

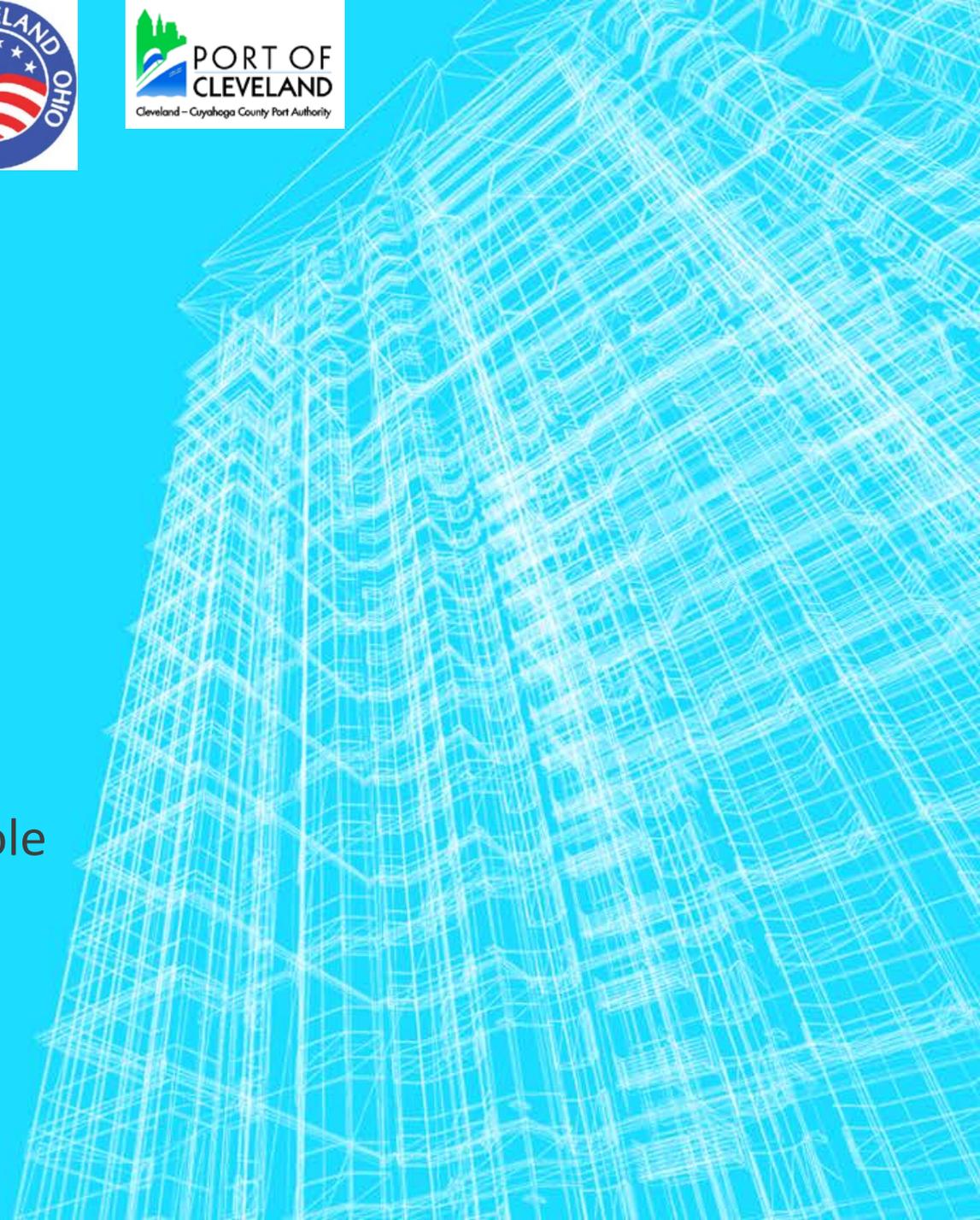


# HILTON CLEVELAND HOTEL

April 15, 2014 Update

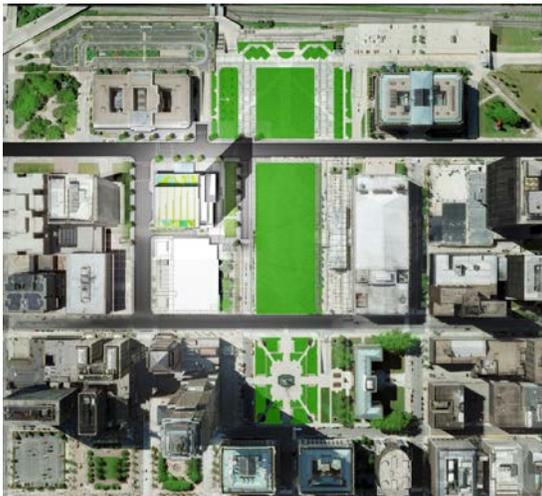
Cuyahoga County Council Committee of the Whole

