retaining walls and below-grade construction for back-of-house operations. The developers also took careful

consideration of neighboring properties, opting for a zero-lot line construction that fit the trapezoidal shape of the site. Due to supply chain issues, some materials were not available for construction, and quick adaptation on the team's part ensured the construction company had all materials needed. Towards the beginning of construction, the original company hired quickly realized that they were not equipped to deal with some of the unique challenges that the site presented. In response, Mashburn Construction was brought in. They took the project on with great confidence, thrilled to be a part of the impact the hotel was built around.

During construction, the foundation of the building was set through the placement of over 350 stone pylons drilled into the ground. The original design of the building was to be constructed of brick in a traditional fashion with the assistance of scaffolding and a crane. This became more challenging when neighboring properties would not give up air rights for a traditional crane to be used in the construction process. The building went through a redesign that allowed for a new



The crane that was used for construction

method of construction to fit within the constraints of the site. Bricks were laid in forms on the ground to create wall panels that could be lifted into place.

A unique type of crane was used inside the building, where the current lobby is located, allowing for construction from the inside out. While this method solved one problem, it created another as it caused construction costs to increase significantly over the traditional approach that they planned for. Although this unique construction method caused issues in funding, investors were willing to continue supporting the project due to its future impact on the community. The development team solved the funding issues through the implementation of a special membership program. This creative addition to the business model provided the capital needed to absorb extra construction costs incurred. This not only created brand loyalty but provided additional ancillary income to the hotel for years to come. Rick Hayduk himself compared the completion of this project to ones present in Manhattan, New York based on the level of difficulty dealing with construction issues, neighboring properties, and funding problems.

DESIGN

The Shepherd Hotel takes a unique direction with the design concepts chosen by both the architects and the development group. The site was located in the heart of downtown Clemson, initially serving as a BB&T bank building for the community. However, the

property became a prime space for a new, in-fill development, with the bank building having an uninviting and bland front face that contributed to the lack of local bank members. Taking into account the need for a higher-end hotel within the bounds of the Clemson area and an opportunistic site directly in the middle of the town, The Shepherd Hotel came to be. However, this did not come without arduous hills to climb, literally and figuratively. The project's site presented two initial difficulties creatively solved by the team: the shape and elevation of the site. The site sits between Clemson's College Avenue and Sloan Street, two roads that fork in opposite directions creating a triangular space between them. Due to the road split, the site becomes a trapezoidal figure, creating sharp points at each corner.

To further problems attached to the site, the elevation shift between Sloan Street and College Avenue measures approximately eight feet. The development team desired entrances to the hotel from either road, but with an elevation difference that steep, this idea was easier planned than accomplished. The developers were shackled with a 65-foot height limit to ensure the hotel did not oversee the other buildings already present downtown too significantly. With such a steep hill to climb, most developers would look elsewhere to continue their development. However, the importance of this hotel to not only the Clemson community but the disabled community meant nothing would come between the developers and the completion of

this monumental project.

With the trapezoidal site, the developers embraced the opportunity to work with such a unique shape. The building essentially fills the entire site aside from a 25-foot setback that allowed the hotel to feature a bar space. Instead of focusing on the site's odd shape, the team maximized its usage. They emphasized fluid circulation and created a strong connection between both sides of the hotel. This allows people who enter the hotel's ground floor to flow across the space and get to where they need to go efficiently rather than feel enclosed as if they are meeting a dead end.



To further activate the ground floor and account for the elevation difference, the architects chose to work with the concept of a partial half floor. Coming from the technical front of the hotel along Sloan Street, the hotel features a small platform entrance that flows down into the lobby with an immense double-sided staircase. The intention was to go from a smaller scale entrance down into a large open floor plan, inviting the residents into the hotel, similar to how families move from the front door of their own house towards an open living room. This means that the lobby serves as the ground floor, the half floor serves as the "first

floor," and the hotel continues upwards.

The architects designed the ground floor/lobby of the hotel to provide a pleasant place to reside, similar to a family living room. The ground floor features a cafe and restaurant, Delish Sisters, along the left side that effortlessly flows into the hotel's lobby space. This contributes to the fluidity of the lobby floor as there is no direct split between the lobby and the restaurant but rather a mutual juxtaposition.

Those eating at the restaurant are not limited to eating solely in the restaurant space but can shift outward toward the lobby furniture. In contrast, people who enter from College Avenue can also dine at the restaurant for any meal of the day without needing to leave the lobby space if they prefer.

