Memorandum

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. 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
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 a 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