

Information Item

Date: January 11, 2021

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

From: Ben Rowe, Assistant City Manager

Subject:

Updates on Grand Pavilion/Conference Center Lease Agreement and Refresh Project (North Ward)

Strategic Focus Area: Economic Vitality and Diversity

Strategic Objective: Promote Travel and Tourism

Strategic Plan Action Item: No

Key Work Item: Yes



This information item provides updates on the City's current lease of the Grand Pavilion/Conference Center space to the Embassy Suites Hotel owner as well as the City's plan to invest nearly \$1.6 million in refreshing the space.

Grand Pavilion/Conference Center Lease Agreement

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). (Please see Attachment A.) In June 2016, Noble Investment Group, LLC sold both hotels and transferred management of The Benton to Hospitality Ventures Management Group.

In the fall of 2017, Hospitality Ventures Management Group sold the Embassy Suites to SH Winston Cherry, LLC, a Florida limited liability company owned by Sarona Holdings, and assigned the lease of the City-owned space to PM Meeting Venue, LLC. Under the lease agreement, the owner pays an annual rent of \$600,000 for the space, which covers the debt that the City issued to acquire and renovate the space in 2004. With the sale of the Embassy Suites, there are now two owners of the hotel properties, instead of one as had been in place since 2004. Under this arrangement, Hospitality Ventures Management Group (HVMG) continued to operate and manage all three properties in the Twin City Quarter (The Benton, Marriott Hotel, and Embassy Suites Hotel).

Prior to the onset of the novel coronavirus pandemic, Sarona Holdings, through PM Meeting Venue, LLC, ceased making monthly rent payments starting in September 2019. Through

December 2020, PM Meeting Venue, LLC is in arrears totaling \$800,000. In October, Saron Holdings assumed management of the Embassy Suites Hotel. Later that month, the City's outside legal counsel mailed a letter to PM Meeting Venue, LLC communicating the City's intention to declare them in default under the lease agreement. The City's outstanding debt on the space currently totals \$6,010,000.

After initial discussions with Saron Holdings, the City provided an extension to the notice of default until March 1, 2021 in order for the owner to develop a plan to make up the delinquent payments to the City. In addition, City staff and the owner are working on a plan to transfer operation and maintenance of the Grand Pavilion and Conference Center to the City. It is City staff's intent to contract with HVMG, the City's current operator of The Benton, to manage this space as well. Once the transfer is completed, the City will receive the revenues from renting the Grand Pavilion and Conference Center for future events, which will apply toward operating expenses as well as the City's debt payment. The following documents will be developed to cure the default and effect the transition in operation and maintenance of the City-owned space.

- Amendment to the current lease agreement with PM Meeting Venue, LLC, establishing a payment plan to make up the delinquent rent payments
- Access agreement with PM Meeting Venue, LLC to allow the City to carry out the planning, design work, and construction of the improvements to the City-owned space
- Agreement with the Embassy Suites Hotel owner (SH Winston Cherry, LLC) allocating any shared expenses (e.g., utilities, HVAC system costs) and/or establishing a methodology to directly assign operating expenses to the City-owned space
- New agreement with the owners of the Marriott Hotel to formalize the allocation of expenses between the hotel and The Benton
- Modifications to the Benton Qualified Management Agreement with HVMG to reflect the change in management of the Grand Pavilion and Conference Center

City staff will present action items in February to approve these various amendments and agreements.

Grand Pavilion/Conference Center Refresh Project

In January 2020, the Mayor and City Council appropriated \$1,565,000 from the remaining balance of the Union Station redevelopment project to update the Grand Pavilion and Conference Center space. Updating the Grand Pavilion and Conference Center space is vital to attracting large meeting events to The Benton and increasing the number of room nights at downtown hotels. City staff have been working with HVMG on a scope of work and cost estimates to "refresh" the Grand Pavilion and Conference Center space. The potential scope would include the replacement of carpet, new wall coverings, painting, new lighting fixtures, and lighting controls. In addition, the City is responsible for maintaining the elevator located at the skywalk in the Cherry-Marshall Parking Deck. The Property and Facilities Management Department, in consultation with the maintenance service provider, has determined that the elevator car needs to

be modernized due to the difficulty of finding parts. The following pictures provide examples of the needs and areas within the Grand Pavilion and Conference Center that would be included in the scope of this project.

Grand Pavilion



Ballroom



Carpet, Wall Coverings



Light Fixtures



Railing



Pre-function Space

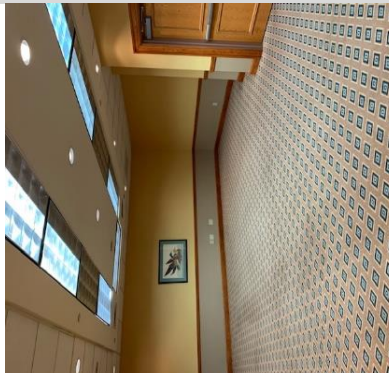


Lighting

Conference Center



Big House Gaines Ballroom



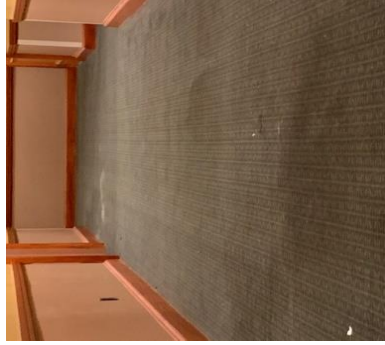
Breakout Room (Atkins 1)



Breakout Room (Ardmore 1)



Pre-function Space



Carpet



Doors

The original plan was to carry out this project as part of a public-private partnership with Sarona Holdings, which was planning a \$10-\$12 million renovation of the Embassy Suites Hotel. In light of the company's non-payment of rent for the City-owned space, City staff are planning to move forward with the refresh project; Hospitality Ventures Management Group already has completed some of the design work for the project. The City also has contracted with Hayden Design, a local interior design firm, to complete the specifications for the project and assist with project administration. The current plan is to advertise for bids at the end of January, present an action item to Council in March to award a contract, and begin construction in late April/early May. Over the coming months, City staff will work with HVMG and Visit Winston-Salem on rebranding the Grand Pavilion and Conference Center to market the space as a continuation of The Benton.