The lobby was also decorated with art from local artists and some custom-made furniture that emphasized proper southern wood crafting. An essential point of the interior of the hotel was the idea of the family tree. A custom-crafted wooden tree is displayed at the first-floor entrance of the hotel, which features all of the hotel's current employees.



This tree helps to emphasize the concept of southern-family hospitality by giving equal value to all the hard-working employees of the hotel. Not only are each of the workers important, but the hotel to them is more than just a workplace. It is a home away from home. The tree serves the role of elegant wood crafting and decoration with meaning, visually displaying the values of the hotel and the Clemson community. With major events such as university football games and bustling nightlife, the developers looked to match that energy with the hotel's lower floors. The ground and first floor looked to provide an inviting place for people to flow through or stay regardless of the time of year. The developers looked to add a bar within the hotel to give the residents a more relaxed bar scene than the busy downtown. However, for the building, they were required to keep the bar set back at least 25 feet from College Avenue to fit the piece into the plans. With the initial design already having Delish Sisters along the ground floor, the team decided to move the bar upward instead. The architects placed the bar on the third floor of the hotel with a 25-foot offset from the road, integrating an outdoor terrace along that third floor to activate the offset space instead of letting it go to waste. This outdoor terrace provides a beautiful view of downtown Clemson and provides residents with a shaded area to enjoy a drink and a rentable event space for locals.

The bar is also decorated to pay homage to Clemson subtly, never using orange and purple in the color scheme. Instead, the designers



used specific moments in Clemson's history to cite its connection to the town. An example of this is the back lining of the bar showing a black and white picture of Clemson's famous Forthill or the bar chairs lined with green Clemson cadet buttons.



The designers also placed a central spiral staircase that moved people from the lower ground floor to the third floor's bar area. This staircase served as an anchor point along the ground floor to attract people towards it and connect the different common areas of the hotel. The intention was to allow a connection across floors, which meant one could hear what was occurring in the other public places, meaning one could be on a different floor but indirectly be a part of events. This staircase

also ended on the third floor, providing an indirect cut to the public and private space. Even though the hotel's lower floors are open to the public, the basis behind the hotel is to create a pleasant personal living space for its occupants. The bar serves as the end of public access to the rest of the hotel. The floors past the third are reinforced with solid soundproofing to keep occupants undisturbed in the event of noise on the lower floors. The entire hotel sits on five floors with a maximum of 65 feet above grade. However, the developers were able to maneuver this limitation slightly. Instead of citing the hotel's main entrance along College Avenue, the address of the building was marked along Sloan Street instead. The team utilized the elevation difference between the roads to give them an extra floor of space, as the building sits at 65 feet along Sloan Street rather than College Avenue. Due to this limitation of 65 feet, the highest point of the building, initially planned to be a penthouse, was cut out of the plans. Only approximately 4 feet above the roof plate is the top of the 65-foot building limit. Furthering the creative problem-solving by the architects of the building, the space reserved for the penthouse was reworked to serve as a rooftop event space. The outline of the roof was lined with double-paned glass railings, and the entire roof was finished with appealing furniture. The only issue with the space is the lack of a usable bathroom, as the floor serves as a roof rather than a floor, so occupants

must go down a floor to access the bathroom. This essentially gave the hotel members an extra floor that could not be lived in but still utilized as more event or lounging space. The building provided a view of some of the most critical points on the local university campus and Clemson.



Just as the hotel provides beautiful views of Clemson downtown, the hotel itself is presented in a similarly appealing way. The primary materiality of the building is precast concrete with brick finishes. However, with a modern building being developed in a rustic downtown area, the developers did not want the building to stick out like a sore thumb. To combat this concern, the developers hired local artists to artificially age the bricks on the building to match the same rustic feeling of the surrounding buildings. These artists utilized pressure washers to chip away at bricks individually to create the effect of aged brick so that the entirety of the building looked rustic, as if it had been there for years. This helped to ease the tensions among locals who believed the hotel would change the look and feel of

downtown with its modern design choices, both on the exterior and interior.

The conception of the Shepherd Hotel seemed to be that of a pipe dream. When looking at the logistics of making the hotel a reality, most would be daunted by such a monumental task. The development team for the Shepherd Hotel knew that this hotel was a breakthrough, a means to a great end. With that, they took into account local backlash, city codes, and construction issues and solved each with unique design choices.

