

City Council – Action Request Form

Date: November 12, 2019

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager

Council Action Requested:

Resolution Authorizing a New Qualified Management Agreement with Hospitality Ventures Management Group for Operation of The Benton (North Ward)

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: Promote Travel and Tourism

Strategic Plan Action Item: No

Key Work Item: Yes



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, LLC (HVMG). In September 2017, HVMG 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 had been in place since 2004. Under this arrangement, HVMG continues to operate and manage all three properties in the Twin City Quarter (The Benton, Marriott Hotel, and Embassy Suites Hotel).

Committee Action:

Committee	<u>Finance 11/12/19</u>	Action	<u>Approval</u>
For	<u>Unanimous</u>	Against	<u></u>

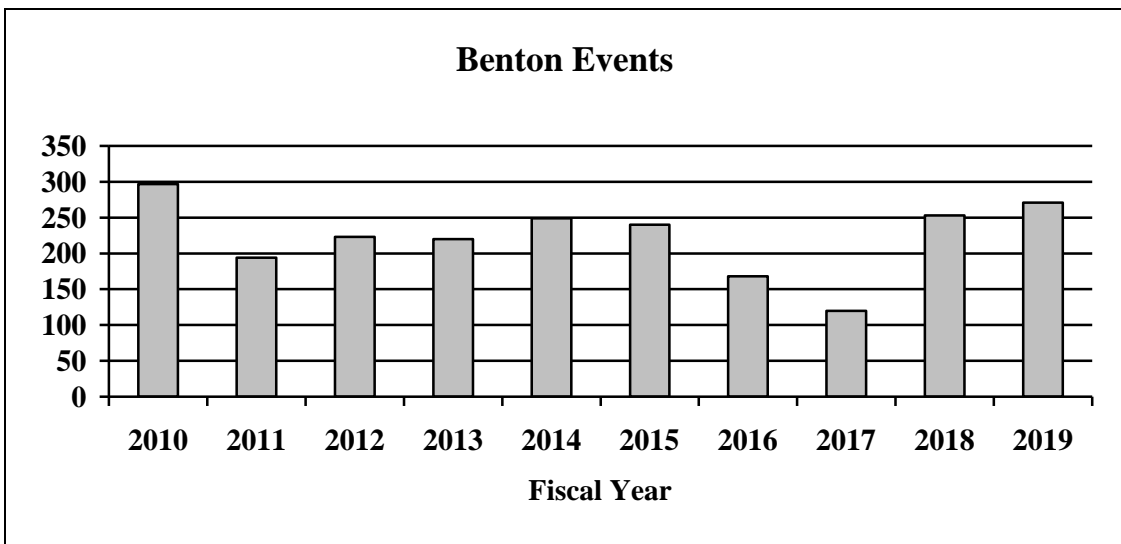
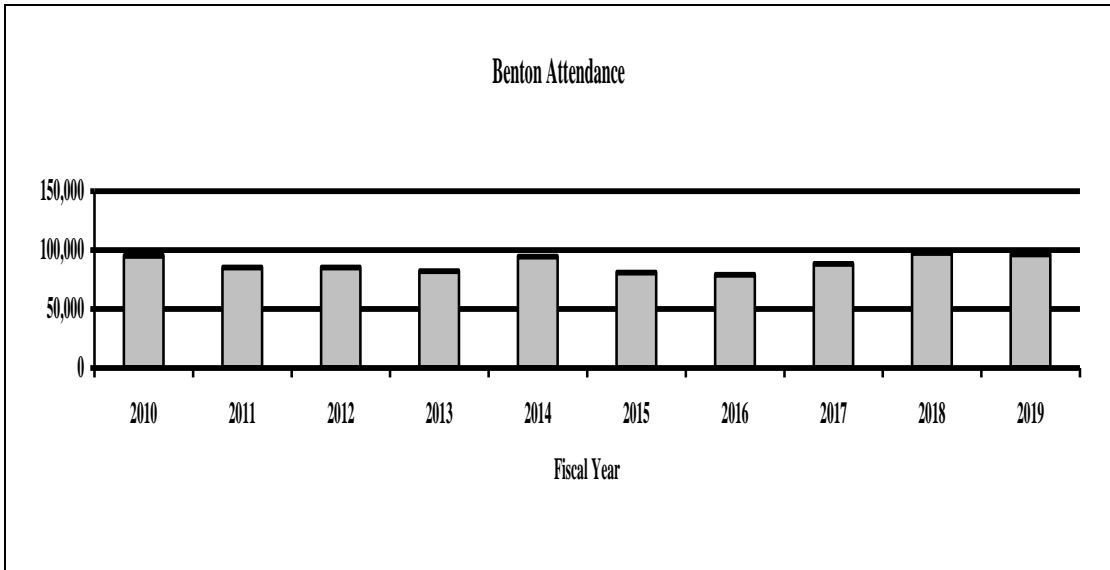
Remarks:

City and HVMG management are in the process of negotiating a new Qualified Management Agreement (QMA) for The Benton. Executed in June 2004, the original agreement expired on June 30, 2019, and the City and HVMG have operated on a month-to-month basis starting July 1st. During the term of the original 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. 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. In June 2018, the Mayor and City Council approved amendments to the QMA that formalized the allocation of expenses, adjusted the date for submission of the operating budget proposal, and revised the calculation of the management fee to coincide with the City’s budget development calendar.

A new QMA will incorporate the amendments to the original agreement as well as new provisions to enhance monitoring the performance of The Benton in light of the City’s recent \$20 million renovation. The following are key provisions under discussion for inclusion in the new QMA:

- Allocation of expenses based on current practice
- Deadline for submission of the operating budget proposal
- Calculation of the management fee to coincide with the City’s budget calendar
- Quarterly reporting on financial and operating performance
- City input in selection of the Area General Manager
- City use of facilities in which space, food, and beverage are provided at reduced or no cost, depending on availability of space; net cost would not be counted toward HVMG’s gross operating profit
- Requirement to meet the City’s 10% M/WBE participation goal for contracted services
- Incentives for meeting established targets for gross operating revenues and performance (e.g., attendance, usage days, etc.)

The following charts provide historical information about attendance and events at The Benton since 2010. Attachment A provides the City’s annual subsidy from fiscal year 2001 through 2019. HVMG assumed responsibility for managing The Benton during the \$20 renovation, which took place between FY 2016 and FY 2017. In those years, the subsidy increased because half of the building was taken off line each year in order to renovate the space, while still operating the facility. Since the completion of the renovation, the subsidy has decreased each year to a historic low of \$537,308 in FY 2019, a decrease of 48% from FY 2018. Total attendance and the number of events held have trended higher since the renovation.



The following table provides demographic information about the HVMG workforce at all three properties.

Demographics for HVMG Workforce

Race	#	%		Gender	#	%
African- American	117	54%		Female	120	55%
White	82	38%		Male	98	45%
Hispanic	10	5%				
Two or more	8	4%				
Asian	1	<1%				
Total	218			Total	218	

The numbers do not include workers hired through temporary agencies. HVMG management checked with the company that provides contract labor. They provide 42 employees, of which 33 are female (79%) and 9 are male (21%); the company does not track racial demographics.

Based on HVMG’s performance since assuming management of The Benton, City management recommends entering into a new 15-year agreement that incorporates the key provisions noted above. The Public Assembly Facilities Commission endorsed management’s recommendation at their meeting on October 28th. The attached resolution authorizes the City to enter into a new QMA with Hospitality Ventures Management Group to operate The Benton.

In addition to the QMA, City and HVMG management are working on a plan to refresh the Grand Pavilion and meeting/support space in the Embassy Suites Hotel in order to improve the marketability of the space and the overall competitiveness of the Twin City Quarter. City staff will bring a proposal for review by the Public Assembly Facilities Commission and the City Council in the coming weeks.

Attachment A

City Subsidy for The Benton Operations

