Information Item

Date:	May 14, 2018
To:	The City Manager
From:	Ben Rowe, Assistant City Manager

Subject:

Proposed Amendments to The Benton Qualified Management Agreement

Strategic Focus Area: Economic Vitality and Diversity
Strategic Objective: Promote Travel and Tourism
Strategic Plan Action Item: No
Key Work Item: Yes

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 (HVMG). In September 2017, Hospitality Ventures Management Group sold the Embassy Suites to SH Winston Cherry, LLC, a Florida limited liability company owned by Premier Management, LLC, and assigned the lease of the City-owned space to PM Meeting Venue, LLC. The City currently leases the meeting and ballroom space for $600,000 per year to cover the City's annual debt payment from financing the purchase of the space. There now are two owners of hotel properties, instead of one as has been in place since 2004. Under this arrangement, Hospitality Ventures Management Group continues to operate and manage all three properties in the Twin City Quarter (The Benton, Marriott Hotel, and Embassy Suites Hotel).

The City and HVMG are in the final years of the original 15-year Qualified Management Agreement (QMA) that was executed in June 2004. The agreement is set to expire on June 30, 2019. During the term of the QMA, City and Twin City Quarter management adopted practices that allowed for more efficient operation of The Benton and an allocation of expenses that better reflected the use of select staffing across all three properties. Under the QMA, the cost of these positions was allocated among the three properties—the Marriott Hotel, Embassy Suites, and The Benton—based on food and beverage revenues or total revenues. While the current QMA will expire in just over a year, City and HVMG management have discussed making amendments to the agreement to reflect actual practices.

The amendments include specific definitions of the revenues used to allocate select positions, as well as identification of the specific positions that are included in the allocation. The language clarifying the allocation of positions among the three properties is not intended to increase the City subsidy for The Benton; it simply reflects the current accounting of the select positions. Previous years' budgets, as well as the proposed FY 2018-2019 budget, were developed using the allocations established in the proposed amendments to the QMA. Other proposed amendments adjust the date for submission of the operating budget proposal and revise the calculation of the management fee to coincide with the City's budget development calendar.

The Public Assembly Facilities Commission will review the proposed amendments at their meeting in May and provide a recommendation to the Mayor and City Council for consideration in June.

Looking ahead to FY 2018-2019, City and Twin City Quarter management will begin discussions in the coming months to develop a new QMA that would be effective on July 1, 2019. In order to better track The Benton's performance in light of the City's recent $20 million renovation, a new QMA could include the establishment of performance measures and incentives based on financial performance, customer service, bookings, and facility condition. City management will submit a proposal to the Public Assembly Facilities Commission for their review and recommendation to the Mayor and City Council next year.