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Study recommends converting a Henderson building into a boutique hotel

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A Chicago consulting firm has completed a feasibility study recommending that the Soaper Building in Downtown Henderson be redeveloped into a 50-room boutique hotel featuring either a basement speakeasy or a rooftop bar and restaurant.

The report by Hunden Strategic Partners, a real estate development consultant, doesn't ensure that the Soaper will once again become the premier hotel in Henderson — and it certainly doesn't provide the millions of dollars necessary to make it happen.

But the market analysis and feasibility study provides crucial information for a prospective developer that might have the will and financing to redevelop the venerable six-story brick building at Second and Main streets, which opened as the Soaper Hotel 99 years ago and was once the pride of the community.

“We did this study because we think we need it” since developers who have looked at the property have asked to see a feasibility review of it, Mayor Brad Station said at a city commission meeting on Tuesday at which the report was presented.

“Henderson currently lacks supply of quality hotel product,” the study declared. “This limits Henderson's ability to capture potential hotel demand, losing overnight stays to Evansville and Owensboro. These markets have high quality hotel accommodations with walkable food and beverage opportunities.

“Interviews with multiple employers indicated executives desire a destination with high-quality hospitality and food and beverage options,” but existing hotels here don't offer that, it said.

Converting the Soaper into a premium hotel would draw both corporate and tourism clients, providing more business for downtown restaurants, retailers and entertainment venues, the study said.



The Soaper Building at Second and main streets is the most appropriate available building in Downtown Henderson, according to a feasibility study conducted by a Chicago real estate consulting firm. The building opened as the Soaper Hotel in 1924 but has been used primarily as an office building in recent decades. *Henderson, Kentucky Hotel Market & Financial Feasibility Study.*

The study recommended redeveloping the Soaper with 10 hotel rooms of 400 square feet each on floors two through six. The second floor could provide additional space for amenities such as a fitness center, spa or yoga studio.

Alternatively, a developer could install 35 hotel rooms along with six to eight apartments. But the study said the 50-room hotel option “would provide a stronger operating margin.”

The study presented a financial scenario whereby in 2027, a 50-room hotel with an average daily room rate of \$218 and occupancy of 65.6% could generate net operating income of \$941,706, for a profit margin of 28.5%

Those margins would support financing of \$8.25 million to undertake such a project, it said.

The study was commissioned by the Henderson Tourist Commission using \$27,400 in community Vision Plan funds.

The tourist commission also asked Hunden to consider the vacant Union Bank & Trust building at 201 N. Main St. and the soon-to-be-vacant Big Rivers Electric Corp. headquarters at Third and Main. Hunden judged the former bank building to be too small and the Big Rivers building to be too large for a hotel here.

“The Soaper Building is the most ideal location for hotel development in downtown Henderson,” the study declared. “It is of sufficient size to accommodate the recommended number of rooms, includes a successful first-floor restaurant (Hometown Roots), and provides the opportunity for both additional rooftop and basement level guest experiences that could be developed in the future.”

Henderson is also in proximity to a number of tourism draws, led by the Ford Center arena and Bally's Evansville casino in Downtown Evansville but also including attractions in Owensboro and Henderson.

Notably, the Soaper is located within a block of Henderson's three major downtown tourism draws: the W.C. Handy Blues & Barbecue Festival in mid-June, the Sandy Lee Watkins Songfest in late July and Bluegrass in the Park in mid-August.

Those will be augmented by the opening of the 58-acre, \$10.5-million Henderson Sports Complex on Airline Road.

The study includes a detailed hotel market analysis of the Evansville-Henderson area, from occupancy rates to room rates, as well as financial proformas.

And there are summaries of interviews with subjects ranging from major corporate executives to existing hotel managers who assessed the market, plus examples of boutique hotels in other markets across the country.

The study identified strengths supporting development of a boutique hotel, such as Henderson's "revitalized and activated downtown," including the development of The Vault wedding, event and meeting space expected to open this year nearby on North Main Street; Henderson Distilling Co.'s plans to open a distillery and tourist center on the current Henderson Municipal Power & Light site at Fifth and Water streets; and proximity to Evansville and Owensboro.

The boom of interest in distillery tourism and the presence of a nearby events venue "will help support year-round business at the proposed hotel," while a premium hotel would attract corporate clients on weekdays, it said.

But weaknesses include the proximity to those same cities that already boast higher-end hotels and other attractions as well as a relative lack of entertainment assets and issues with downtown parking.

To address the parking, the study recommends that the city make at least one on-street parking space available to every guest of the proposed hotel in the Soaper.

While the study pointed to growth of tourism in Henderson and future developments (yet another new restaurant and bourbon bar, Cap and Cork, is planned on Water Street in the same block as the Soaper), it also noted the realities of rising construction costs and interest rates as well as the current lack of any funding for a boutique hotel project.

But the consultants said such a development is nonetheless crucial for this community.

"The proposed hotel is a critical next step for Henderson's downtown growth," they said.

The full downtown boutique hotel feasibility study can be found at hendersonky.org/research.