

# Memorandum



DATE January 17, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),  
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT **Dallas Convention Center Hotel Update**

On Tuesday, January 21, 2014 you will be briefed on the Dallas Convention Center Hotel Update. The briefing materials are attached for your review.

Please contact me with any questions.



Forest E. Turner  
Assistant City Manager

[Attachment]

c: Honorable Mayor and Members of the City Council	Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Interim City Manager	Forest E. Turner, Assistant City Manager
Rosa A. Rios, City Secretary	Joey Zapata, Assistant City Manager
Warren M.S. Ernst, City Attorney	Charles M. Cato, Interim Assistant City Manager
Daniel F. Solis, Administrative Judge	Theresa O'Donnell, Interim Assistant City Manager
Craig D. Kinton, City Auditor	Frank Libro, Public Information Officer
Ryan S. Evans, Interim First Assistant City Manager	Elsa Cantu, Assistant to the City Manager

# Dallas Convention Center Hotel Update Briefing

Budget, Finance & Audit Committee  
January 21, 2014

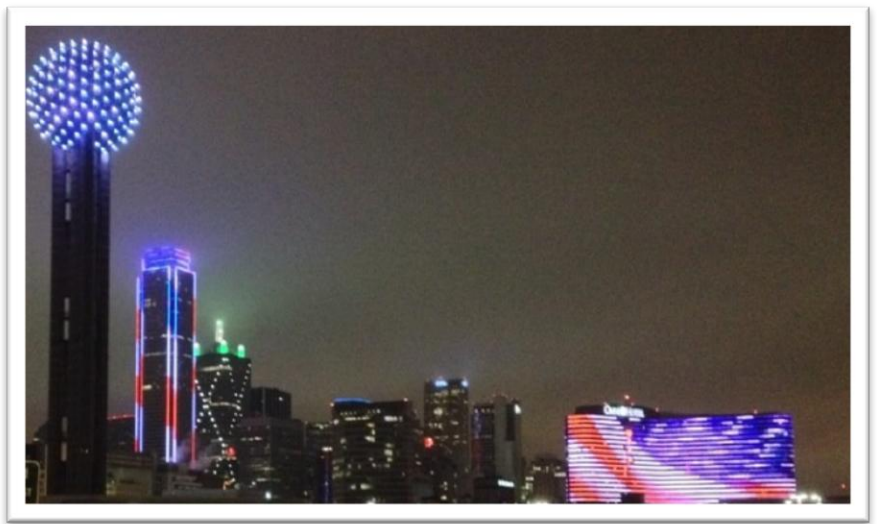
# Purpose

- Provide an update on the Convention Center Hotel Operations, ongoing and future development opportunities.



# Outline

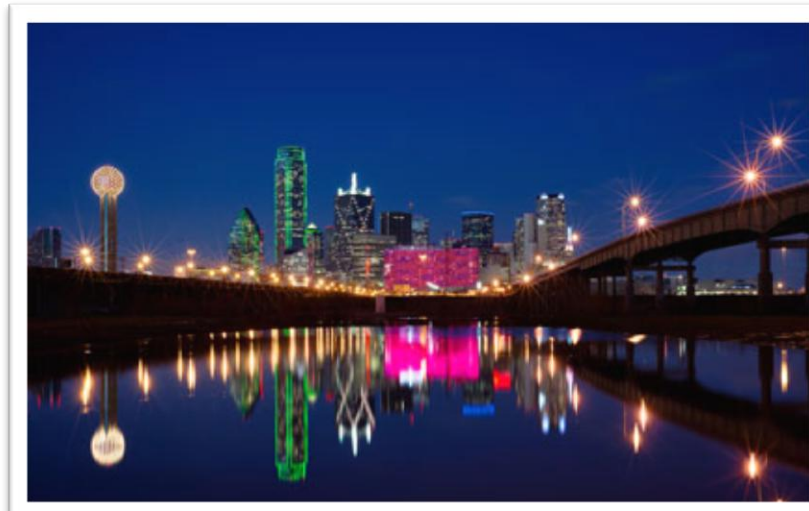
- Vision for the overall development
- Key components of the hotel project
- Timeline/Milestones
- Convention Center Hotel
- Restaurant Development Overview (Phase II Hotel Development)
- Omni/DART Lamar Connection
- Potential future development
- Summary



# Vision for Overall Development

Source: December 6, 2010 Economic Development Briefing, Dallas City Council

- Build another destination for Dallas
- Enhance convention attendee experience
- Develop hotel, restaurant, retail, cultural and entertainment elements
- Create a Lamar Street entertainment corridor by:
  - Improving connectivity from Kay Bailey Hutchison Convention Center Dallas (KBHCCD) south into the Lamar Street Entertainment Corridor and north through downtown, to Victory Plaza



