

ADD-ON

Agenda Item No:

5A2

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date: September 23, 2008 [] Consent [X] Regular
[] Public Hearing
Submitted By: Administration
Submitted For: Administration

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to: *A)* Reject proposed Amendments to Agreements; and *B)* Initiate procedures for contract termination of the Development Agreement (R2007-0579), Hotel Lease (R2007-0580), Residential Land Lease (R2007-0581), and Hotel Room Block Agreement (R2007-0582), with Ocean Properties, LTD and its affiliates to construct the Convention Center Hotel, Residential Condominiums, Garage and Tunnel.

Summary: On April 10, 2007, the Board of County Commissioners (BCC) approved a Development Agreement (R2007-0579), Hotel Lease (R2007-0580), Residential Land Lease (R2007-0581), and a Hotel Room Block Agreement (R2007-0582) for the construction of a 400 room first-class Westin Convention Center Hotel, 104 condominium units, an 1809 space parking garage and a tunnel to connect the garage to the north Convention Center drop off area. Ocean Properties has formally requested that the following Amendments to the Agreements be made due to the fact that they are unable to fulfill their obligations under the Agreements: (1) A reduction in the number of hotel rooms from 400 to 340, (2) elimination of the 104 condominium units, (3) a reduction in the number of parking spaces to be purchased by Ocean Properties from 581 to 69 (A total of 300 spaces are needed for the hotel, 271 will be provided under the hotel and 69 will be provided in the garage) with an option to purchase 500 spaces in the future, (4) a modification to the PILOT payment schedule, (5) a modification to the garage construction commencement date from April 2008 to April 2009, (6) a modification to the garage completion date from January 2009 to January 2010, (7) a modification to the hotel construction commencement date from June 2008 to June 2009, (8) a modification to the hotel construction completion date from April 2010 to December 2010, and (9) an increase in the maximum event room block from 75% of the Hotel's total inventory (400 x 75%= 300 rooms) to 80% (340 x 80%= 272 rooms). Attachment "A" provides a comparison summary of the requested Amendments to the requirements under the executed Agreements.

Summary: Continued on Page Three

Background and Justification: See Page Three

Attachments:

1. Attachment A – Comparison Summary
2. Attachment B – Motion passed by the TDC
3. Attachment C – Draft Copy for Discussion Purposes: Conventions, Sports & Leisure's Analysis dated September 12, 2008
4. Attachment D – Outline of March 2005 Settlement Agreement
5. Attachment E – Letter Dated September 5, 2008, from Convention Center Hotel Developers, LLC

Recommended by: Shannon G. By 9-18-08
Department Director Date

Approved By: Shannon G. By 9-23-08
Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2008	2009	2010	2011	2012
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs	_____	_____	_____	_____	_____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County)	_____	_____	_____	_____	_____
	*				
NET FISCAL IMPACT	=====	=====	=====	=====	=====
# ADDITIONAL FTE POSITIONS (Cumulative)	_____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes ____ No ____

Budget Account No: Fun ____ Dept ____ Unit ____ Object ____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

C. Department Fiscal Review: _____

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

- * The County had proposed to finance this project with non-ad valorem revenue bonds plus the cost of the land for the hotel, the debt service on the parking garage and tunnel were to be paid with the Tourist Development Tax. All other debt service was to be paid from non-ad valorem revenues.

Although the contract is being terminated with Ocean Properties, LTD the project and fiscal impact remain unchanged at this time.

atwillhite 9.19.08
OFMB
(MD) 9/18
CN 9/18/08

Don J. Dooey 9/19/08
Contract Development & Control
9/19/08

B. Legal Sufficiency:

James C. Miller 9/24/08
Assistant County Attorney

C. Other Department Review:

Department Director

Summary continued:

On June 12, 2008, the Tourist Development Council (TDC) recommended to the Board of County Commissioners that they continue to move forward with a Convention Center Hotel of 400 rooms and the construction of a garage as quickly as possible, with a completion date for the hotel no later than December 2010 and the garage completed by January 2010, or sooner. The TDC supported using the fifth (5th) cent to fully fund the garage within limits of the bed tax. Attachment "B" is a copy of the Motion passed by the TDC. On September 12, 2008, a study initiated by the Tourist Development Council and the Convention and Visitors Bureau concluded that any reduction to the currently planned 400 room inventory would place the Palm Beach County Convention Center significantly behind competitive/comparable convention centers. A copy of the report is included as Attachment "C".

Since the April 10, 2007 BCC approval date, the following has been accomplished as required under the Development Agreement:

- 1) August 7, 2007 – The County received a letter from Mayor Lois Frankel acknowledging that the County has satisfied the requirement in the Settlement Agreement to select an independent architect to review the Hotel Site Project Plans for the compatibility with the architectural design of City Place.
- 2) August 7, 2007 – The County received a letter from Mayor Lois Frankel confirming that the approved condominium designs have been reviewed by the City and the CRA and determined by the Property Appraiser to be designed to achieve the Condominium Taxable Value of \$32 million as required by the Settlement Agreement.
- 3) September 18, 2007 – The West Palm Beach Planning Board recommended approval of the Site Plan for the Convention Center Hotel, Condominiums, Garage and Tunnel.
- 4) October 22, 2007 – The West Palm Beach City Commission approved the Site Plan for the Convention Center Hotel, Condominiums, Garage and Tunnel.
- 5) December 14, 2007 – The County received notification from WPB West, LLC that they intend to enter into a Construction Agreement with Catalfumo Construction and Development as the General Contractor for the Garage.
- 6) February 6, 2008 – The County received a draft Guaranteed Maximum Price for the construction of an 1837 space garage, of which the County's portion is \$34,653,755. This GMP is \$5,346,245 below the maximum price established in the Agreement of \$40,000,000.

The construction plans for the garage are substantially complete. The schematic design drawings for the hotel and condominiums are substantially complete. The construction plans for the hotel and condominiums are approximately 60% complete. No County funds have been expended to date to reimburse Ocean Properties for the garage design and permitting.