FINANCE

How was it financially feasible to invest 30 million dollars in a 67-room boutique hotel in rural South Carolina? The purpose behind the project transcended economics to the extent that it made financing possible. Acquiring debt for hotel development in late 2020 during the Covid-19 pandemic was challenging as new construction was coming to a halt and the industry's future was uncertain. A single loan for 11 million dollars was secured in late 2020. The lenders took the project to their board, who were blown away by the impact the hotel could have and were willing to be a partner in the process. The loan was interest only for year one with a 15-year amortization. Acquiring the approval was challenging as the bank's underwriting process looked at the Clemson market for comparable properties. Two appraisals used comps in Clemson, and the hotel seemed overvalued. Once the developers convinced the lenders that the competitive set was located in Greenville, a third appraisal was done, and the lenders approved.

Hotel Income	
ADR	\$223.24
Occupancy Rate	72.3%
Rev Par	\$ 161.29
# of Keys	67
Daily Revenue	\$10,806.49
Annual Room Revenue	\$3,944,368.96
Operating Expense Rate Rooms	66.51%
Room Income	\$1,320,969.16

Event Income	
Events per Year	71
Income Per Rental	\$ 1,225.00
Total	\$ 86,975.00
Bar Income	
SF bar	1,499.00
Income Per sf	\$ 230.20
Expenses	30%
Total	\$ 241,548.86
Membership income	
Members	50
Annual Income	\$ 6,000.00
Total	\$ 300,000.00
Ancillary income total	\$705,523.86

Comp to Determine Expense Rate	
Gross Revenue	\$ 10,567.37
Expenses	\$ 6,922.60
Gross Operating Income	\$ 3,644.77
Percentage of Income	34%
Operating Expenses	65.51%

Valuation	
NOI	\$2,026,493.02
Cap Rate	6.00%
Valuation	\$33,774,883.74
Price Per Key	\$504,102.74

There are 15-20 equity partners who receive an 8% preferred return on their investment. All of the investors were willing to accept the high-risk profile associated with the project to advance the impact. Creating additional sources of ancillary income is essential to profitability in the hotel industry. The bar and terrace on the third floor of the hotel, as well as the rooftop, can be rented out for private events and gatherings. This, along with the income generated from the operation of the bar itself, helps boost earnings. The bar is expected to generate \$230 per square foot, competitive with other nightlife on College Avenue.

Further ancillary income was sourced through the circle member program. Similar to purchasing a permanent seat license at sporting events, the developers sold a membership so members had the ability to book a room at their leisure. Fifty of these memberships were sold for \$37,500 at initiation and \$6,000 every year thereafter.

According to the developers, the hotel's average daily rate on the opening weekend was \$920. This was a strong start for the hotel. The subsequent weeks showed that visitors were accepting of the rate, but occupancy was not yet where they expected. One reason for lower occupancy in the early weeks of booking was availability only through the Shepherd website. They did this initially to save the 20% fee that online travel agencies (OTA) such as Trivago take in fees. Within a few weeks, they turned on the OTA's, which generated more traffic and bookings.

	year 0	year 1	year 2	year 3	year 4
rent retail	\$ 70,000.00	\$ 71,400.00	\$ 72,828.00	\$ 74,284.56	\$ 75,770.25
rent Rooms	\$ 5,459,334.20	\$ 5,568,520.88	\$ 5,679,891.30	\$ 5,793,489.13	\$ 5,909,358.91
Potential Gross	\$ 5,529,334.20	\$ 5,639,920.88	\$ 5,752,719.30	\$ 5,867,773.69	\$ 5,985,129.16
(-)vacancy retail	\$ -	\$ -	\$ -	\$ -	\$ -
(-) vacancy Hotel	\$ 1,512,235.57	\$ 1,542,480.28	\$ 1,573,329.89	\$ 1,604,796.49	\$ 1,636,892.42
vacancy loss	\$ 1,512,235.57	\$ 1,542,480.28	\$ 1,573,329.89	\$ 1,604,796.49	\$ 1,636,892.42
(-) Retail OPEX	\$35,000.00	\$36,050.00	\$37,131.50	\$38,245.45	\$39,392.81
(+) expense reim	\$31,500.00	\$32,445.00	\$33,418.35	\$34,420.90	\$35,453.53
(-) Hotel OPEX	\$ 2,625,215.30	\$ 2,703,971.76	\$ 2,785,090.91	\$ 2,868,643.64	\$ 2,954,702.94
(-) capital reserves	\$35,950.00	\$37,028.50	\$38,139.36	\$39,283.54	\$40,462.04
opex	\$2,664,665.30	\$2,740,021.76	\$2,822,222.41	\$2,906,889.08	\$2,994,095.75
Ancillary Income	\$ 628,523.86	\$ 641,094.34	\$ 653,916.22	\$ 666,994.55	\$ 680,334.44
(=) NOI	\$ 1,980,957.19	\$ 1,993,929.68	\$ 2,006,362.22	\$ 2,018,220.03	\$ 2,029,466.92
Debt Service	\$348,931.91	\$911,567.77	\$911,567.77	\$911,567.77	\$911,567.77
Unlevered cash flows	\$ (30,000,000.00)	\$ 1,980,957.19	\$ 1,993,929.68	\$ 2,006,362.22	\$ 2,018,220.03
Levered cash flows	\$ (18,930,000.00)	\$ 1,632,025.28	\$ 1,082,361.92	\$ 1,094,794.46	\$ 1,106,652.27
cash on cash	8.62%	5.72%	5.78%	5.85%	5.91%