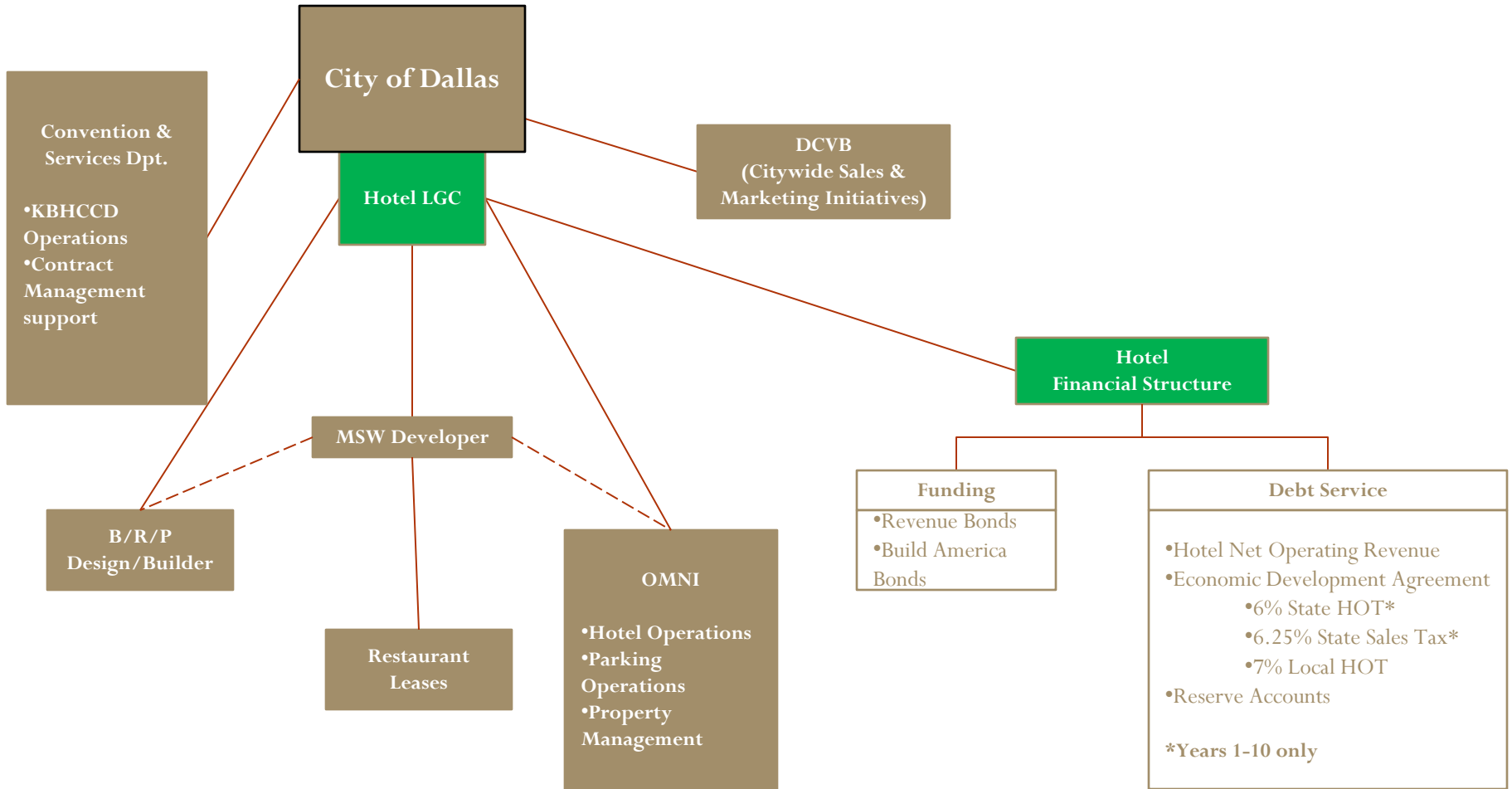
# Key Components of Hotel Project

- Increase the competitiveness of the KBHCCD
  - Enhance overall economic benefits generated by the Convention industry to the City of Dallas
  - Achieve an overall project that can be constructed and operated within the projected revenues and construction budget
- 
- 1,000 Room Hotel
  - Provide meeting and banquet space within the hotel
  - 30% Goal for M/WBE utilization during construction
    - Higher than 25% M/WBE Program construction goal
  - Select a professional hotel management company/operator to manage the asset for the City

# Timeline

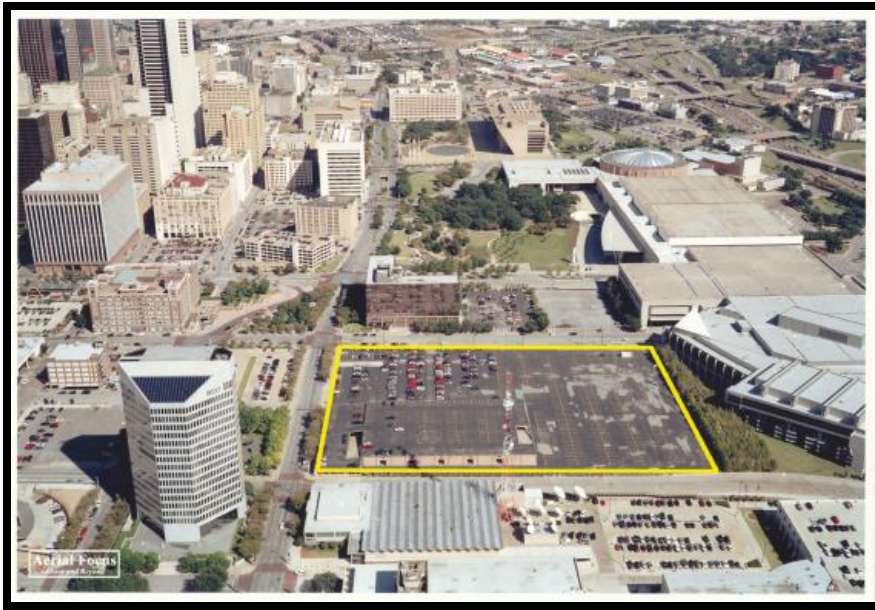
- Convention Center Hotel:
  - City Council approved formation of Local Government Corporation (LGC)—August 2008
  - Hotel developer selected — September 2008
  - Omni selected to manage hotel — February 2009
    - 15 year term operator agreement
    - Locally owned
    - 25% M/WBE utilization commitment from Omni
  - Voters approved Convention Center Hotel referendum— May 2009
  - Council approval of bonds to finance hotel — June 2009
  - Groundbreaking — September 2009
  - Hotel opened — November 2011

# Convention Center Hotel Organizational & Financial Structure





# Convention Center Hotel Site



(November 2007)