In March 2005, Palm Beach County entered into a Settlement Agreement related to the Convention Center Hotel site. The obligations of Ocean Properties under the Settlement Agreement will be assigned to any substitute developer. A summary of the obligations are included as Attachment "D". Staff received a letter dated September 5, 2008, from Ocean Properties stating that they will agree to terminate our mutual contractual relationship to develop the Convention Hotel. A copy of this letter is included as Attachment "E". Countywide (JM and HF)

Background and Policy Issues: In January of 2004, the County issued RFP No. 2004-01-RCH to develop a first class hotel containing a minimum of 350 rooms. On June 1, 2004, the Board of County Commissioners (BCC) selected Ocean Properties as the Developer for a 400 room first class Convention Center Hotel and 104 Residential Condominiums units. On March 15, 2005, the County, the City of West Palm Beach, the West Palm Beach Community Redevelopment Agency, City Place Retail, LLC, City Place Partners entered into a Settlement Agreement to resolve litigation regarding the acquisition of the Convention Center Hotel site. On April 26, 2006, the BCC directed staff to relocate the Hotel parking spaces from the hotel site to a garage to be constructed by Ocean Properties on the Convention Center expansion property. On September 12, 2006, the BCC adopted an Ordinance levying an additional one-cent in Tourist Development Tax for improvements to the Convention Center. On April 10, 2007, the BCC approved the Development Agreement (R2007-0579) with Ocean Properties, LTD, Convention Center Hotel Development, LLC, Convention Center Residential Development, LLC, Convention Center Garage Development, LLC and Convention Center Tunnel Development, LLC to construct the Convention Hotel, Residential Condominiums, Garage and Tunnel; a Hotel Lease (R2007-0580) with WPB West, LLC an affiliate of Ocean Properties, LTD; a Residential Land Lease (R2007-0581) with WPB West, LLC, an affiliate of Ocean Properties, LTD; and a Hotel Room Block Agreement (R2007-0582).

ATTACHMENT “A”

**Attachment A
Convention Center Hotel Agreement
Comparison Summary**

	Executed Contract Terms	Proposed Terms
No. Hotel Rooms	400	340
Hotel Subsidy	\$21 mill	\$21 mill
Annual Debt Service (P & I)	\$ 1.7 m/yr	\$ 1.7 m/yr
No. Condo Units	104	0
Tower 2 Podium Investment (1)	\$ 10 mill	\$ 10 mill
Garage Investment		
County	\$ 34.6 mill	\$ 44.7 mill (2 & 3)
Ocean	\$ 11.5 mill	\$ 1.4 mill
Space Ownership		
County	1,256	1,768
Ocean	581	69
PBC Debt Service (Bed Tax)	\$ 2.8 mill/yr	\$ 3.6 mill/yr
PILOT Payments (See Schedule)		
Commencement	April 2008	Dec 2010
Total Payments (\$ Gross)	\$180,328,026	\$180,328,026
Payback of Subsidy (Gross \$)	19 Yrs	25 Yrs
PV of PILOT Payments (2004)	\$31.7 mill	\$ 25.1 mill (4)
PV of PILOT Payments (2008)	\$72.1 mill	\$ 65.4 mill (4)
Garage Commencement Date	April 2008	April 2009
Garage Completion Date	January 2009	January 2010
Hotel Commencement Date	June 2008	May 2009
Hotel Completion Date	April 2010	Dec 2010
City Payments: (5)	Tax based on \$32m Paid by Ocean/ Condo Owner	Taxes will be paid by Ocean on the earlier construction of Tower 2 or on the \$32 mill assessment starting in year 16 of operation
Hotel Land Lease Term	99 Years	99 Years

Notes

- (1) The approved site plan includes two towers. The first tower, Tower 1, includes 400 hotel rooms and the second tower, Tower 2, includes 104 condominium units. Ocean is proposing to construct the foundation underneath Tower 2 (\$10 mill investment) now but will not guarantee that condominiums or additional hotel rooms would ever get built above it.
- (2) Under the executed Development Agreement, Ocean is to construct the garage and pay for 581 spaces. Under the proposed amendments they will purchase 69 spaces initially, with an option to purchase 500 spaces (\$10,500,000) in the future. 69 spaces are needed in the garage to obtain a total of 340 spaces for the hotel. 271 spaces will be provided under the hotel and 69 will be provided in the garage.
- (3) The 500 future optional spaces would have to be financed with Taxable Bonds. This would increase the interest rate on the bonds by approximately 2.5 %.
- (4) The Present Value of a sum of money to be received at a future date is determined by discounting the future value at the interest rate that the money could earn over the period, in this case 99 years. A Discount Factor of 2% was used to calculate the Present Value in 2008 dollars and a Discount Factor of 4.6 % was used to calculate the Present Value in 2004 dollars.
- (5) Under the current Agreement, Ocean is required to pay taxes on the condominium units to the City of WPB. Under the revised proposal, if no improvements were ever built on the residential land (Tower 2), then Ocean is proposing to pay the City of WPB taxes beginning in Year 16 of operations based on a value of \$32 million at that time. Prior to Year 15 no payments would be made unless improvements were built on Tower 2. Tax payments to the City would be based on the actual taxable value of the improvements.
- (6) Ocean has spent between \$4 - \$5 million on the design of the hotel and garage. The County has not reimbursed Ocean for any funds related to the garage design and permitting as we are not contractually obligated to do so at this time.

	Lease Payments	
	Executed Contract	Proposed Terms
1-2	\$500,000	\$ 0
3-7	\$500,000	\$500,000
8	\$1,346,896	\$500,000
9	\$1,373,834	\$500,000
10	\$1,401,311	\$500,000
11	\$1,429,337	\$500,000
12	\$1,457,924	\$500,000
13	\$1,487,082	\$500,000
14	\$1,516,824	\$500,000
15	\$1,547,160	\$500,000
16	\$1,578,103	\$500,000
17	\$1,609,665	\$500,000
18	\$1,641,859	\$1,641,859
19	\$1,674,696	\$1,674,696
20	\$1,708,190	\$1,708,190
21	\$1,742,354	\$1,742,354
22	\$1,777,201	\$1,777,201
23	\$1,812,745	\$1,812,745
24	\$1,849,000	\$1,849,000
25	\$1,885,980	\$1,855,980
26	\$1,923,699	\$1,923,699
27	\$1,962,173	\$1,962,173
28-73	\$2,001,417	\$2,001,417
74-99	\$2,001,417	\$2,414,807
Gross Total w/o WPB Tax	\$180,328,026	\$180,328,026

ATTACHMENT “B”

Position taken by the TDC Board at their regular meeting on Thursday, June 12, 2008 with unanimous approval of 7-0. (Dave Burke and Mami Kisner absent from the meeting)

The TDC recommends the Palm Beach County Board of County Commissioners continue to move forward with a convention center hotel of 400 rooms and the construction of a garage as quickly as possible with a completion date for the hotel no later the December, 2010 and the garage completed by January, 2010 or sooner. The TDC will support using the 5th cent to fully fund the garage within limits of the bed tax. The TDC would also recommend that the board of county commissioners reach an accord with Ocean Properties during their discussion on Tuesday, June 17, at the BCC meeting.

