

Convention Center Hotel Development Status Report

Economic Development Committee
November 19, 2007



Purpose of Briefing

- To review the following processes and request approval to proceed:
 - Updated Market Study
 - Convention Center Refinance Study RFP
 - Hotel Underwriter RFP
 - Master Developer RFQ
 - Site Selection process and viable options (Executive Session)

Background

- ❑ Dallas City Council briefing on August 1, 2007
- ❑ Staff team assembled on August 20, 2007 and has been meeting every two weeks
- ❑ Convention Center Hotel Task Group assembled on September 6, 2007 and has been meeting every two weeks
- ❑ Economic Development Committee briefing on October 23, 2007 focusing on the project scope and developer selection process

Updated Market Study

Updated Market Study

- The objective of the updated market study is to evaluate the market demand, analyze the economics, project occupancy and rate, as well as provide income and expense projections for the convention center headquarters hotel property
- The work will be conducted in three phases:
 - Field Work
 - Analysis
 - Report

Updated Market Study

Phase 1: Field Work

- The following steps will be included:
 - Site inspections
 - Evaluation of the demand for transient and group accommodations to identify generators of visitation operating within the local market
 - A market survey of nearby lodging facilities, as well as regional convention center headquarter hotels, to determine their competitive position with respect to the proposed property
 - Collection of statistical data relating to general economic and demographic trends
 - Collection of expense factors relating to local conditions such as labor, food and beverage costs, energy rates, and assessed taxes will be researched
 - Interviews with hotel operators, developers, and governmental officials

Updated Market Study

Phase Two: Analysis

- The supply and demand analysis will include:
 - Calculating the competitive index of room night demand and room nights occupied per room by segment
 - Determining the latent demand for each segment.
 - Calculating projected growth rates per market segment
 - Determining usable room night demand and area guestroom supply
 - Quantifying and documenting the probable future trends of the proposed hotel's occupancy, average rate, and overall room revenues and expenses
 - Analyzing food and beverage and other ancillary revenue generators

Updated Market Study

Phase Three: Report

- ❑ Complete documentation of all field work and analyses will be presented in an updated market study report
- ❑ A projection of income and expenses representing future expectations will be presented for a ten-year period
- ❑ Final report will be completed within approximately 45 days
- ❑ Fee for updated market study is \$20,000

Proposal for Updated Market Study

- ❑ This study is an update of the Convention Center Headquarters Hotel market study that was conducted by HVS International in 2003
- ❑ HVS has submitted a proposal to update the 2003 market study due to their extensive research material and valuable databases from previous research of the Dallas market
- ❑ HVS specializes exclusively in hospitality-related consulting
- ❑ HVS International, a division of DFW Hospitality Consulting, LLC was created in 1980 to address the growing demand for reliable and well documented hotel and motel valuations, market studies and feasibility reports

Updated Market Study Recommendation

- Engage HVS to prepare an updated Market Study for a convention center hotel

Convention Center Refinance Study

Convention Center Refinance Study

- ❑ A RFP has been issued to study the feasibility of restructuring the Convention Center debt
- ❑ Evaluate the ability of the Convention Center to meet operating expenses and other financial requirements, including debt service in the planned debt restructuring

CC Refinance Study

Evaluation Criteria

- Scores will be based on a pre-determined evaluation criteria that included:
 - 45% - Experience
 - 30% - Fee Proposal
 - 25% - Ability to complete the feasibility study within 12 weeks
 - Note: All proposals must comply with Good Faith Effort requirements to be considered

CC Refinance Study

Evaluation Committee

- Evaluation Committee will be comprised of the following:
 - Chief Financial Officer
 - Co-Financial Advisor
 - Co-Financial Advisor
 - Convention and Event Services staff member
 - Business Development and Procurement Services staff member
 - Aviation staff member

CC Refinance Study Schedule

- ❑ October 11, 2007: RFP Issued
- ❑ November 2, 2007: Proposals Due
- ❑ December 2007/January 2008: Evaluation Committee Review
- ❑ February 2008: Council Action
- ❑ May 2008: CC Refinance Study Complete

CC Refinance Study Recommendation

- Continue with Evaluation Committee review of proposals received regarding the Convention Center Refinance Study

Hotel Underwriter Selection Process

Hotel Underwriter RFP

- RFP to select a team of underwriters for a potential Convention Center Hotel bond issue comprised of National, Regional and M/WBE Firms

Hotel Underwriter Evaluation Criteria

- Scores will be based on a pre-determined evaluation criteria that includes:
 - 55% - Experience Underwriting Convention Center Hotel Bonds
 - 25% - Marketing and Distribution
 - 10% - Local and Texas Experience
 - 10% - Value Proposition (i.e. Innovative Financing Ideas)
 - Note: All proposals must comply with Good Faith Effort requirements to be considered

Hotel Underwriter Evaluation Committee

- Evaluation Committee will be comprised of the following:
 - Chief Financial Officer
 - Two Office of Financial Services staff members
 - Co-Financial Advisor
 - Co-Financial Advisor
 - Convention and Event Services staff member
 - Water Utilities staff member

Hotel Underwriter Schedule

- ❑ November 22 and 29, 2007: Advertise RFP
- ❑ December 5, 2007: Pre-proposal Conference
- ❑ December 19, 2007: Proposals Due
- ❑ January 2008: Evaluation Committee Review and Presentations
- ❑ February 2008: Council Action