# Convention Center Hotel Completed



December 2013



Standard Guest Room



Pre Function Lobby

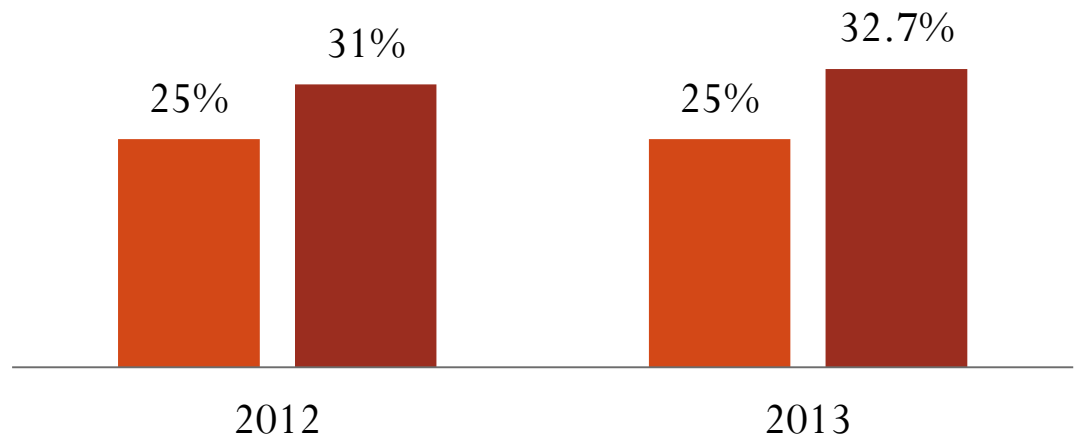
# M/WBE Participation

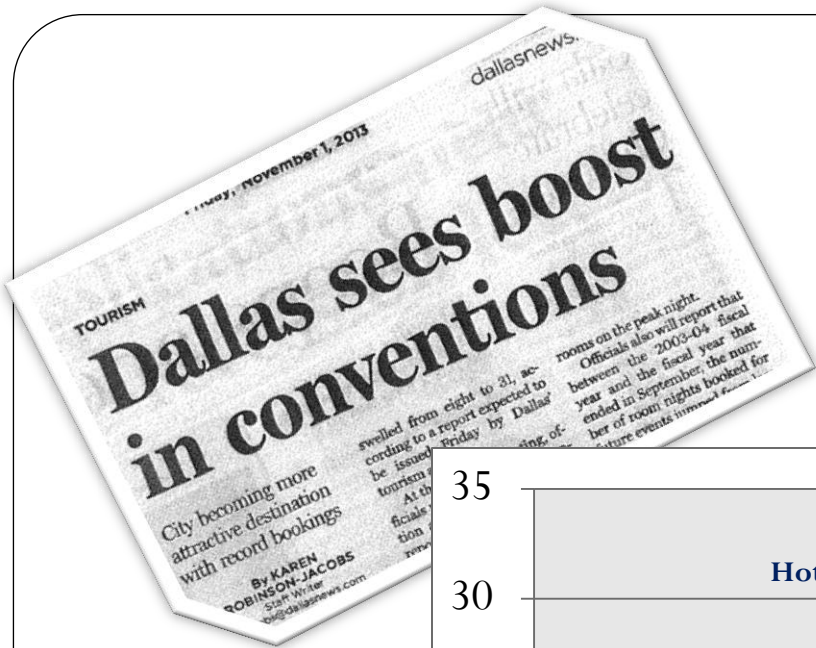
## Hotel Construction:

- Significant joint venture between Balfour Beatty and two M/WBE firms:
  - Pegasus Texas
  - H.J. Russell Co. (BRP JV)
- Exceeded goal of 30% for a total of 37.9%
- Resulted in 163 separate contracts to M/WBE