(Commissioner Moss, as Vice-Chair of the TDC, will be presenting this position to the BCC at their June 17th meeting, per Commissioner Greene.)

ATTACHMENT “C”

5A2



Attachment C

September 18, 2008

Mr. Dave Anderson
General Manager
Palm Beach County Convention Center
650 Okeechobee Boulevard
West Palm Beach, FL 33401

Mr. Jorge Pesquera
President & CEO
Palm Beach County Convention and Visitors Bureau
1555 Palm Beach Lakes Blvd., Suite 800
West Palm Beach, FL 33401

Dear Mr. Anderson and Mr. Pesquera:

Conventions, Sports & Leisure ("CSL") has completed an analysis of convention center hotel needs in Palm Beach County, particularly as they relate to the Palm Beach County Convention Center. The attached report presents our research, analysis and findings and is intended to assist County representatives in evaluating future hotel development issues regarding the Convention Center.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

CSL International

Introduction

CSL was retained to perform an analysis of convention center hotel needs in Palm Beach County, particularly as they relate to the Palm Beach County Convention Center. The availability of hotel rooms is a critical element in the site selection process for event planners. The capture of non-local conventions, meetings and tradeshow in any market cannot exceed the ability of the hotel inventory to accommodate out of town event attendees. For meeting planners, hotel inventory is measured in several ways:

- Total hotel inventory of rooms that are of sufficient quality for the event ("convention quality"),
- Convention quality rooms that hotels are willing to offer or commit for a room block ("committable rooms"),
- Hotels located within easy walking distance of the center, and
- Hotel rooms in an adjacent or attached headquarter hotel or hotels.

Our research into meeting planner event requirements has consistently indicated that 80 to 90 percent of planners require the availability of an adjacent or attached headquarters hotel. In addition, meeting planners seek to minimize the number of hotel properties used to assemble a block of convention quality committable hotel rooms.

Taking these industry conditions into consideration, we have undertaken the following specific research efforts:

- Analysis of comparable and competitive convention center and hotel inventory characteristics.
- Interviews with Palm Beach County convention and tourism representatives.
- Surveys of planners of conventions, tradeshow and meetings.

The results of these research steps are discussed below, followed by a summary of overall findings.

1.0 Analysis of Comparable and Competitive Convention Center and Hotel Inventory Characteristics

As part of our analysis, we have reviewed specific convention center and hotel characteristics for the following destinations:

- Charlotte
- Fort Lauderdale
- Little Rock
- Mobile
- Myrtle Beach

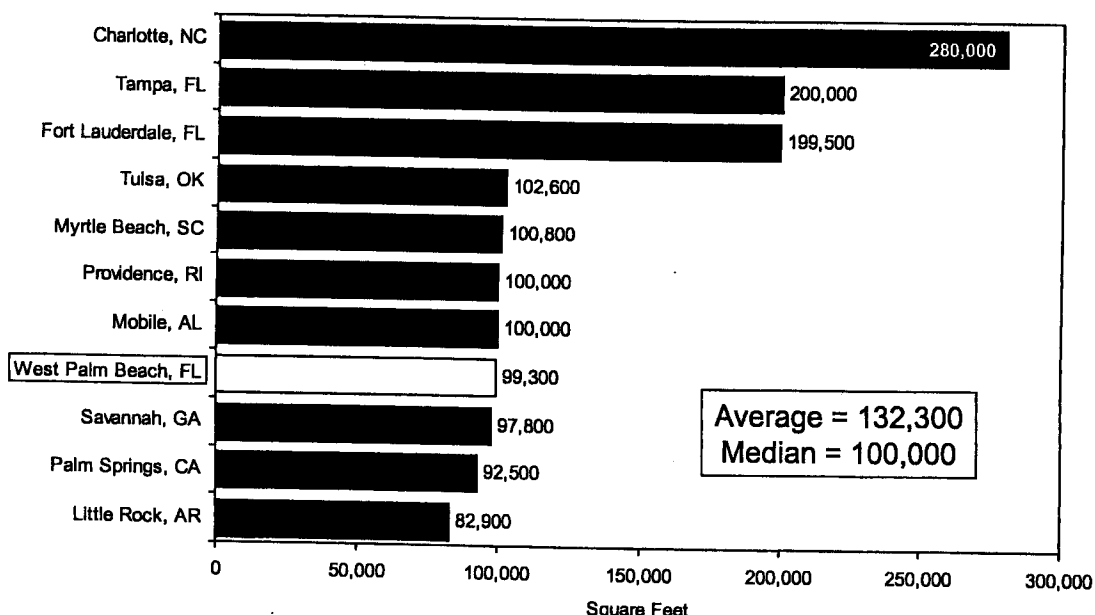
- Palm Springs
- Providence
- Savannah
- Tampa
- Tulsa

These are not all the markets with which the Palm Beach County Convention Center (PBCCC) competes, however this market set provides for a useful comparison as to how the PBCCC and the Palm Beach area market is positioned in terms of center and hotel inventory.

1.1 Convention Center Space

Prior to exploring the hotel issues, it is useful to evaluate the size parameters of the convention centers that operate in each of the comparable/competitive markets. As indicated in Exhibit 1, the 99,300 square feet of exhibit space at the Palm Beach County Convention Center (PBCCC) ranks comparable to most of the markets reviewed, with Charlotte, Tampa and Fort Lauderdale providing substantially larger centers.

