

# Memorandum



CITY OF DALLAS

DATE November 20, 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 Operator Selection

Attached are the briefing materials on the Convention Center Hotel Operator Selection to be presented to the Economic Development Committee on Thursday, November 20, 2008.

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

# ***Status of Convention Center Hotel Operator Selection***

Briefing to the Economic  
Development Committee  
November 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

- Since the last Economic Development Committee meeting, the City has continued negotiations with both operators
- Both operators have improved financial components of their proposals
- The final proposals have been evaluated to determine the most advantageous terms for the hotel project

# Marriott

- Over 3,000 hotels in 70 countries
- Largest hotel operator in Dallas
  - Over 70 hotels with 4,000 employees
- 60+ convention and resort properties
- Primarily operator with few properties owned
- Propose a Marriott “Marquis” brand

# Marriott Sales and Marketing

- Rely heavily on national and group sales forces
  - Over 100 salespeople working to book business for entire system
  - Dallas hotel sales and marketing to be handled by Texas market team
    - No Dallas specific sales force proposed
- Identified three key segment of target customers for the North America Marriott Hotels and Resorts system
  - Group -- 41%
  - Transient -- 55%
  - Contract-- 4%

# Marriott Sustainability

- Has adopted a “Global Green Vision” statement to demonstrate commitment to responsible hotel management can be a positive force for the environment
- Goal to reduce fuel and water consumption by 25% by 2017
- Engage top 40 suppliers to supply price neutral greener products
- Expand LEED certified properties and Marriott headquarters
- Preserve endangered rainforest to offset CO<sup>2</sup> emissions from operations



# Marriott Diversity

- Well developed supplier diversity program
  - Global Diversity Officer position created in 2007
- Strategies include:
  - Partnerships with local agencies, recruitment of MWBEs, leadership development , internship program, and outreach programs to identify opportunities for MWBEs
- Over 640 Marriott hotels owned, operated, or under development by MWBEs
- Spent \$478 M or 13.6% with MWBEs in 2007
  - Estimated \$500,000 in DFW area

# Marriott Diversity

- Current workforce in Dallas over 73% minority
  - Management – 30%
  - Hourly – 70%
- Committed to maintain current levels of employment opportunities for minority/women
- Established relationships with area high schools, colleges, and community organizations

# Marriott 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

# Marriott Weaknesses

- Large number of hotels managed may dilute focus
- Brand Standards may result in higher building costs
- Overall proposal is more costly

# Omni Hotels

- Operates 39 luxury hotels and resorts in North America
  - Operating convention hotels in Atlanta, San Diego, Orlando and Fort Worth (under construction – opening January 2009)
- Primarily owner of properties it manages
- Local ownership
- *In 2006, J.D. Power and Associates* ranked Omni “Highest in Guest Satisfaction Among Upscale Hotel Chains”
- Well-balanced customer base
  - Group – 47%
  - Business – 36%
  - Leisure – 17%

# Omni Sales and Marketing

- Global sales force of 40 focused of group and convention sales
  - Dallas area office includes top sales executives as well as additional global salespeople and e-commerce director
  - Omni has represented that the Dallas Hotel will have 9 sales and marketing team dedicated to property specifically
- Marketing efforts will focus on citywide group sales and self-contained groups to help fill off-peak room nights
- Omni founded Global Hotel Alliance, a group of over 500 associates that are incentivized to book business across the network of hotels

# Omni Sustainability

- Omni has adopted an Environmental Stewardship statement
- Brand-wide efforts to:
  - Increase recycling
  - Reducing use of plastic water bottles at meetings
  - Installation of energy efficient HVAC, lighting, and laundry equipment
  - Creating green roofs
- In August, went “phone book free” reducing over 217,000 lbs of paper and the energy to produce the books each year
- Purchase of hybrid vehicles
- Increasing usage of environmentally friendly chemicals for cleaning and laundry

# Omni Diversity

- Fort Worth
  - Exceeded all MWBE construction commitments to date
  - Required \$15 M; \$16.6 M to date
  - Spend \$100K/year with Fort Worth companies after opening; \$50,000 with MWBEs
- San Diego
  - Omni Hotels and JMI committed 36% or \$29.5 M of an \$82 M construction budget for qualified MWBEs; 2004
- Atlanta
  - Utilized over \$15 M in MWBE contractors; 2003



# Omni Diversity

- Commitment to ongoing spend with MWBEs for variety of services and products for new hotel
  - Expand community outreach efforts with local organizations similar to work in Fort Worth
- Currently work with local colleges and high schools for diversity in employment opportunities
- Committed to develop ongoing supplier diversity program and continue utilization efforts for Dallas

# Omni Strengths

- Locally owned and operated
- Operates 39 luxury hotels and resorts in North America
  - Operating convention connected or adjacent hotels in Atlanta, San Diego, Orlando and Fort Worth (under construction – opening January 2009)
- Ownership mentality
- Lower overall costs
- Well-developed customer base
- Investment in project

# Omni Weaknesses

- Operating fewer large hotels
- Smaller national sales force
- Less well established brand presence with convention type customer base

# Conclusion

- Considered strengths and weaknesses
- Considered customer reactions
- Compared pro-formas with proposed costs from both operators
- Compared key contract provisions from both operators

# Recommendation

- Based on all factors, recommend moving forward with Omni as Preferred Operator subject to final negotiations
- Include in final negotiations a strategy and commitment for inclusion of MWBE goals for ongoing expenditures in hotel operations

## Next Steps

- Favorable recommendation from the Economic Development Committee to Council for Omni as the **preferred** operator and for staff to prepare operator contract for approval by City Council January 2009