Presented by Jeff Appelbaum

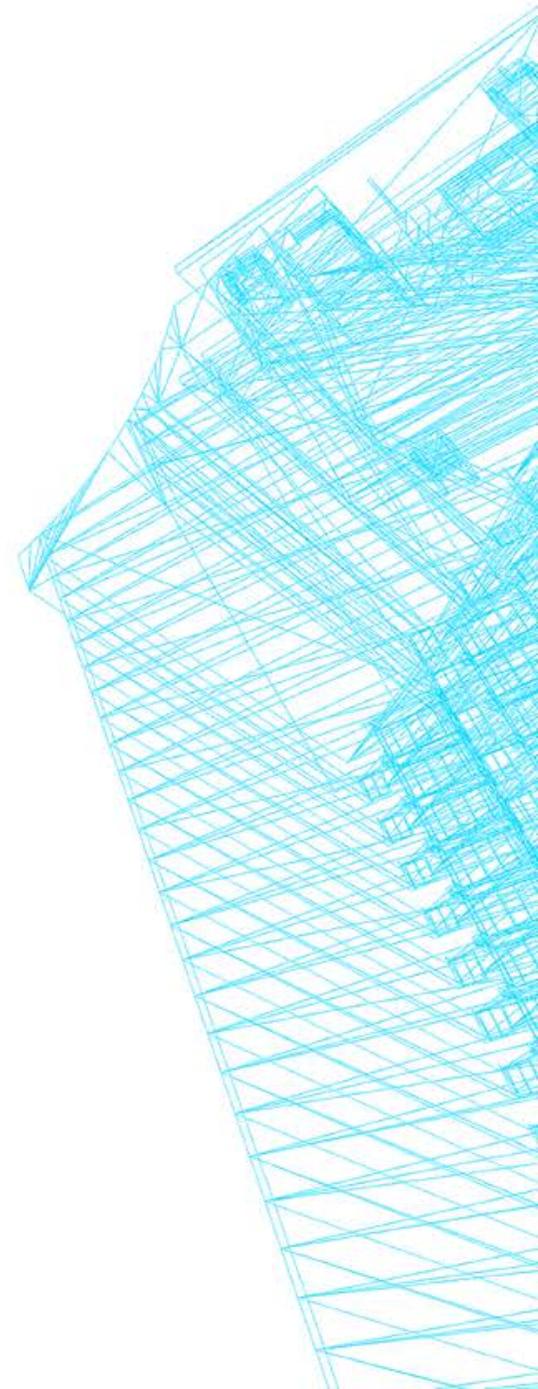


# AGENDA

- Review of Timeline for Council Action
- Status of GMP Development
- Status of Qualified Management Agreement
- Status of Financing Plan



# PROCESS OVERVIEW



**KEY ACTIONS BY COUNCIL**

March 25<sup>th</sup>  
Council Mtg



April 8<sup>th</sup>  
Council Mtg



April 15<sup>th</sup>  
Committee Mtg



April 22<sup>nd</sup>  
Council Mtg



April 1 Committee Meeting Added After Presentation

**HILTON QUALIFIED MANAGEMENT AGREEMENT (QMA)**



**GUARANTEED MAXIMUM PRICE AMENDMENT (GMP)**



**BOND FINANCING**



# CONSTRUCTION UPDATE

- Abatement Complete
- Demolition Complete
- Excavation Complete
- Caisson Pre-coring Complete
- Caisson Mobilization Proceeding



# CAISSON OPERATION

- Approximately 30 Caissons Beneath Tower
- 160 Feet Deep, End Bearing



# GMP PROCESS OVERVIEW

- Step 1: GMP Submitted by Turner/Ozanne/VAA
- Step 2: GMP Reconciliation
- Step 3: Documentation/Council Approval