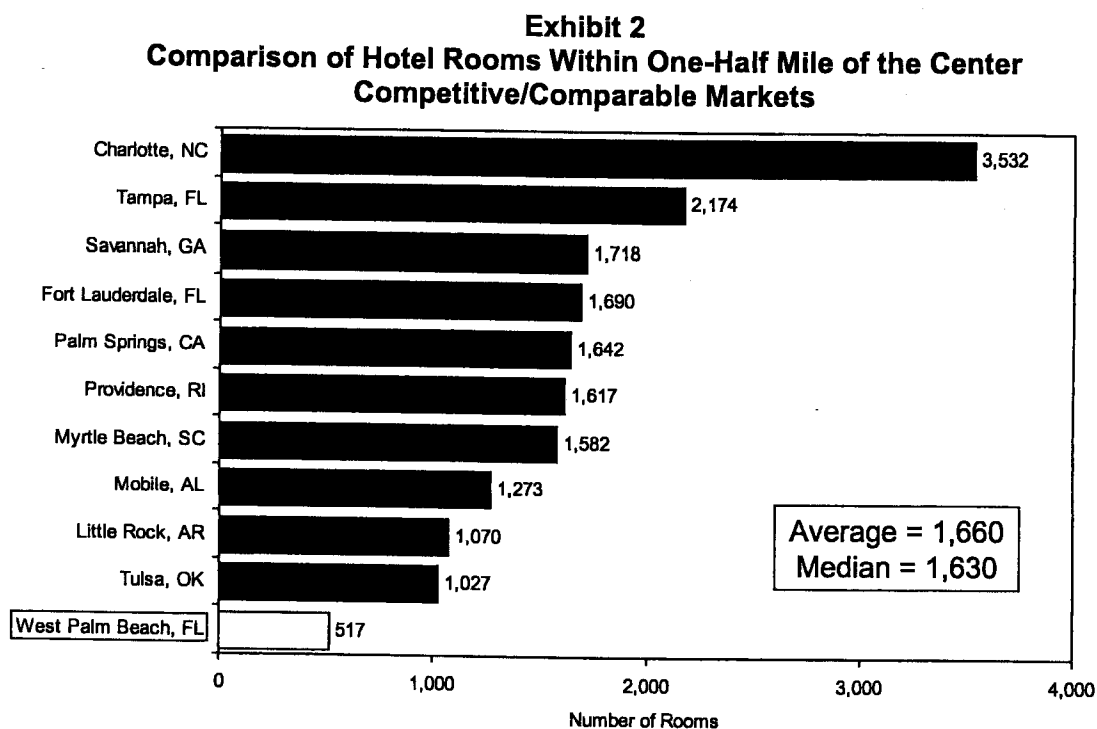
Exhibit 1
Comparison of Prime Exhibit Space
Competitive/Comparable Centers



The meeting and ballroom space at the PBCCC also rank near the median of the facilities reviewed.

1.2 Hotel Inventory

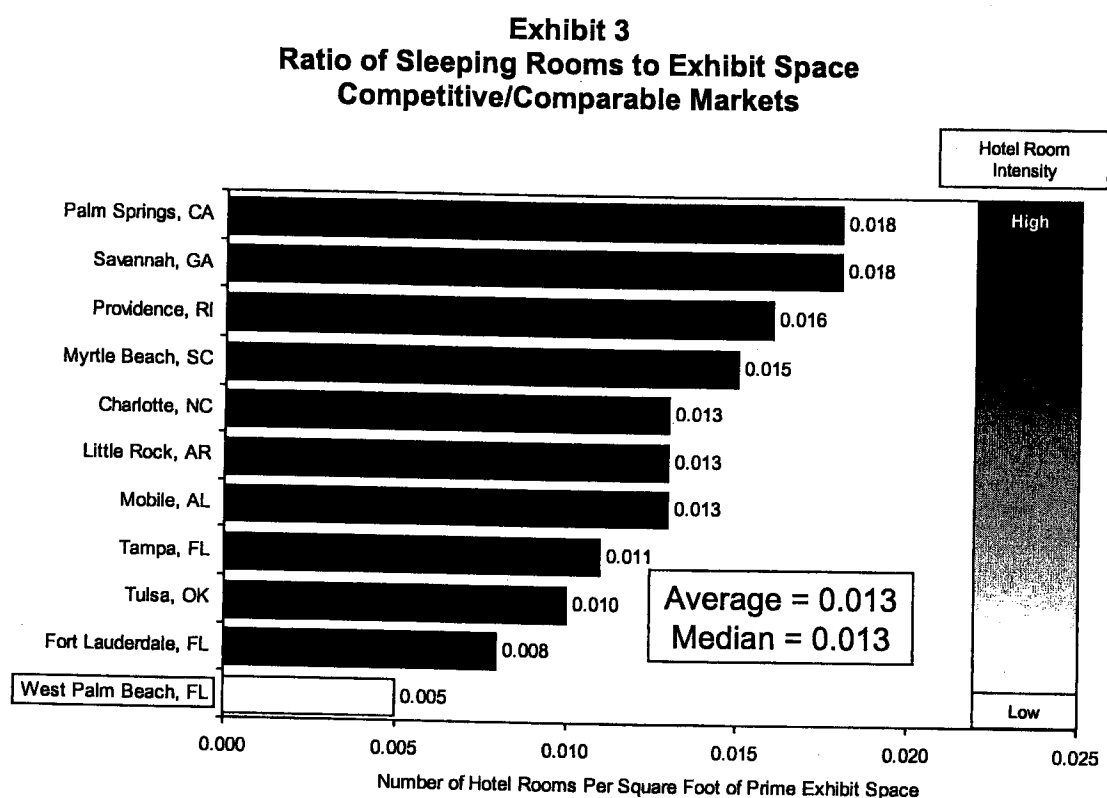
As noted above, the capture of convention and tradeshow events in any market cannot progress beyond the limits of the convention quality, committable hotel inventory. Exhibit 2 highlights the number of hotel rooms located within one-half mile of the convention center in each of the markets reviewed.



Source: Destination Marketing Association International CVB Organizational & Financial Profile, 2007; Convention and Visitors Bureaus, 2008.

As outlined above, the 517 hotel rooms located within one-half mile of the PBCCC ranks last among the competitive/comparable market set, and significantly lower than even the next to last market (Tulsa). Even with an additional 400 rooms adjacent to the PBCCC, the hotel inventory would still rank last.

