

## City Council – Action Request Form

**Date:** August 30, 2017

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**To:** The City Manager

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**From:** Ben Rowe, Assistant City Manager

**Council Action Requested:**

Consideration of a Resolution Approving Various Lease Agreements and Estoppels Necessary to Effectuate the Sale of the Embassy Suites Hotel to PM Meeting Venue, LLC.

**Strategic Focus Area:** Economic Vitality and Diversity  
**Strategic Objective:** Promote Downtown Revitalization  
**Strategic Plan Action Item:** No  
**Key Work Item:** No



**Summary of Information:**

In February 2004, the Mayor and City Council approved a Memorandum of Understanding (MOU) between the City and Noble Investment Group, LLC regarding the acquisition of the Adam’s Mark Hotel and their management of The Benton. Noble Investment Group, LLC acquired the Adam’s Mark Hotel and repositioned the property into two separate hotels—a Marriott and an Embassy Suites. Under the MOU, the City purchased for \$10 million the 38,000 square feet of renovated meeting/support space in the lower level of the Embassy Suites, as well as the Grand Pavilion Ballroom (formerly Beneath The Elms). In June 2016, Noble Investment Group, LLC sold both hotels and transferred management of The Benton to Hospitality Ventures Management Group. The City currently leases the meeting and ballroom space to HV Winston-Salem II, LLC, the Embassy Suites owner, for \$600,000 per year to cover the City’s annual debt payment from financing the purchase of the space.

Recently, Hospitality Ventures Management Group has been in negotiations with Premier Management, LLC to sell the Embassy Suites to SH Winston Cherry, LLC, a Florida limited liability company owned by Premier Management, LLC, and assign the lease of the City-owned space to PM Meeting Venue, LLC. Premier Management, LLC (or its affiliates) currently manages hotel properties with meeting and banquet facility space in Orlando (FL), Marietta (GA), and Greenville (SC). The companies are scheduled to close the sale in September.

**Committee Action:**

<b>Committee</b>	Finance 9/11/17	<b>Action</b>	Approval
<b>For</b>	Unanimous	<b>Against</b>	

**Remarks:**

With this sale, there will be two owners of hotel properties, instead of one as has been in place since 2004. Under this arrangement, Hospitality Ventures Management Group will continue to operate and manage all three properties in the Twin City Quarter (The Benton, Marriott Hotel, and Embassy Suites Hotel). The Mayor, City Council, and staff have requested information to better understand the potential impact of this sale on the operation of the Twin City Quarter, especially The Benton. Attachment A provides the responses from representatives with Hospitality Ventures Management Group and Premier Management, LLC.

This Council Action Request Form includes a resolution approving the various estoppel certificates required to effectuate the sale of the Embassy Suites Hotel and the assignment of the lease of the City-owned space. Descriptions of each agreement are provided below.

**Declaration of Condominium of Winston-Salem Convention Center Condominium and Room Block and Meeting Facilities Agreement.** This document certifies there are no issues (e.g., defaults, additional assignments) related to the condominium space in the Embassy Suites Hotel property that is owned by HV Winston-Salem II, LLC (current owner of the Embassy Suites) and the City.

**Assignment and Assumption of Lease Agreement for Embassy Suites Conference Center and Grand Pavilion Ballroom.** This document assigns the lease of the conference center space under the Embassy Suites and the Grand Pavilion Ballroom to PM Meeting Venue, LLC, which is the company established as the lessee of the City-owned property. In addition, the document provides for the City's consent, as well as the new hotel owner's consent (SH Winston Cherry, LLC) to the assignment of the lease agreement. Acting upon the advice of legal counsel, City staff has requested language in the agreement that provides that the City-owned space will continue to be included in the allocation of certain operating expenses currently shared by The Benton, the City-owned leased space and the Marriott Hotel property. The agreement provides that the security for the lease payment due to the City will continue to include the net cash flows from the operation of the Embassy Suites Hotel.

City staff recommends approval of the attached resolution authorizing the execution of the various agreements necessary to effectuate the sale of the downtown Embassy Suites Hotel.