Hotel Underwriter Recommendation

- Issue RFP for Hotel Underwriter using cited process, evaluation criteria, and evaluation committee

Master Developer Selection Process

Master Developer RFQ

- ❑ RFQ for master developer will be published to create a competitive environment for the Convention Center Hotel project
- ❑ Specifications will allow developers to demonstrate capability and experience in convention center hotel development
- ❑ RFQ will identify preferred hotel sites
- ❑ However, RFQ will not be specific in project requirements, and will allow creativity in their approaches to all aspects of the development project
- ❑ Main goal of evaluation is to determine the best qualified two to three developers to then begin negotiations on project details
- ❑ All respondents will be notified that due to the sensitivity of the project and the real estate transactions that may be part of the negotiations, they will be prohibited from discussing any or all parts of their proposals with anyone at the City, other than the designated City negotiation team or they will be subject to disqualification

Master Developer RFQ Structure

- ❑ Background and overview
- ❑ Proposed project scope and services to be provided by developer
- ❑ Site(s)
- ❑ Proposed financing
- ❑ Good Faith Effort requirements
- ❑ Award process
- ❑ Evaluation Criteria
- ❑ Insurance requirements
- ❑ Schedule of events

Master Developer RFQ Structure (cont.)

- Evaluation Criteria will be weighted, placing emphasis on:
 - Developer qualifications and experience in public convention center hotel development
 - Past track record in delivering high quality hotel development on time and on budget
 - Experience and performance with “green” or sustainable buildings
 - Development team including participation of Minority and Women owned business
- Respondents will also be given opportunity to demonstrate commitment to project that achieves:
 - Connectivity to the center city
 - An anchor for development in the southwest quadrant of downtown
 - Retail/dining opportunities for visitors
 - Enhanced visitor and pedestrian experience between hotel, convention center and center city (a convention center district)

Master Developer Evaluation Criteria

- Scores will be based on a pre-determined evaluation criteria that includes:
 - 35% - Respondent's qualifications, availability to undertake project, and financial capacity
 - 20% - Respondent's past history and references for all similar projects done in the past five years
 - Include a history of delivering projects on time and a commitment to bear risk of project delays
 - 20% - Respondent's development team
 - Including all team members qualifications
 - 10% - Respondent's history of budget and cost controls
 - Ideas for reducing current and future project costs
 - 10% - Respondent's creativity in ideas for a Convention Center Hotel and associated development
 - 5% - Respondent's experience and history with "green" building and LEED certification
 - Note: All proposals must comply with Good Faith Effort requirements to be considered

Master Developer Evaluation Committee

- ❑ Evaluation Committee will be comprised of City staff, including the following departments:
 - Convention and Event Services
 - Economic Development
 - Development Services
 - Office of Financial Services
 - Public Works and Transportation
 - Housing
- ❑ Co-Financial Advisors, City Attorney, Bond Counsel, and City Auditor staff will assist the committee in an advisory role

Master Developer Selection

- ❑ Based on the evaluation scoring, the City will identify two to three qualified firms to begin negotiations
- ❑ By negotiating deal terms with more than one firm, the City will keep its options open and will prevent the need to start from the beginning if a deal cannot be reached with the developer(s)

Master Developer Schedule

- ❑ December 2007: RFQ for developer issued
- ❑ February 2008: Qualifications due
- ❑ February 2008: Evaluation Committee Review and Presentations
- ❑ March 2008: Developer(s) recommendations and Committee approval to begin negotiations
- ❑ May 2008: Present the development and schedule for a Convention Center Hotel to Council

Master Developer Recommendation

- Issue RFQ for Master Developer using cited structure, evaluation criteria, and evaluation committee

Schedule

Task	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08
Market Study by HVS International			█					
CC Refinance Study RFP Response Period	█							
CC Refinance Study RFP Evaluation Committee Review			█					
CC Refinance Study Council Action					◆			
CC Refinance Study Conducted					█			
Hotel Underwriter RFP Response Period			█					
Hotel Underwriter RFP Evaluation Committee Review				█				
Hotel Underwriter Council Action					◆			
Master Developer RFQ Response Period			█					
Master Developer RFQ Evaluation Committee Review					█			
Master Developers Recommended to Committee						◆		
Development and Project Schedule Presented to Council								◆
Site Appraisals			█					
Site Evaluations				█				
Site Acquisitions if Necessary						█		
Presentation of CC Hotel Business Case to Committee				◆				

Recommendations

- ❑ Engage HVS to prepare an updated Market Study
- ❑ Continue with Evaluation Committee review of proposals received regarding the Convention Center Refinance Study
- ❑ Issue RFP for Hotel Underwriter using cited process, evaluation criteria, and evaluation committee
- ❑ Issue RFQ for Master Developer using cited structure, evaluation criteria, and evaluation committee

Next Steps

- Deliver requested information to HVS for updated Market Study:
 - Full accounting of past 5 years of convention activity and detailed accounting of definite and tentative bookings
 - Overview of proposed site selection criteria
- Continue evaluation of Convention Center Refinance Study proposals
- Issue Hotel Underwriter RFP
- Issue Master Developer RFQ

Questions