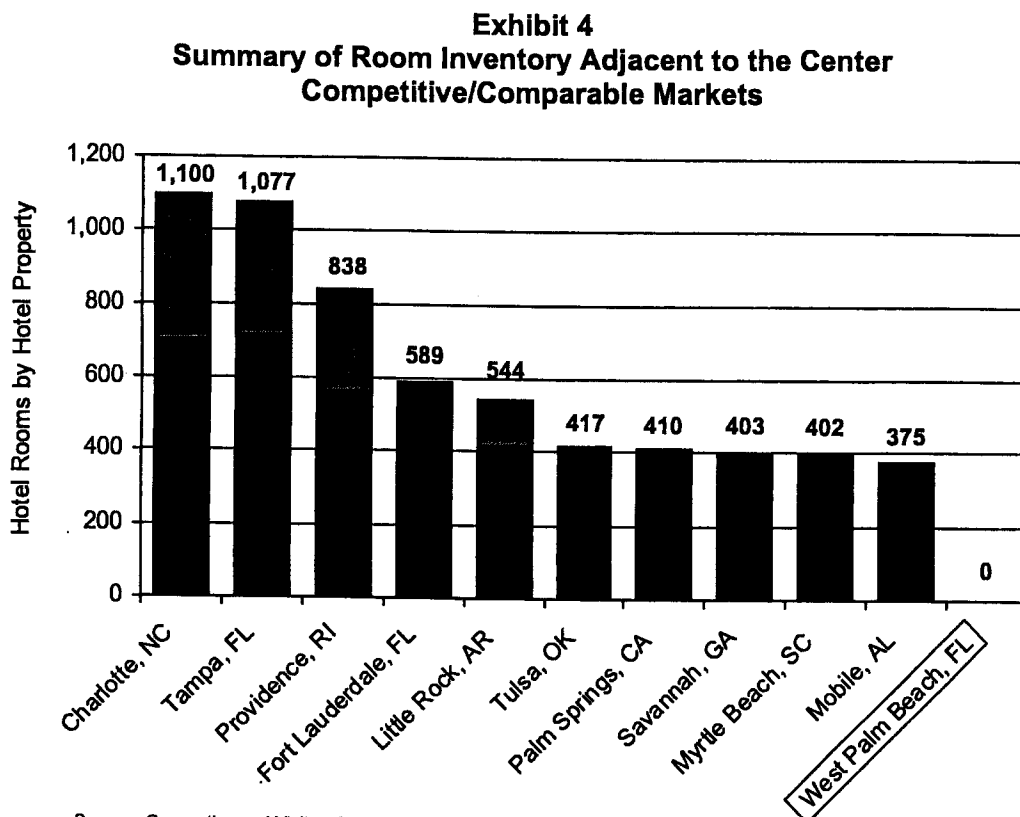
Exhibit 3 presents the ratio of exhibit space to hotel rooms within ½ mile of the center for each of the markets reviewed. This measure provides an indication as to the relative balance between convention center space and hotel inventory.



As shown in the exhibit, there is a very low ratio of hotel rooms to exhibit space for the PBCCC, substantially lower than Fort Lauderdale (the next lowest ratio), and plans are under way for a new 1,000 hotel adjacent to the Broward County Convention Center.

A total of approximately 1,300 rooms would be needed within one-half mile of the PBCCC in order to reach a competitive/comparable market average ratio of rooms to exhibit space.

Exhibit 4 presents the number of sleeping rooms at properties adjacent to the convention center in each of the markets reviewed.



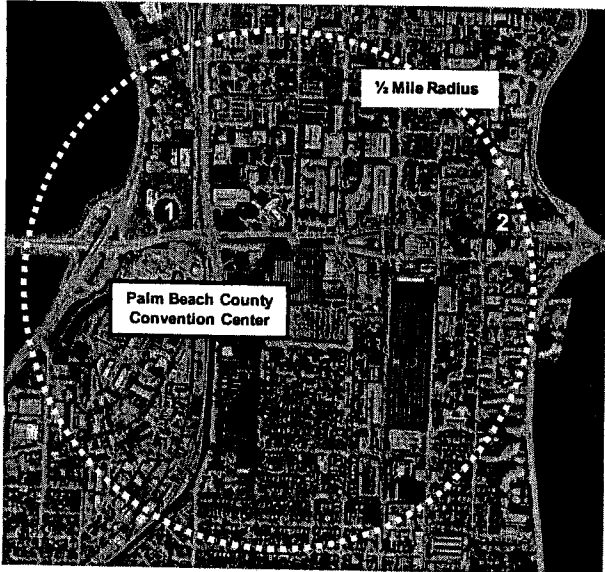
As outlined above, the competitive/comparable market hotel inventory adjacent to the convention center ranges from just under 400 in Mobile, up to nearly 1,100 in Charlotte and Tampa. It should be noted that in Mobile there is a 238 room Renaissance Hotel near the Center that is operated jointly with the Renaissance Riverview Plaza, together comprising 613 rooms. In Savannah, Convention Center officials have retained a transaction consultant to assist in developing a new 500 room property which would provide for a total of 900 rooms adjacent to the Center.

Today there are no properties adjacent to the PBCCC, and the proposed 400 room property would position the Center at the low end of the competitive/comparable market set.

The following set of exhibits present aerial photographs that highlight the hotel inventory near the convention center in several of the markets reviewed. As shown in the exhibits, larger sized markers for the properties show indicate a larger room count.

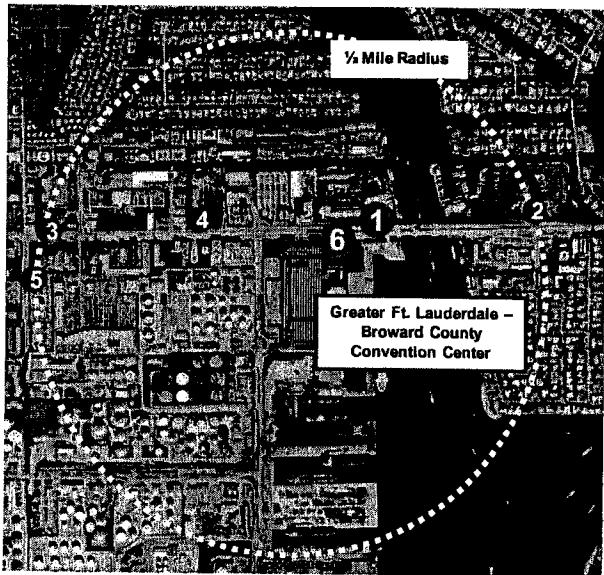
Analysis of Hotel Conditions Regarding the Palm Beach County Convention Center
 September 18, 2008

West Palm Beach



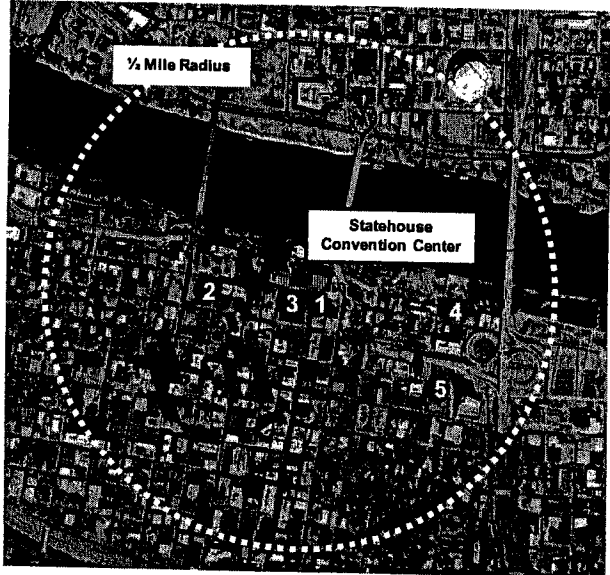
- 1 – West Palm Beach Marriott (352 rooms)
- 2 – Hyatt Place West Palm Beach (165)