DISCLAIMER: NUMBERS USED ARE BASED ON MARKET RESEARCH NOT INTERNAL OPERATIONS

Calculating the average daily rate (ADR) was done using the university calendar, as major university events would be the driving factor for higher prices. Standard rates range from \$149 to \$398, depending on the room type. On busy days these prices range from \$750 to \$1,200. The financial analysis assumed that 13% of the year would be busy, and an average was assigned to calculate an ADR of \$223.24. With a market occupancy rate of 72.3%, the revenue per key was \$161.29, generating an annual revenue of \$3,944,368.96. Comparable hotels were analyzed to get an operating expense rate of 66.51%. Due to the lease structure, the restaurant was assumed to cover all of its operating expenses and pay \$22.00 per square foot. The event revenue comes from approximately 71 events per year. This number considers university clubs, boards, and greek life actively utilizing the space. CoStar provided insight into hotel operations.

The returns show the hotel is profitable, with a cash-on-cash return for investors of 8.62% after debt service in year 1.

The hotel has no exit strategy as the team plans to hold the asset for its lifetime. This allows them to ensure the community is served well and that those with learning disabilities can be employed long-term.

This project is a prime example of development focused on a social impact beyond monetary returns. The impact on the surrounding community and the lives of those with learning disabilities outweighs the profit generated in the minds of the stakeholders. Those involved have seen the impact on visitors and the community and have support from investors to continue the mission in other college markets with a need for an inclusive workforce.

Long-Term Success



After all the challenges were overcome, the hotel could finally open its doors, and all the hard work was more than worth it. Looking into the future, Hayduk and Davies are dedicated to ensuring long-term success that will continue to add value to the Clemson community and change the lives of students within the local university's disabilities program. While there will be long-term success, there will also be long-term impact as it provides opportunities for a better future to a community that has been overlooked by most of society.

OPERATIONS

The Shepherd Hotel seemingly operates to the same extent as a typical hotel, however, their operations are nothing less than exceptional, even with some limitations within the hotel's staff. The hotel currently operates with at least 40 percent of its staff as disabled individuals, with most roles having two employees instead of one. Not only does this give employment to more disabled individuals, but it provides them with a safe and welcoming workspace in which they can develop skills in hospitality to operate at the same level as those without disabilities. All employees of the Shepherd Hotel fall under one southern

Clemson family, disabled or otherwise and earn the equal treatment that all deserve.

Regardless of any limitations coming from the staff intellectually, any employee can make a mistake or be overwhelmed with work any day. Especially in the event of a busy weekend, all hotels in the area operate to the highest level and require meticulous cohesion between staff members. With that, the lobby of the hotel is designed with a front desk area that is quite different from the typical hotel lobby front desk. A specially crafted wood long table sits in the far side of the lobby. This table serves as a gathering area for guests and staff rather than a traditional front lobby desk. This integrates much more smoothly with the open floor of the lobby and restaurant and resembles that of a family living room, a theme that the hotel values greatly.

The Shepherd Hotel is also unique in their implementation of the APS Hotel-In-A-Box solution. This cloud-based operating system allowed for the streamlining of major operating tasks such as checking guests in, coordination between the valet team, and transitioning guests out of the hotel. This system allows the front desk team to essentially "text" guests for their arrival times and car brands so that the valet team will be ready to receive them, park their car, and guide the guests effectively to the lobby for check in. Once in the room, the guests also have the ability to contact the front desk team for any accommodations quickly and conveniently. The program provides a seamless interaction between the guests and staff of the hotel. It also helps to limit any issues for the intellectually challenged staff as

the system is easy to learn and very intuitive to help mitigate operational difficulties. Together, the program allows the hotel staff to prioritize the most important thing in the hotel: the guests and a positive living experience.