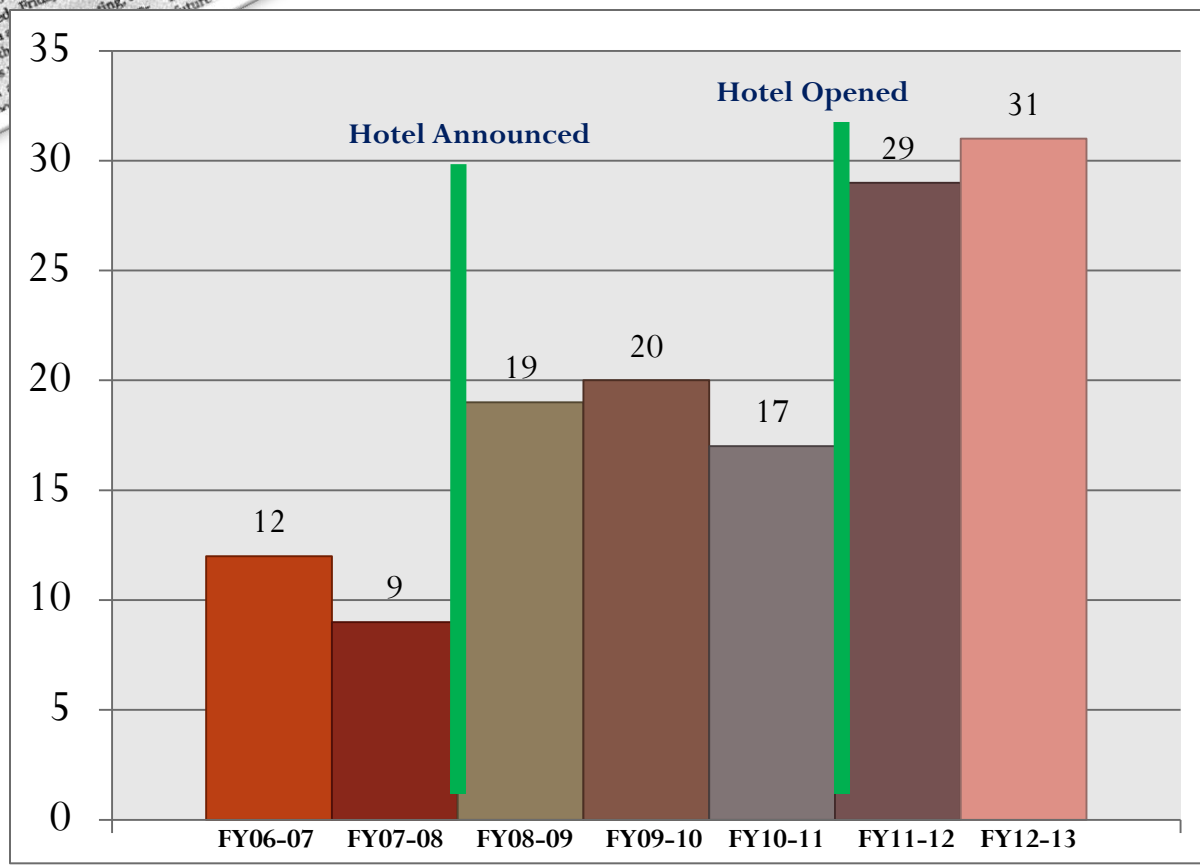
## Hotel Operations M/WBE Participation

■ M/WBE Goal ■ M/WBE Actual



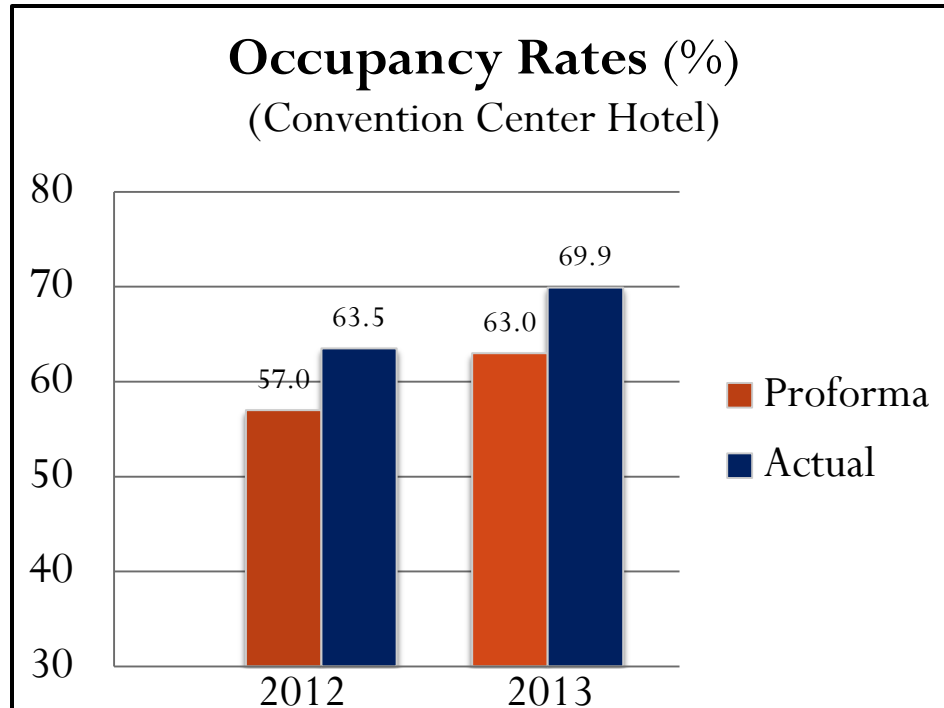


# Citywide Events Booked



A Citywide event is based upon 2,500+ room nights on peak.  
 Bookings occur into the future.