Fort Lauderdale



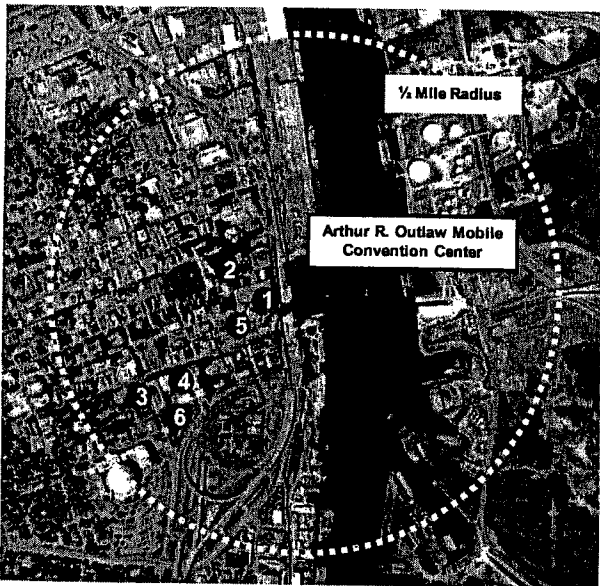
- 1 – Fort Lauderdale Grande Hotel (589 rooms)
- 2 – Hyatt Regency Pier Sixty-Six (384)
- 3 – Embassy Suites Hotel (358)
- 4 – Renaissance Fort Lauderdale (233)
- 5 – Hyatt Place Fort Lauderdale (126)
- 6 – Planned Hilton (up to 1,000 rooms)

Little Rock



- 1 – Peabody Little Rock (418 rooms)
- 2 – Doubletree Hotel Little Rock (287)
- 3 – Capital Hotel (126)
- 4 – Courtyard by Marriott Downtown (120)
- 5 – Hampton Inn River Market (119) (Opening October 2008)

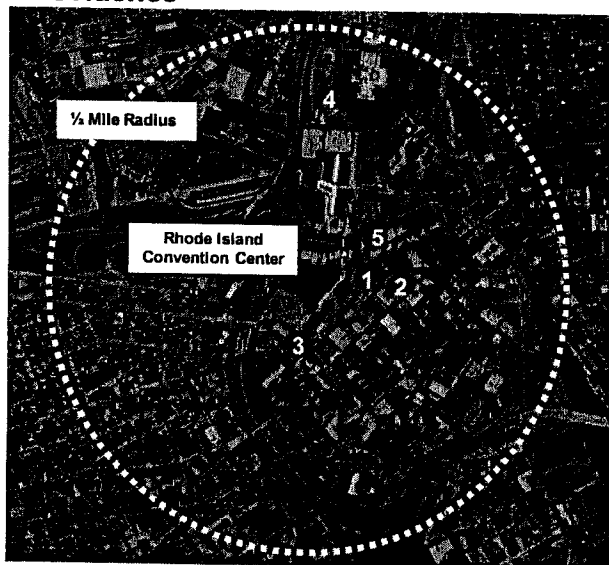
Mobile



- 1 – Renaissance Riverview Plaza (375 rooms)
- 2 – Battle House, A Renaissance Hotel (238)
- 3 – Holiday Inn Downtown (209)
- 4 – Radisson Admiral Semmes (170)
- 5 – Hampton Inn and Suites (150) (Opening January 2009)
- 6 – Ramada Inn – Civic Center (131)

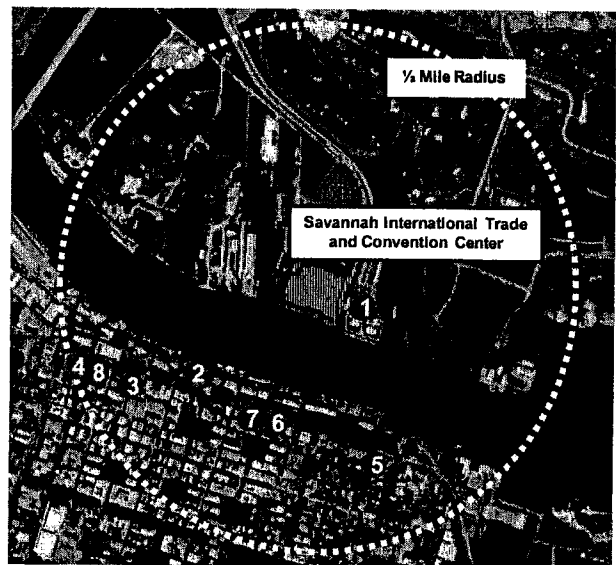
Analysis of Hotel Conditions Regarding the Palm Beach County Convention Center
September 18, 2008

Providence



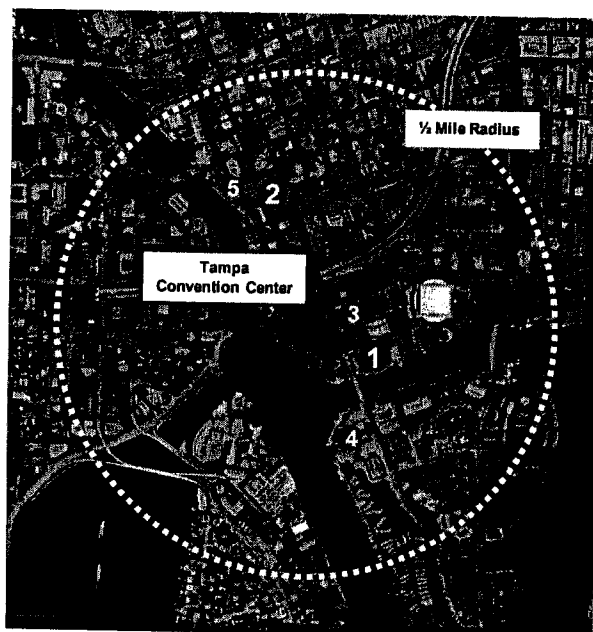
- 1 – The Westin Providence (564 rooms)
- 2 – Providence Biltmore (291)
- 3 – Hilton Providence (274)
- 4 – Renaissance Providence (272)
- 5 – Courtyard by Marriott (216)

