



Convention Center Hotels What Other Cities Have Done

City Council Economic Development
Committee

January 11, 2008



Purpose

- In response to committee requests, staff has assembled the following:
 - Examples of convention center hotel projects, including project description and financing structures
 - The examples may or may not represent what the City of Dallas will consider for the convention center hotel project

Other Attached/Adjacent Convention Center Hotel Projects

- As staff presented in the August 1st 2007 briefing, consideration must be given to the following options at a minimum:
 - Private ownership/private financing
 - Public financing/private ownership
 - Public ownership/public financing
 - Other options that may surface through our team's assessment
 - All options consider use of incentives available under current state law

What Others Have Done

- While not an exhaustive list, information for the following projects is provided for your review:
 - Houston
 - San Antonio
 - San Diego
 - Phoenix
 - Denver
- The information provides an overview of:
 - Project Description
 - Financing Structure
 - General Information regarding the reasons the hotel was developed

What Others Have Done cont.

- As we assemble our team of underwriters and financial consultants, additional information will be presented.



Hilton San Diego Convention Center Hotel

Project Description

- Houston
 - Hilton Americas-Houston
 - 1,200 guest rooms with no residential
 - Opened December 2003
 - Attached/Adjacent to the convention center
- San Antonio
 - Grand Hyatt San Antonio
 - 1,000 guest rooms with luxury condos
 - Scheduled for Spring 2008
 - Attached/Adjacent to the convention center



Hilton Americas-Houston



Grand Hyatt San Antonio

Project Description cont.

■ San Diego

- Hilton Convention Center Hotel
- 1,200 guest rooms with no residential
- Scheduled for December 2008
- Adjacent to CC

■ Phoenix

- Sheraton Phoenix Downtown Hotel
- 1,000 guest rooms with no residential
- Scheduled for October 2008
- One block from CC

■ Denver

- Hyatt Denver Convention Center Hotel
- 1,100 guest rooms with no residential
- Opened December 2005
- Adjacent to CC



Sheraton Phoenix Downtown Hotel



Hyatt Denver Convention
Center Hotel

Hotel Financing Structure

- Houston
 - Public ownership
 - Public Financing included entire convention center expansion bond package of \$626.5mm including the hotel, CC expansion, parking garage, and refunding existing debt
 - \$150.3mm HOT and Special Revenue Refunding Bonds, Series 2001A (fixed)
 - \$326mm HOT and Special Revenue Bonds, Series 2001B (fixed)
 - \$150mm HOT and Special Revenue Adjustable Rate Bonds, Series 2001C (variable)
 - \$310.0mm in revenue bonds were dedicated to the hotel with the balance inclusive of the CC expansion, parking garage, and refunding existing debt
 - City pledged city-wide hotel occupancy taxes and revenues from city-owned parking garages to support entire bond issue
- San Antonio
 - Private ownership: Marathon Asset Management, Hyatt, FaulknerUSA
 - Funding through \$78.3mm of equity; \$129.9mm of tax-exempt empowerment zone revenue bonds, Series 2005A and \$78.3mm of taxable revenue bonds, Series 2005B and Empowerment Zone Financing (federal program)
 - City guaranteed 100% of debt from multiple pledges of city-wide hotel occupancy taxes

Source: First Southwest Company

Hotel Financing Structure cont.

■ San Diego

- Private Ownership: Hilton, One Park Boulevard, ING Clarion
- Equity: ING Clarion (\$60mm), Hilton (\$40mm), San Diego National Bank (\$245mm)
- Public Sector Cash Subsidy: Port of San Diego invested substantial capital for environmental remediation

■ Phoenix

- Public ownership
- Public Financing: \$157.3mm Senior Lien Revenue Bonds; \$167.7mm Subordinate Revenue Bonds; and \$25mm Taxable Revenue Bonds - \$325.0mm bond issue
- Hotel revenues to support debt service, but City pledged portion of 2% hotel occupancy tax if revenues are insufficient