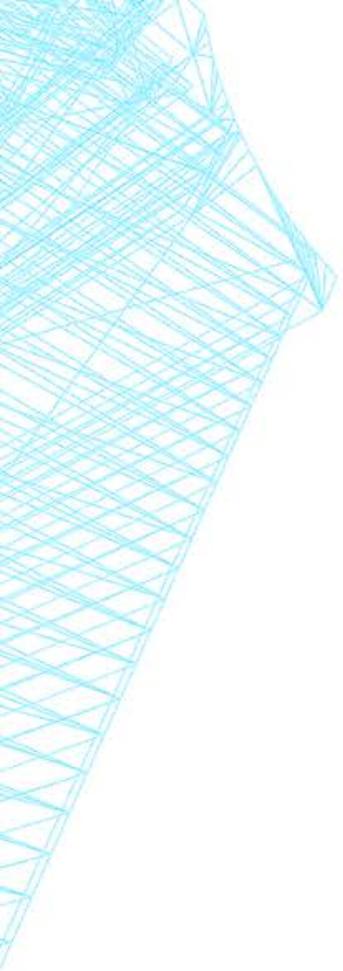
# GMP UPDATE

## GMP Negotiation

- Received “official” GMP proposal on April 4
- Continuous Reconciliation Meetings– April 7-April 15
- Initial GMP ---\$234M (includes all pre-construction, construction, and closeout; architect of record services, management services, wrap up insurance and contractor default insurance; completion guarantee from corporate parent and contingency)
- Final (Reconciled GMP) – \$216.8M

## How did we get there?

- Process Modifications:
  - E.g. Prompt payment terms (worth \$1M)
- Value Engineering
  - Examples
    - Back of the house efficiencies
    - Tub/shower mix in guest rooms
    - More efficient guest bathroom configuration
- Elimination of Scope Duplication
- Scope Clarification