Savannah



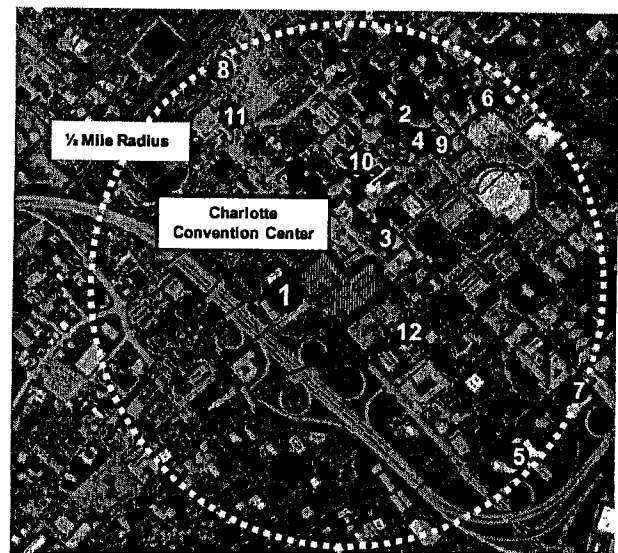
- 1 – The Westin Savannah Harbor (403 rooms)
- 2 – Hyatt Regency Savannah (347)
- 3 – Inn at Ellis Square (252)
- 4 – Doubletree Hotel (150)
- 5 – The Mulberry Inn (145)
- 6 – The Hampton Inn Historic District (145)
- 7 – Holiday Inn Express Savannah (143)
- 8 – Hilton Garden Inn (133)

Tampa



- 1 – Tampa Marriott Waterside (717 rooms)
- 2 – Hyatt Regency (521)
- 3 – Embassy Suites (360)
- 4 – Westin Harbour Island (299)
- 5 – Sheraton Tampa Riverwalk (277)

Charlotte



- 1 – Westin Charlotte (700 rooms)
- 2 – Charlotte Marriott Center City (434)
- 3 – Hilton Charlotte Center City (400)
- 4 – Omni Charlotte Hotel (374)
- 5 – The Blake Hotel (308)
- 6 – Holiday Inn – Center City (296)
- 7 – Crowne Plaza Hotel (193)
- 8 – Charlotte Center City Courtyard by Marriott (181)
- 9 – Aloft Charlotte Uptown at the EpiCentre (176) (Opening Nov 2008)
- 10 – Hilton Garden Inn Charlotte Uptown (171)
- 11 – Residence Inn by Marriott (150)
- 12 – Hampton Inn Charlotte Uptown (149)

The images shown above provide a clear sense as to the current limitations to the ability to sell the PBCCC to events that require large blocks of sleeping rooms. Markets with similar sized convention centers such as Little Rock, Providence and Mobile all offer and/or are developing multiple hotel properties within one block of their centers.

In Mobile, there are three hotels very near the center (375, 238 and 209 rooms). As noted above, the two larger properties are operated by a single management entity to create a 613 room offering. However, due to the lack of a large, single property hotel in Mobile, CVB and Center representatives are forced to look for specific groups willing to locate their group into numerous hotel properties throughout the City. In Little Rock, there are three properties very near the center (418, 287 and 126 rooms) and they are marketed in tandem to event planners to create sufficient hotel room blocks.

In Savannah, there is only one property (403 rooms) adjacent to the center with numerous properties located across the river. The single hotel has limited the ability of the center to attract events with significant non-local attendance, and as noted above, the board of the center is currently retaining a hotel transaction advisor to assist with the development of an added 500 room property adjacent to the center.

The hotel situation in Myrtle Beach has caused challenges in booking events with significant room block needs. There is only one hotel adjacent to the center (402 rooms), and this has limited the desirability of destination for meeting planners.

The Tulsa Convention Center is currently undergoing a renovation, which includes the addition of a 30,000-square foot ballroom. The destination also just recently constructed a new arena near the Center. A recent polling of meeting and event planners utilizing the Center indicated that although they are very happy with the progress in downtown, the lack of hotel rooms nearby the Center is a significant deterrent in booking events. Preliminary discussions have begun regarding trying to attract a new hotel property that could offer as many as 700 convention quality hotel rooms near the Center.

Representatives of the Palm Springs Desert Resort Communities Convention and Visitors Authority indicated that although they have a relatively large supply of hotel rooms within one-half mile of the Center, the lack of a large, single hotel property near the Convention Center limits the groups they are able to pursue.

In larger markets such as Tampa, Charlotte and Fort Lauderdale, significant hotel room inventory adjacent to the convention center is available or is being constructed.

1.3 Summary

The competitive and comparable market data presented above serve to highlight several findings that are important to consider when evaluating the future of the Palm Beach County Convention Center. These are summarized below.

- The existing hotel inventory within one-half mile of the Palm Beach County Convention Center ranks last among the set of competitive/comparable markets reviewed. This ranking does not change if a new 400 room hotel is added next to the Center.
- New headquarter hotel projects are in the planning/financing stages in Fort Lauderdale, Savannah and Tulsa.
- There is a very low balance of hotel rooms relative to convention center space in West Palm Beach. A total of approximately 1,300 rooms would be needed within one-half mile of the PBCCC in order to reach a competitive/comparable market average ratio of rooms to exhibit space.
- The smallest headquarter hotel among the markets reviewed totals 375 rooms (Renaissance Riverview in Mobile). However, this hotel is operated in conjunction with the 238 room Renaissance Battle House located two blocks from the center.
- Headquarter hotels in Little Rock, Tulsa, Palm Springs, Savannah and Myrtle Beach offer approximately 400 rooms. In most of these markets, efforts are underway to secure additional headquarter hotel inventory, or convention center marketing professionals have indicated that the lack of rooms represents a competitive disadvantage.

The data summarized above provides a clear indication that any reduction to the currently planned 400 room inventory would place the PBCCC significantly behind competitive/comparable centers. It also appears that strictly from the perspective of booking non-local conventions, meetings and tradeshow, a headquarter hotel with more than 400 rooms would be desirable.

2.0 Surveys of Meeting Planners

As part of our research, we have attempted to assess the views and opinions of planners of national, regional and state conventions. Specific efforts have included implementing a web-based survey of event planners, contacting selected planners as part of a telephone survey, and using survey data generated by CSL as part of past convention center and hotel studies. Due to study time constraints and the inherent difficulties in conducting web-based surveys, responses were limited. The results of our telephone research are still being collected, however several responses are reflected herein. The data generated as part of past CSL research, particularly as part of a study of the convention and hotel needs in Broward County, are also reflected in this study.