FUTURE GROWTH

Hayduk and Davies plan to replicate this hotel at other universities that have similar programs for students with intellectual disabilities. The Shepherd Hotel has not only provided employment opportunities for students with disabilities, it has also provided them with encouragement. These students are constantly surrounded by people that believe in them and their ability to be successful, which is more valuable than any amount of profit that could be made on this project.

As the model for this hotel is taken to other universities, the growth will continue to greatly impact other communities. There are over 30 other colleges that have programs for students with intellectual disabilities. The Shepherd Hotel plans to take action to continue changing the lives of those in the special needs community and hope that other industries will begin to work towards the same mission. Their next steps for growth are to expand The Shepherd Hotel to Columbia, SC. Through continued growth, the heart behind this hotel will spread nationwide, and the passion for helping those with disabilities will be felt in each community.

CONCLUSION

As seen throughout this case study, The Shepherd Hotel is a unique development with an inspiring story. Hotels across the country have begun to all fit the same mold that we've grown accustomed to, however, The Shepherd Hotel aims to break this mold and bring to life an idea that is unique to itself. The Shepherd filled a need in the Clemson community for a hotel that embodies the family feel of the local university, while also changing the lives of students with disabilities.

While the hotel faced many challenges, the determination from the individuals involved in the process allowed for each challenge to be overcome. Throughout the entire development process, Hayduk and Davies continued to see the way that people came together when they saw the impact that a development could have. People believed in the bigger picture of what this development would do and got behind the movement to make it happen.

The developers plan to bring this socially responsible development to other college towns and impact their communities in the same way they impacted the Clemson community. This project accurately portrays the social influence that one development can have on a community and why it is important to create developments with a bigger mission in mind. The Shepherd Hotel is a call to action for more socially impactful developments that aim to share their heart with the community.

SOURCES

The Shepherd Hotel: An inspiring project at Clemson University. BOCA Group. (2021, June 24). Retrieved November 17, 2022, from <https://bocagroup.com/the-shepherd-hotel-an-inspiring-project-at-clemson-university>

Discovering abilities in each of us. - Clemson University. (n.d.). Retrieved November 17, 2022, from https://media.clemson.edu/toolkit/devtoolkit/support/students/140624-05_ClemsonLIFE_ONE_W.pdf

(APS), A. P. S. (2022, November 8). The Shepherd Hotel: A case study for the meaningful impact of Transformative Hospitality Technology from APS®. Hospitality Net. Retrieved November 17, 2022, from <https://www.hospitalitynet.org/news/4113395.html>

Costar Group, <https://product.costar.com/detail/all-properties/11522996/summary>.

Hotels in Clemson SC near Clemson University: Our purpose. The Shepherd Hotel. (n.d.). Retrieved November 17, 2022, from <https://www.shepherdhotels.com/our-purpose>

Positive Social Environmental & Economic Impact Projects. Responsible Real Estate Development. (n.d.). Retrieved November 17, 2022, from <https://responsiblerealestatedevelopment.com/>

City of Clemson. (n.d.). Clemson Code of Ordinance . Document Viewer | Code of Ordinances. Retrieved November 17, 2022, from <https://online.encodeplus.com/regs/clemson-sc/doc-viewer.aspx#secid-3656>

Pickens County, SC. qPublic.net - Pickens County, SC - Report: R0038695. (n.d.). Retrieved November 17, 2022, from <https://qpublic.schneidercorp.com/Application.aspx?AppID=927&LayerID=18058&PageTypeID=4&PageID=8077&Q=143770015&KeyValue=R0038695>

Kalsi, S. (2021, February 5). Council post: What it means to be a socially responsible real estate investment manager. Forbes. Retrieved November 17, 2022, from <https://www.forbes.com/sites/forbesrealestatecouncil/2021/02/08/what-it-means-to-be-a-socially-responsible-real-estate-investment-manager/?sh=68f540e12247>

Transportation patterns and problems of people with disabilities. (n.d.). Retrieved November 17, 2022, from <https://www.ncbi.nlm.nih.gov/books/NBK11420/>

SOURCES CONTINUED

Equity in transportation for people with disabilities. (n.d.). Retrieved November 17, 2022, from <https://www.civilrightsdocs.info/pdf/transportation/final-transportation-equity-disability.pdf>

Rick Hayduk, personal interview, September 15, 2022

Richard Davies, personal interview, October 20, 2022