## ATTACHMENT A

### Questions Regarding the Sale of the Embassy Suites Hotel

**1) Will Hilton require renovations to the Grand Pavilion and conference center as part of the Embassy Suites PIP (Product Improvement Plan)?**

No, the Hilton PIP does not address the leased conference center space or the Grand Pavilion ballroom.

**2) What are Premier's thoughts about reworking the default provision in the Grand Pavilion/conference center lease agreement?**

Premier would want to be assured that if there is a default by Hospitality Ventures Management – Benton LLC (the current manager of the Benton Convention Center) under its separate agreement with the City (The Convention Center Qualified Management Agreement for the Benton Convention Center) that such default would not impact Premier or the subject Lease Agreement.

**3) How does HVMG think the renovations to the Marriott and Embassy Suites will impact the Benton during construction?**

We do not anticipate any major impact to the Benton at this this time. HVMG will be making every effort to minimize any negative impact to the Benton during the renovation periods, and in fact there will be periods when the hotels meeting space will be out of service and the Benton will benefit from additional events being hosted in the center and we will do everything possible to maximize meetings and events during the renovation period.

**4) Please provide information about Premier Management. What other hotels have been acquired by Premier Management? Where are they located? Are any of the hotels in default under the terms of any of the franchise or operating agreements? If so, why? Do you anticipate curing the default? When?**

PM Meeting Venue, LLC owned by Premier Management, LLC is working with HVMG to assume the lease of the Conference Center and Grand Pavilion Ballroom. Premier Management is a Florida based company which designs, develops, and invests in restaurant, meeting and banquet facilities with lodging components. Premier Management does this for the Artisan restaurant and meeting facilities at the Marriott located in Greenville, SC, the Padella restaurant and meeting facilities at the Hyatt Regency Suites located in Marietta, GA, the Bistro restaurant and meeting facilities at the Holiday Inn located in Orlando, FL. We are excited to have the opportunity to work with HVMG in re-programming and enhancing the meeting facilities and food & beverage offerings located at the Conference Center and Ballroom Space (and owned by the City of Winston-Salem). No hotels are in default.

**5) How would the termination of the management agreement for the Embassy Suites impact the management of the Benton and the synergies/economies of scale for the Twin City Quarter?**

In the event of that occurrence, HVMG and the City could agree to have HVMG continue to manage the Center and there would be minimal impact to the actual operations and marketing of the BCC. It is likely that allocation of certain overhead expenses (IE: Accounting, HR, Executive Management) would change to a two property allocation model between the Marriott and the BCC. However, depending on the circumstances and the parties involved it is possible that some of the current operating and marketing expense allocations could continue to be allocated across all 3 properties including the Embassy Suites.

**6) If Premier Management terminates its agreement with HVMG after three years, would the allocation of expenses change to two properties instead of three?**

It is likely that allocation of certain overhead expenses (IE: Accounting, HR, Executive Management) would change to a two property allocation model. However, depending on the circumstances and the parties involved it is possible that some of the current operating and marketing expense allocations could continue.

**Would the City have to enter into a separate operating agreement with the new Embassy operator in order to utilize City facilities such as the Benton kitchen?**

That is possible.

**7) Would hotel and Benton employees be affected by the sale? If so, how? What measures are contemplated to minimize said impact?**

There will be virtually zero impact to the Benton and Hotel employees as a result of the sale. HVMG will continue to be the employer and manager under the same operating model and business plans that are in place today.

**8) What else could change as a result of the sale?**

Premier will bring new ideas and additional capital to improve the Embassy Suites and enhance Winston Salem as a destination.

**9) What is the time line for completing the renovations to both hotels? What is the amount of the investment? Provide details of both renovation projects.**

The Marriott renovation will include a complete renovation of all guestrooms, meeting space, restaurant, and lobby and will be completed by March 2018.

Re: the ES—Premier and Saron Holdings intend on completing the brand required property improvement schedule in order to remain in compliance with the Embassy Suites brand standards. In addition to the PIP, the owners will be working with HVMG to identify necessary capital improvements that may enhance the operations and guest satisfaction at the hotel. Where possible,

the owners will work with the city to work towards a unified vision for downtown Winston-Salem to make it a desirable destination for businesses, families, and groups. Our current estimates for the improvements are from 6-9 million dollars depending on the costs of construction, furniture, equipment, and mechanical systems at the time of purchase/implementation.