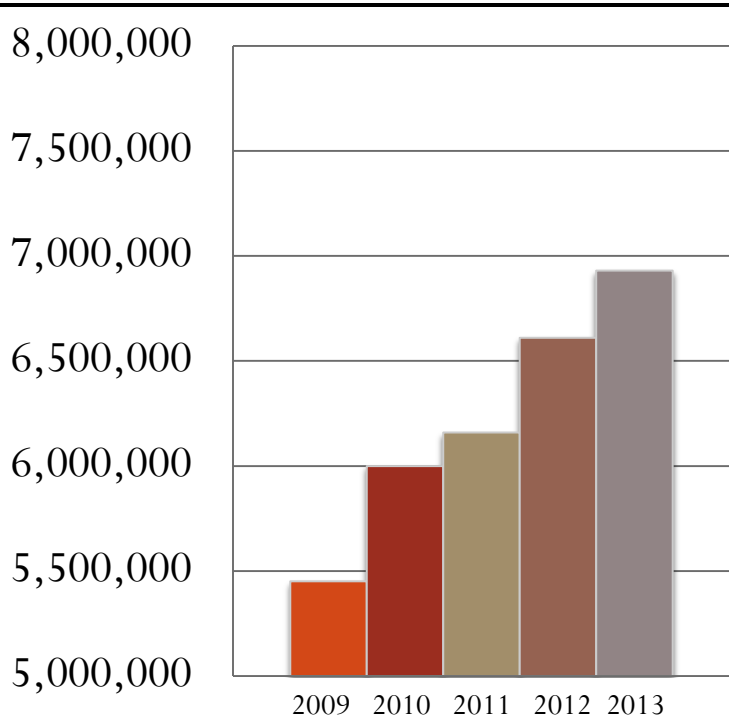
# Room Night Reservations



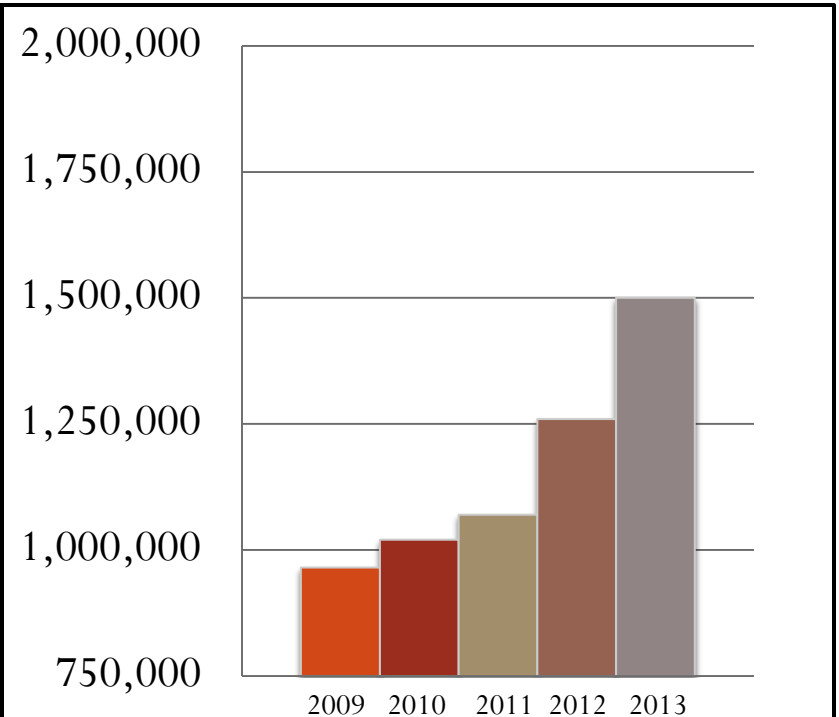
- Hotel Occupancy rates have exceeded proforma in both 2012 and 2013
- 2014 Proforma based on 66% occupancy rates
- Average occupancy rate for the City of Dallas was 61.8% for 2012 and 65% for 2013

# Room Night Reservations within Dallas

## Total Room Nights Consumed

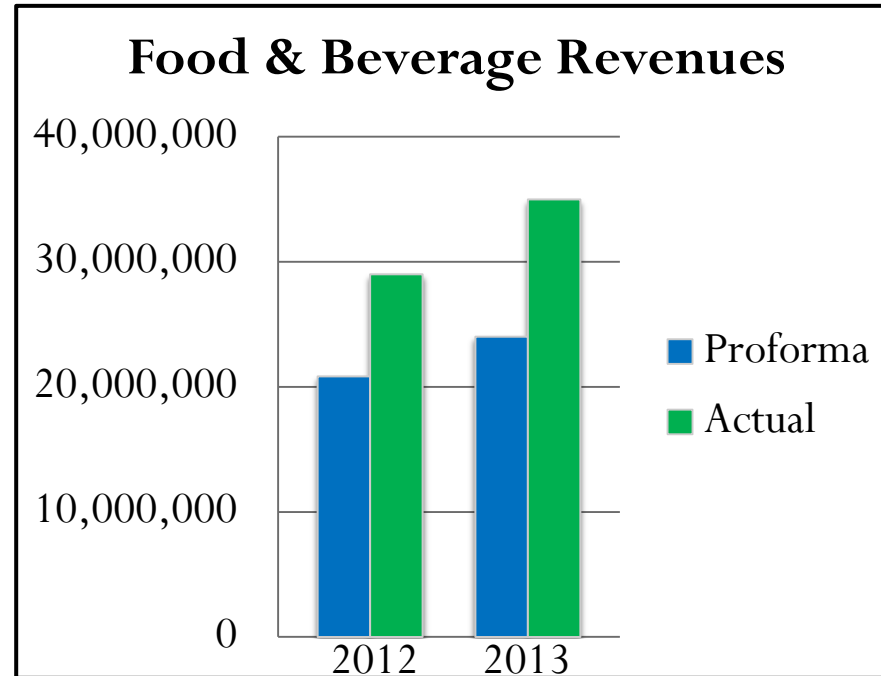


## Future Citywide Group Room Nights Sold by DCVB



# Food & Beverage Performance

(Convention Center Hotel, including ballrooms)



# Omni Dallas Success to date



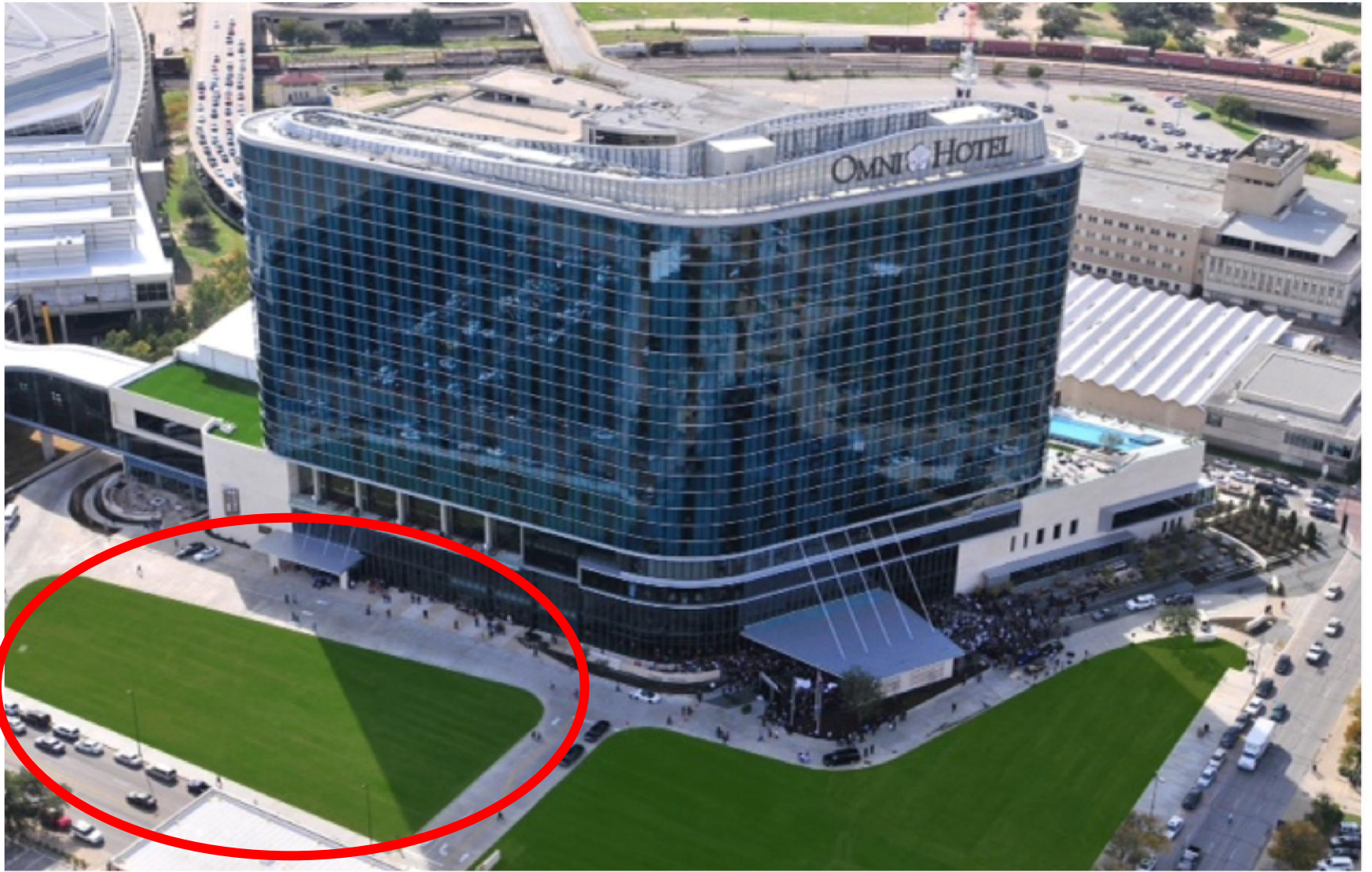
**The hotel is expected to close 2013 with:**