- All Critical (and Public) Elements Retained



# HOW DOES GMP IMPACT BUDGET?

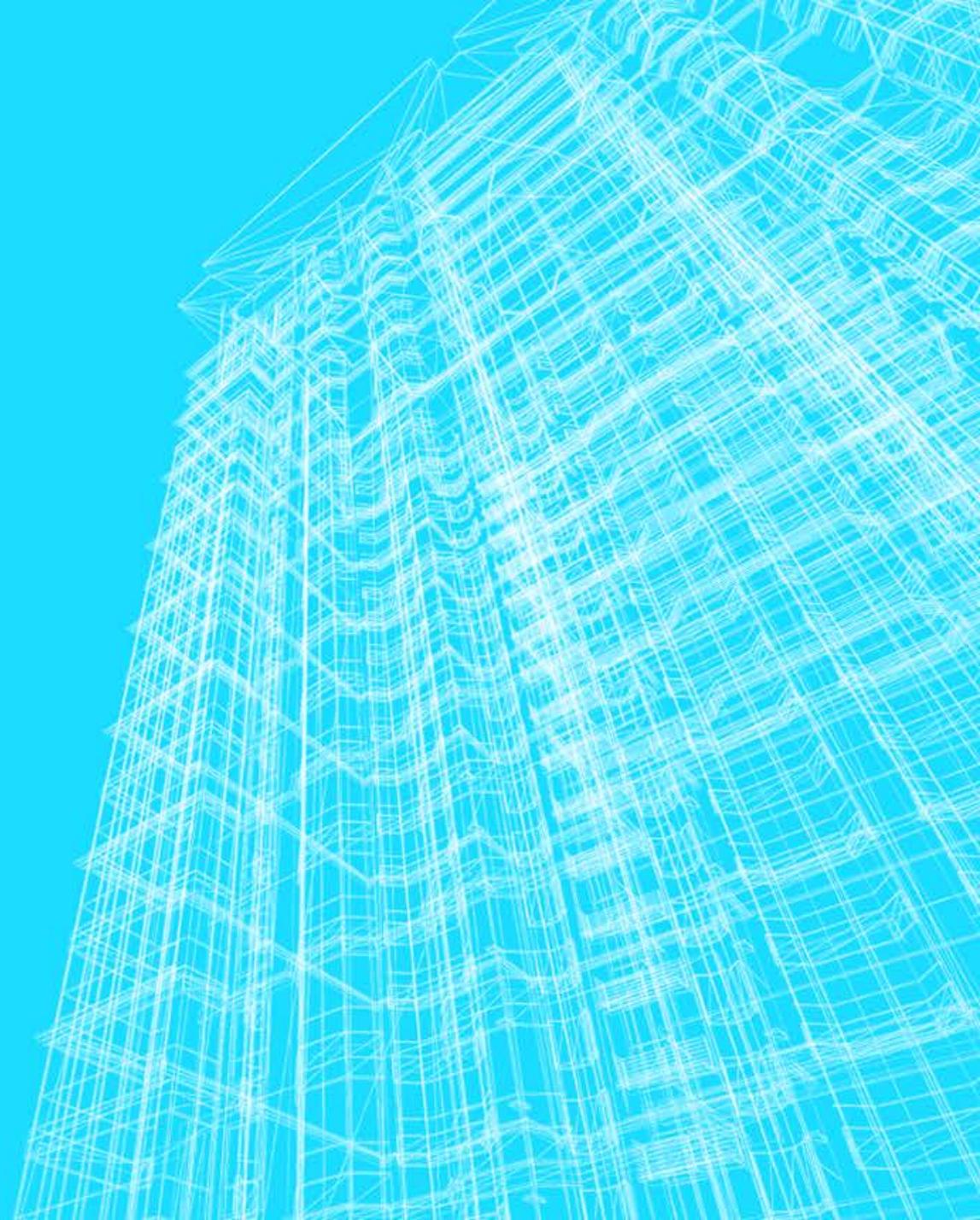
- Both Sources and Uses have Somewhat Increased
  - The same revenue sources are generating more revenue than previously anticipated
    - Revenue opportunities in hotel (bar, laundry, health rooms, etc.)
    - Improved economic conditions (interest rates)
    - Terms and Conditions of deals
  - Some increased costs as well
    - Deep caisson foundation system added both cost and time
      - Studies showed that anticipated mat foundation had too much long term deflection
      - Deep foundations added \$7M Direct cost +\$1M acceleration
      - Additional Acceleration = \$3M to complete by April 1, 2016– but produces additional economic benefit



