



Presentation to City Council
Convention Center Hotel
Selection Committee Recommendation

September 27, 2016



Review of process to date

Date	Action
Late 2014	Stakeholder meetings and briefings to City Council
January 2015	City Council authorization to launch procurement for convention center hotel developer <ul style="list-style-type: none"> - PFM engaged to advise on procurement process - Selection committee formed to make recommendation - RFP issued
March 2015	Qualified 4 firms based on past experience, team, financial capability and general approach
	Procurement on hold due to change in site location
January 2016	Solicitation of input from meeting planners
May 2016	Meetings with shortlisted developers
June 2016	Requested additional information from developers <ul style="list-style-type: none"> - Required submission of brand, operator, concept design, schedule, plan of finance, pro forma and term sheet comments
August 2016	<ul style="list-style-type: none"> - Two responses submitted (Matthews dropped out due to other project commitments) <ul style="list-style-type: none"> • Mortenson / Marcus teamed together • Omni
September 2016	Selection committee met with developers

RFP additional information request

- Requirements for concept design and proposals
 - 600 rooms
 - 50,000 square feet of ballroom / meeting space
 - Upper upscale brand
 - Potential connectivity to Convention Center
- Developers were able to propose an alternative number of rooms
- Parking is not included
- Proposals were received from two of the four qualified developers

Summary of proposals – concept design

Mortenson/Marcus



Summary of proposals – concept design

Omni



Summary of proposals

Respondent	Mortenson / Marcus	Omni
Brand	Marriott	Omni
Operator	Marcus	Omni
Ownership	TBD	Omni
Contractor	Mortenson	Brasfield & Gorrie
Finance	Piper Jaffray	None (Equity)
Architect	GSB Populous	HKS
Number of rooms	600	600
Ballroom / meeting (sellable)	50,000	50,112
Restaurants, food and beverage	10,000 (4 outlets)	16,525 (6 outlets)
Total GSF	471,055	570,607
Cost / SF	\$527	\$413
Estimated development cost (\$M)	\$248.0	\$235.5

Summary of proposals – operating projections

Respondent	Mortenson / Marcus	Omni
Year of stabilization	5	4
Stabilized occupancy	70%	71%
Average Daily Rate	\$197	\$193
Revenue Per Available Room	\$137	\$137
RevPAR growth from opening	43%	41%
Room revenue (\$M)	\$30	\$30
Food & beverage revenue (\$M)	\$15	\$21
Other revenue (\$M)	\$2	\$4
Gross revenue (\$M)	\$47	\$56
Net Operating Income (\$M)	\$13	\$18
Net Operating Income margin	28%	32%

Note: Figures may not add due to rounding

Summary of proposals – request for public participation

Respondent	Mortenson / Marcus	Omni
Total development cost (\$M)	\$248.0	\$235.5
Developer funding (\$M)	\$143 (\$26 equity, \$113 debt, \$4 key money)	\$150 (Equity)
Public participation requested (\$M)	\$105.0	\$85.4
Public participation % of total development cost	42%	36%

Context for public participation

Project	Year Completed	Rooms	Cost (\$M)	Public participation (\$M)	Public participation %
OKC (Mortenson/Marcus/Marriott)	planned 2019	600	\$248	\$105	42%
OKC (Omni)	planned 2019	600	\$236	\$85	36%
Portland Metro Hyatt Regency¹	planned 2019	600	\$230	\$74	32%
Kansas City Hyatt²	planned 2019	800	\$307	\$156	51%
Omni Louisville³	planned 2018	612	\$226	\$107	47%
Omni Nashville⁴	2013	800	\$247	\$150	61%
Omni Fort Worth⁵	2009	614	\$128	\$49	38%

Notes:

1. Includes \$9 million land cost, does not include \$26 million adjacent public parking garage that will lease 375 spaces to hotel
2. Excludes \$4.5 million value of City land contribution
3. Project cost for hotel and 20,000 sf grocery space only (excludes 225 condos, public parking structure and land)
4. Excludes \$26 million land cost and related public contribution; includes Omni's 640-space below-grade parking structure
5. Excludes 89 condos and public parking garage

Recommendation

- Request approval of resolution authorizing City Manager and Executive Director of the Oklahoma City Urban Renewal Authority to enter into exclusive negotiations with Omni Hotels for the development of a convention center hotel.
- Recommendation to move forward with Omni is the result of a unanimous vote of selection committee, and based on the following key factors:
 - Greater developer contribution and lower public participation
 - Private partner with substantial balance sheet eliminates financing contingencies
 - Certainty of ownership and long-term commitment
 - Significant experience in operating convention center hotels
 - Entrepreneurial organization and distinctive concepts
- Anticipate returning in November with final development agreement and final funding plan

Menu of funding options

Hotel Generated Sources:

- Property Tax TIF
- Sales Tax TIF (2% of the 3.875%) and related state matching funds
- Hotel Occupancy Tax TIF (2% of the 5.5%) and related state matching funds
- Ground Lease

Other Existing Sources:

- Skirvin Lease and Mortgage
- TIF #2
- TIF #11

Other Potential Sources:

- GOLT funds
- Hotel Occupancy Tax increase (citywide)
- Rental Car Tax (citywide)

Potential funding sources

Hotel Generated Sources:	Low Scenario	Base Case	High Scenario
Hotel Property Tax TIF	16,300,000	17,300,000	18,200,000
Hotel Sales Tax TIF	4,000,000	5,400,000	6,700,000
Hotel Sales Tax TIF State Match	4,000,000	5,400,000	6,700,000
Hotel Occupancy Tax TIF	2,500,000	3,400,000	3,800,000
Hotel Occupancy Tax TIF State Match	2,500,000	3,400,000	3,800,000
Ground Lease	-	2,000,000	4,000,000
Other Existing Sources:			
Skirvin Lease and Mortgage	9,700,000	10,400,000	12,000,000
TIF #2	10,000,000	20,000,000	30,000,000
TIF #11	3,300,000	3,700,000	4,200,000
Other Potential Sources:			
GOLT funds	-	3,000,000	10,000,000
Hotel Occupancy Tax increase (1% citywide)	33,900,000	37,400,000	39,400,000
Rental Car Tax (1% citywide)	8,500,000	9,000,000	12,900,000