- Occupancy 7.2% over proforma\*
- Food and Beverage revenue exceeding proforma by \$11.08M\*
- Total revenue exceeding proforma by approximately \$13.2M \*
- Earnings \$4.9M \*

**\*Preliminary unaudited**



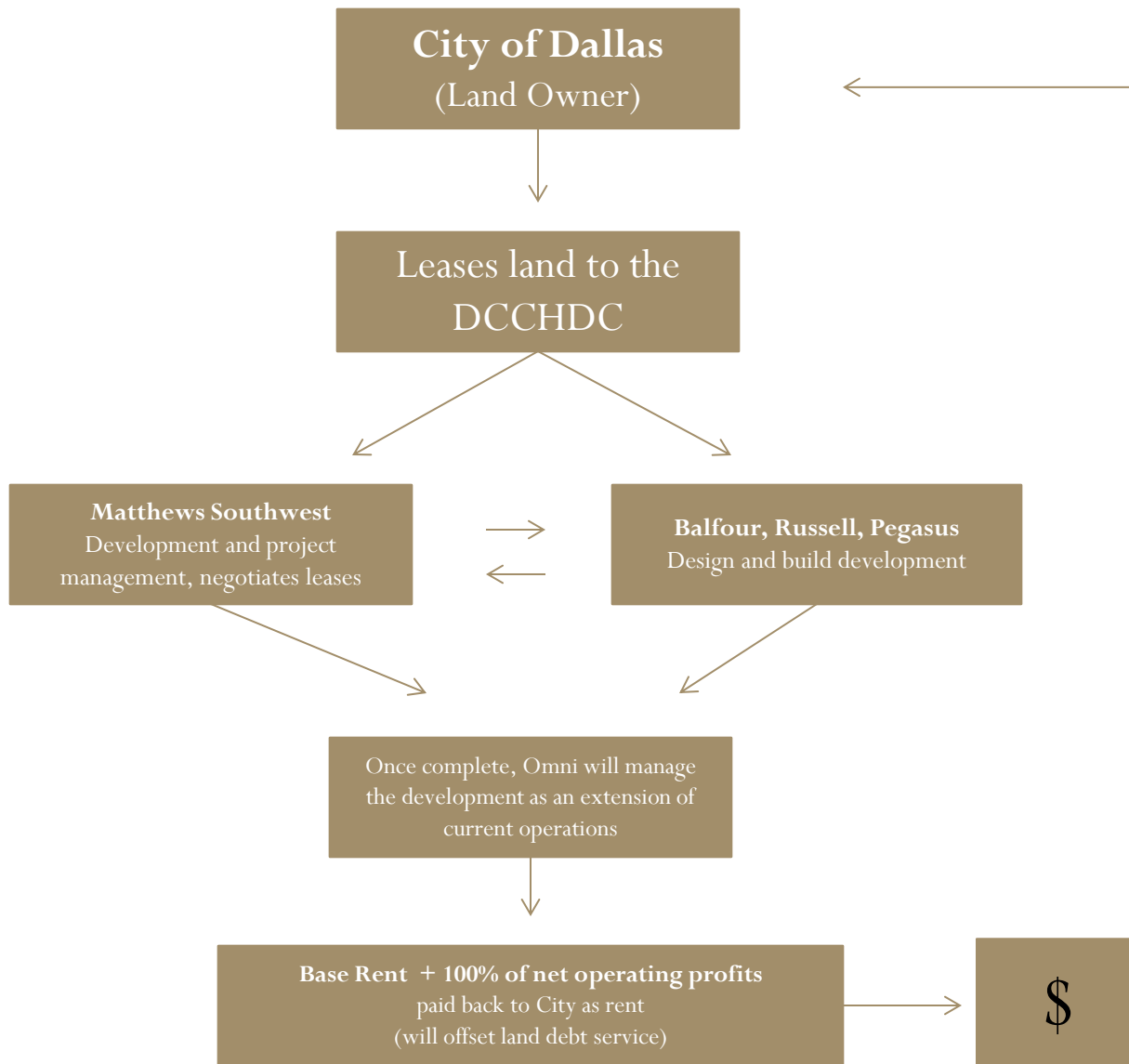
# Restaurant Development Overview



# Restaurant Development Overview

(Phase II Hotel Project)