■ Denver

- Public ownership
- Public financing: \$354.8mm in senior lien tax exempt bonds; \$10mm LOC from Hyatt - \$354.8mm in bonds
- Guarantee of up to 45% of annual debt service with an annual appropriation

Reasons Cities Developed a Convention Center Hotel

- Responding to customer requirements
- Retain and enhance their competitive position
- Support surrounding development
- Value the economic impact of the convention/visitor business
- Supported by local leadership

Next Steps

- Staff will be presenting recommendations for the selection of the following:
 - Hotel Underwriting Team
 - Financial Consultant for consideration of Convention/Event Services debt restructuring
 - Update to the 2001 and 2003 Hotel Market Study
- As our team is assembled, additional information will be developed regarding specific project financing options for the City of Dallas

Questions?



Appendix

Comparison of Recent Convention Center Hotel Developments

City	Convention Center Hotel	Hotel Rooms	Hotel Opening	Connection to Convention Center	Residential Part of Development
HOUSTON	Hilton Americas-Houston	1,200	Opened December 2003	Connected via two skywalks	No
SAN ANTONIO	Grand Hyatt San Antonio	1,000	Scheduled for Spring 2008	Adjacent to CC	Yes, Luxury Condos
SAN DIEGO	Hilton Convention Center Hotel	1,200	Scheduled for December 2008	Adjacent to CC	No
PHOENIX	Sheraton Phoenix Downtown Hotel	1,000	Scheduled for October 2008	One block from CC	No
DENVER	Hyatt Denver Convention Center Hotel	1,100	Opened December 2005	Adjacent to CC	No

Hotel Financing Structures

City	Hotel Ownership	Capital Structure	Public Funding	Tax Exempt Bonds (\$Millions)	Method/ Amount of Financial Participation
HOUSTON	Public	Entire Convention Center Expansion Bond Package of \$626.5mm: \$150.3mm HOT and Special Revenue Refunding Bonds, Series 2001A (fixed); \$326mm HOT and Special Revenue Bonds, Series 2001B (fixed); \$150mm HOT and Special Revenue Adjustable Rate Bonds, Series 2001C (variable)	Public Funding	\$310.0 – Hotel Balance – CC Expansion, Parking Garage, Refunding Existing Debt	City pledged city-wide hotel occupancy taxes and revenues from city-owned parking garages to support entire bond issue
SAN ANTONIO	Private: Marathon Asset Management, Hyatt, FaulknerUSA	\$78.3mm of equity; \$129.9mm of tax-exempt empowerment zone revenue bonds (Series 2005A) and \$78.3mm of taxable revenue bonds (Series 2005B)	Empowerment Zone Financing	\$129.9 Empowerment Zone Revenue Bonds (tax exempt)	Guarantee 100% of debt from multiple pledges of city-wide hotel occupancy taxes

Source: First Southwest Company

Hotel Financing Structures cont.

City	Hotel Ownership	Capital Structure	Public Funding	Tax Exempt Bonds (\$Millions)	Method/ Amount of Financial Participation
SAN DIEGO	Private: Hilton, One Park Boulevard, ING Clarion	Equity: ING Clarion (\$60mm), Hilton (\$40mm), San Diego National Bank (\$245mm)	Public Sector Cash Subsidy	N/A	Port of San Diego invested substantial capital for environmental remediation
PHOENIX	Public	\$157.3mm Senior Lien Revenue Bonds; \$167.7mm Subordinate Revenue Bonds; and \$25mm Taxable Revenue Bonds	Public Funding	\$325.0	Hotel revenues to support debt service, but City pledged portion of 2% hotel occupancy tax if revenues are insufficient
DENVER	Public	\$354.8mm in senior lien tax exempt bonds; \$10mm LOC from Hyatt	Public Funding	\$354.8	Guarantee of up to 45% of annual debt service with an annual appropriation

Source: First Southwest Company