# HOW DOES GMP IMPACT BUDGET?

- County Development Budget is Approximately \$272M exclusive of
  - Design Development Contingency (\$4M)
  - Other contingencies built into financing model (to be presented next week)
  - Note: No contingency within the Development Budget has been used
- Bottom line:
  - Project is within overall development budget with sufficient additional contingency both within and “on top of” the Development Budget
  - Project scope has remained intact (number of rooms, meeting and restaurant space, level of finish, etc.) with certain revenue producing additions (roof top bar; laundry; health rooms, etc.)
  - Space is first class, state- of- the- art
    - E g., Grand Ballroom is 22,000 sf and Jr Ballroom is 13,500 (Renaissance Grand Ballroom is advertised at 14,900 )

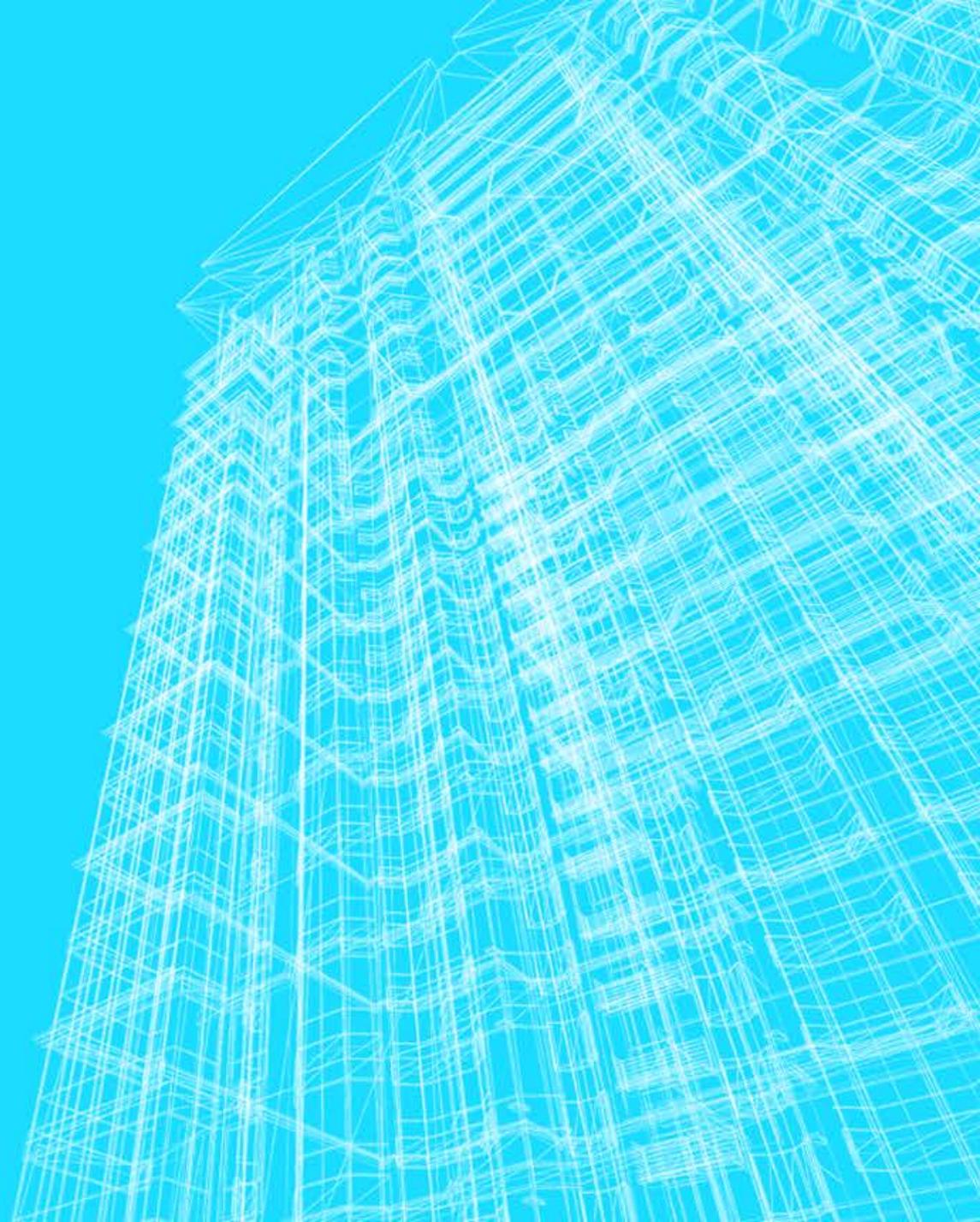
# QUALIFIED MANAGEMENT AGREEMENT (QMA) WITH HILTON

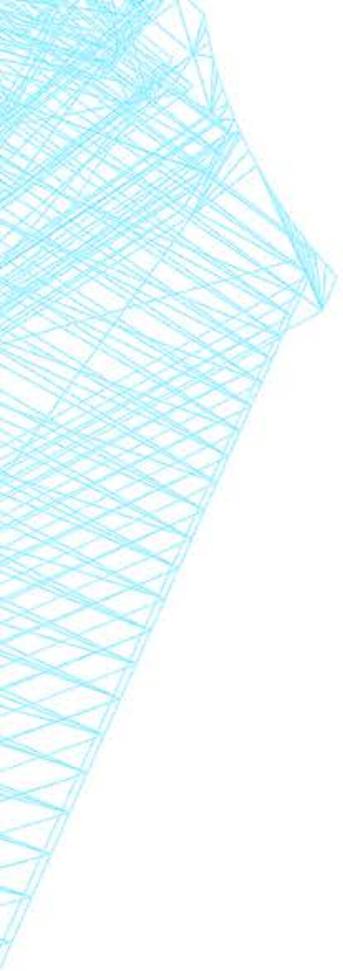


# QMA

- Negotiations On-going
- All Critical “Major” Issues Resolved as of this Morning
- Parties Working through Revised Draft; Miscellaneous Issues Still Being Resolved
- No Material Modification to Financial Terms; (Subject to Bond Counsel/Tax Review of Certain Variable Charges on Hotel Services)

# FINANCING PLAN





# PROJECT FINANCING

- Rating Agency Presentations Completed last week
- On Schedule for Hotel Financing
- Sources and Uses to be presented at or prior to April 22 Meeting