- Original hotel ancillary development anticipated additional debt.
- Development plan is now to be paid with unspent/existing bond proceeds.
  - Project paid from original hotel construction budget
  - Revenue will offset the approximate \$1.6M debt service payment on the land.
  - Land is owned by the City of Dallas
  - Land is leased to the Dallas Convention Center Hotel Development Corporation (DCCCHDC)
  - Current project plan includes development of land in front of the Omni Dallas Hotel:
    - 350 space below grade parking garage
    - Approximately 15k square feet of restaurants
    - Four individual storefront concepts
  - Omni will manage/maintain the parking and restaurant leases as an extension of current hotel operations.



# Restaurant Development Benefits

(Phase II Hotel Project)

- Makes Dallas as a destination more attractive
- Enhances Convention Center Hotel project
- Clients are requiring more restaurant and entertainment venues within walking distance of the Convention Center
- Increases the economic impact of the destination
- Enhances convention attendee experience
- Enhances the overall Lamar Streetscape Plan
- Enhances Lamar entertainment venues

# Conceptual Rendering



# Restaurant Concepts\*

(Phase II Hotel Project)

- Sushi



- Tex-Mex



- Brasserie

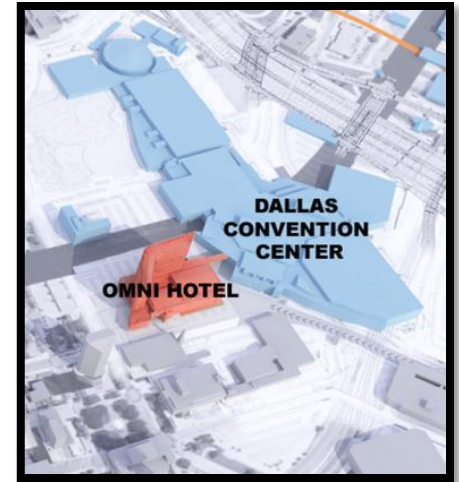


- Pizza & Wine



# Omni/DART Lamar Connection Under the Convention Center

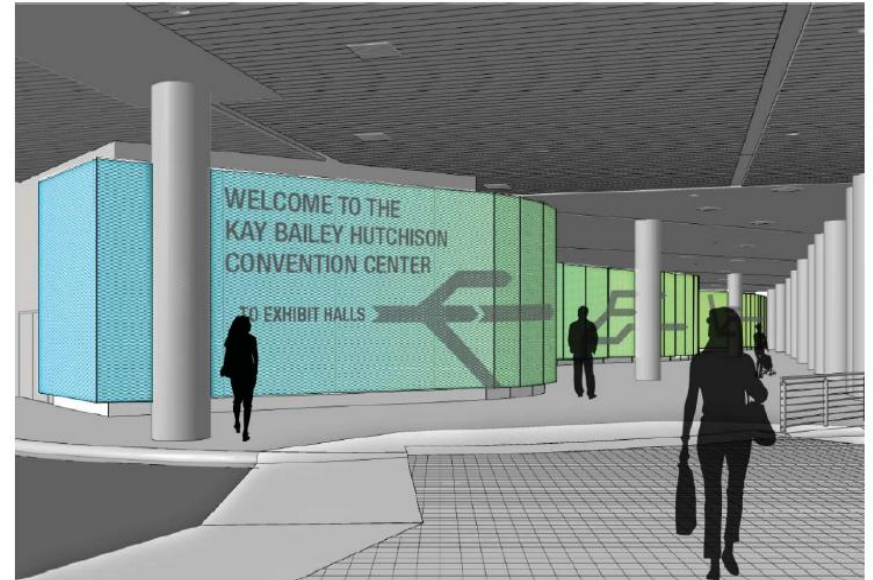
- Connects:
  - Omni Dallas Hotel and DART station
  - Omni Dallas Hotel to DFW Airport
    - Orange Line – Expected 2014
  - Design District, Victory, West End, Main Street, Cedars, Southside and Cedars DART station (D-Link)
- Improvements Includes:
  - Enhanced safety
  - Lighting and signage
  - Pedestrian experience
- Schedule:
  - **Lamar Street: Under the Convention Center**
    - Design – June 2013 through October 2013
    - Construction – April 2014 through December 2015



# Omni/DART Lamar Connection Under the Convention Center

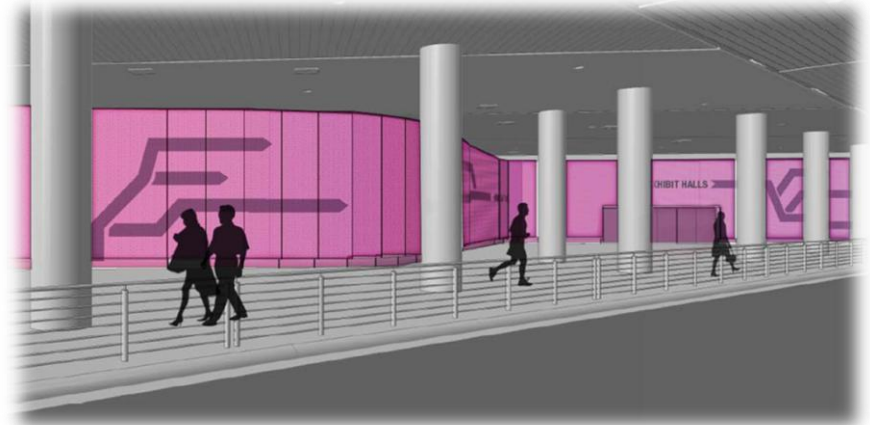


Before

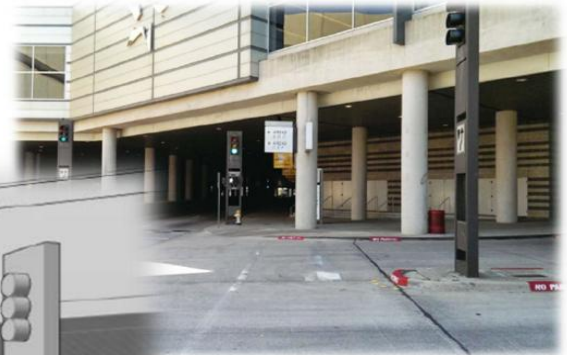


After





## North Entrance



Before



# DART/OMNI Connection Budget

**Total Budget**                    \$                    **4,673,574**

- Sources:

