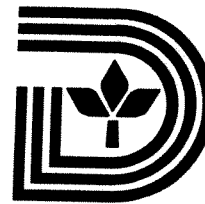


Memorandum



CITY OF DALLAS

DATE October 17, 2008

TO Members of the Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, and Steve Salazar

SUBJECT Convention Center Hotel Update

Attached are the briefing materials on the Convention Center Update to be presented to the Economic Development Committee on Monday, October 20th, 2008. Supplemental information and staff recommendation will be provided the day of the meeting.

Please contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez', enclosed in a circular scribble.

A.C. Gonzalez
Assistant City Manager

- C: Honorable Mayor and Members of the City Council
- Mary K. Suhm, City Manager
 - Deborah A. Watkins, City Secretary
 - Thomas P. Perkins, Jr., City Attorney
 - Craig D. Kinton, City Auditor
 - Judge C. Victor Lander, Judiciary
 - Ryan S. Evans, First Assistant City Manager
 - Forest Turner, Interim Assistant City Manager
 - Jill A. Jordan, P.E., Assistant City Manager
 - Ramon F. Miguez, P.E., Assistant City Manager
 - David K. Cook, Chief Financial Officer
 - Jeanne Chipperfield, Interim Budget Director, Office of Financial Services
 - Karl Zavitkovsky Director, Office of Economic Development
 - Hammond Perot, Assistant Director, Office of Economic Development
 - Helena Thompson-Stevens, Assistant to the City Manager

Convention Center Hotel Update

Briefing to the Economic
Development Committee
October 20, 2008



Operator Selection

- Since last Committee briefing, the City and its consultants have been working towards finalizing terms of the Hotel Operating agreement
- Outside Counsel of Jeffer, Mangels, Butler & Marmaro LLP has been the primary lead in these negotiations

Operator Selection

- Both companies meet standards for being able to operate a four star convention center hotel
- City is focused on the following key terms:
 - Fees/costs for pre-opening and ongoing management
 - Operator investment
 - Performance termination triggers
 - Owner participation and approvals
 - Indemnification

Operator Selection

- City has been engaged in negotiations prior to and following the last Economic Development committee meeting
- Both operators have been asked to improve financial components of their proposals
- These negotiations have moved in positive direction and both Operators have improved proposals

Operator Selection

- Marriott's key strengths
 - Major operator of large hotels worldwide
 - Strong reservation system and marketing efforts
 - Strong brand identity
 - Well-developed group and individual customer base
 - Investment in project, key money in excess of minimum

Operator Selection

- Marriott's primary weaknesses include:
 - Large number of hotels managed may dilute focus
 - Significant cost for both for technical and pre-opening services
 - Higher cost of ongoing management fees
 - Construction requirements result in higher building costs

Operator Selection

- Omni's key strengths:
 - Reputation and demonstrated profitability in operating profitable hotels
 - Has committed dedicated sales force for Dallas Convention Center Hotel
 - Locally owned and operated
 - Ownership mentality
 - Lower fees
 - Well-developed customer base
 - Investment in project, key money in excess of minimum

Operator Selection

- Omni's primary weaknesses include:
 - Less experience in operating large hotels
 - Smaller national sales force
 - Less well established presence with convention type customer base

Operator Selection

- Other factors in the final selection include:
 - Commitment to MWBE and small local business goals
 - Marketing budget and commitment/ experience in selling city-wide convention business
 - Pre-opening services and technical assistance during design of the Hotel
 - Brand standards and operating plan

Next Steps

- Continue negotiations with both Operators over next week
- Make final recommendation of primary Operator by November 3, 2008
- Finalize final Operator agreement for recommendation and approval by city Council November 10, 2008