● 2009 Convention Center Revenue Bonds	\$	2,073,574
● NCTCOG Grant Funds	\$	600,000
● 2006 Bond Program	\$	<u>2,000,000</u>

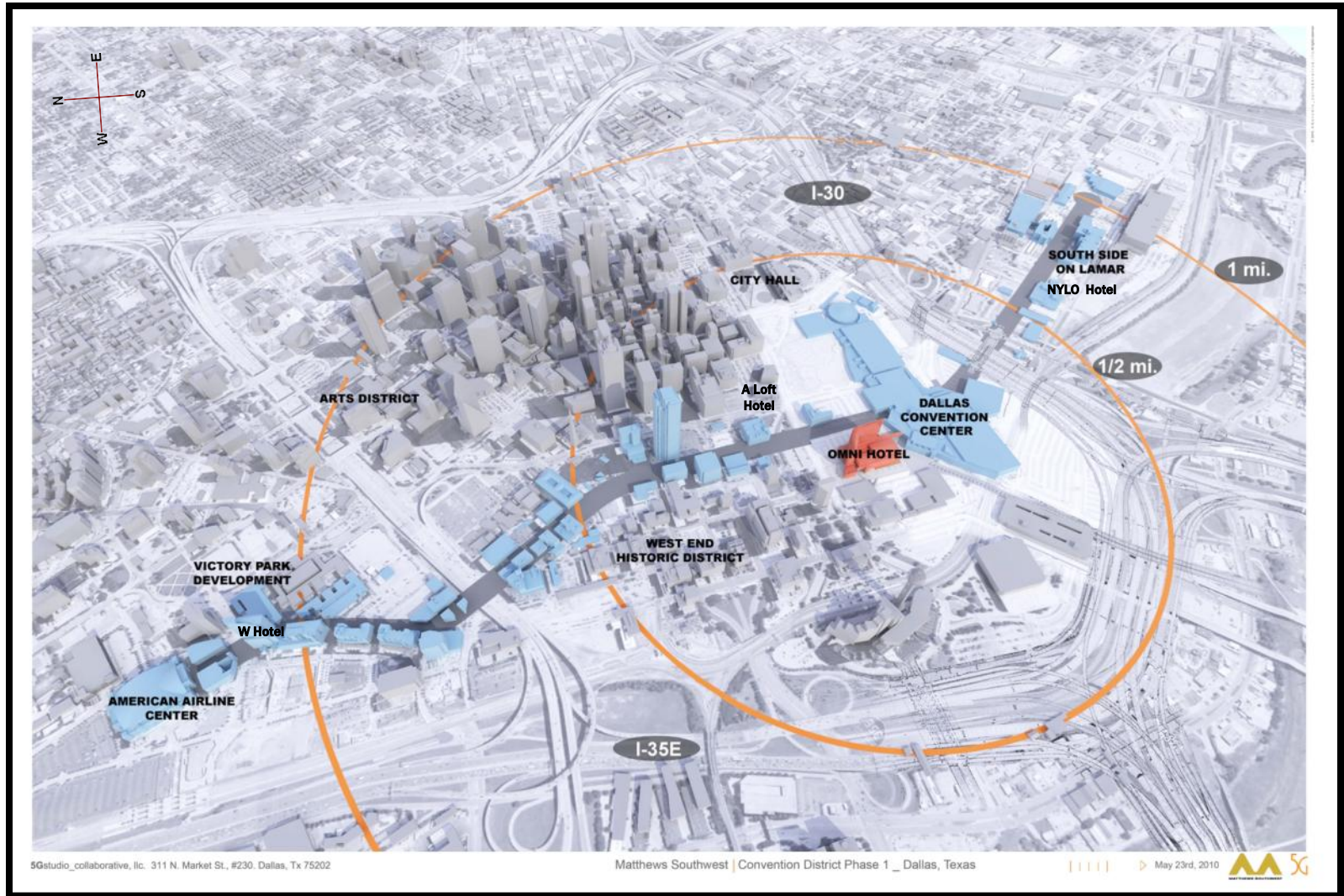
**Total Sources**                    \$                    **4,673,574**

- Uses:

● Concept (Approved by City Council April 25, 2012)	\$	69,986
● Design (Approved by City Council May 22, 2013)	\$	771,638
● Construction (For City Council consideration January 22, 2014)	\$	<u>3,831,950</u>

**Total Uses**                    \$                    **4,673,574**

# Lamar Street Entertainment Corridor



# Potential Future Ancillary Development



Map Number	Location
1	Parking Lot C
2	Parking Lot E
3	Convention Center
4	NW Corner of Lamar & I-30
5	Jefferson Viaduct Boardwalk
6	Memorial Auditorium (Arena)
7	NE Corner of Griffin & Canton
8	MSW Parking Lot
9	Heliport Supergraphics Location
10	Old Pump Station

# Summary

- Convention Center Hotel performing better than proforma
- Convention Center Hotel has met or exceeded established goals
- Citywide convention bookings have increased moving into the future
- Phase II development currently underway
- Lamar streetscape improvements in progress
- There is potential for future development in the Convention Center District

Questions?