2.1 - Past CSL Convention and Hotel Industry Research

As part of a 2006 study into the market for convention and hotel facilities in Broward County, CSL conducted over 150 telephone interviews with planners of conventions, tradeshow and meetings. The results of this research, while not specifically directed to Palm Beach County, do offer significant insight into the needs of the meeting planner in terms of facility space and hotel inventory.

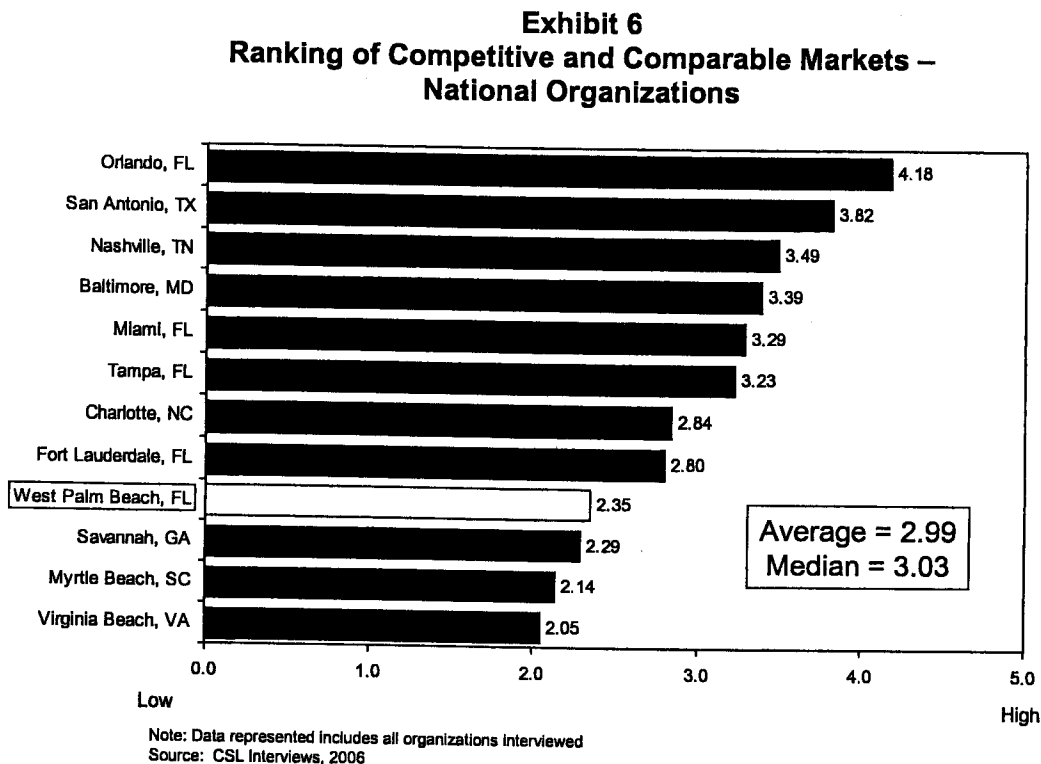
There were a total of 81 organizations surveyed that required between 10,000 square feet and 100,000 square feet of exhibit space, the space range that the existing PBCCC typically competes for. These organizations are listed in the following exhibit.

Exhibit 5
Interviewed National Organizations

Participating National Conventions and Tradeshow		
Academy of Medical Surgical Nurses	Career College Association	National Association of School Psychologists
American Academy of Optometry	CATIA Operators Exchange	National Catholic Development Conference
American Alliance for Health, Physical Education, Recreation and Dance	Chain Drug Marketing Association	National Corvette Restorers Society
American Association of Meat Processors	Civil Air Patrol	National Defense Transportation Association
American Correctional Food Service Association	Continental Exhibitions, Inc.	National Depression Glass Association
American Crystallographic Association	Cygnus Expositions	National Institute of Governmental Purchasing
American Educational Research Association	Dietitians of Canada	National Osteoporosis Foundation
American Electrolaters & Surface Finishers Society	Electrical Manufacturing and Coil Winding Association	National Rural Health Association
American Geriatrics Society	Federation of Historical Bottle Collectors	North American Association of State & Provincial Lotteries
American Helicopter Society International	Fresh Produce & Floral Council	Northwest Alfalfa Seed Growers Association
American Honda Motor Company, Inc.	Healthcare Convention & Exhibitors Association	Oldsmobile Club of America
American Medical Directors Association	Ice Skating Institute of America	Passenger Vessel Association
American Resort Development Association	Infusion Nurses Society	Play It Again Sports
American Society for Bariatric Surgery	Insurance Accounting & Systems Association	Points of Light Foundation
American Society for Bone & Mineral Research	Intergraph Mapping and Geospatial Solutions	Prestige Accommodations
American Society for Laser Medicine and Surgery	International Congress of the Federation of Hemophilia	Regulatory Affairs Professionals Society
American Society of Animal Science	International Erosion Control Association	Renaissance Learning, Inc.
American Society of Radiologic Technologists	International Window Cleaning Association	Retail Industry Leaders Association
American Statistical Association	Masters Entertainment Group	Retail Solutions Providers Association
American Telemedicine Association	Materials Research Society	Rocky Mountain Fleet Managers Association
Anthroscopy Association of North America	National Association of Advisors for the Health Professions	Sigma Xi the Scientific Research Society
Asian American Journalists Association	National Association of County Agricultural Agents	Society for Environmental Graphic Design
Association for Experiential Education	National Association of Health Underwriters	Society of Professional Well Log Analysts
Association of Christian Schools International	National Association of Insurance and Financial Advisors	Southern States Cooperative
Association of Diesel Specialists	National Association of Pastoral Musicians	Southwest Car Wash Association
Automated Imaging Association	National Association of Pediatric Nurse Associates	Tourism Industry Association of Canada
Behavioral Science Technology	National Association of RV Parks and Campgrounds	Trib Group

One of the questions asked as part of the survey process related to the desirability of various destinations in terms of hosting a convention, tradeshow or meeting. The West Palm Beach market was included as part of the set of cities reviewed. Event representatives were asked to rate each of the markets in terms of its ability to accommodate a successful event and the overall appeal and delegate perception of the market. Those questioned were asked to rate each market on a scale of one through five, with one representing the least desirable rating and five representing the most desirable rating.

The following exhibit presents a summary of these results.



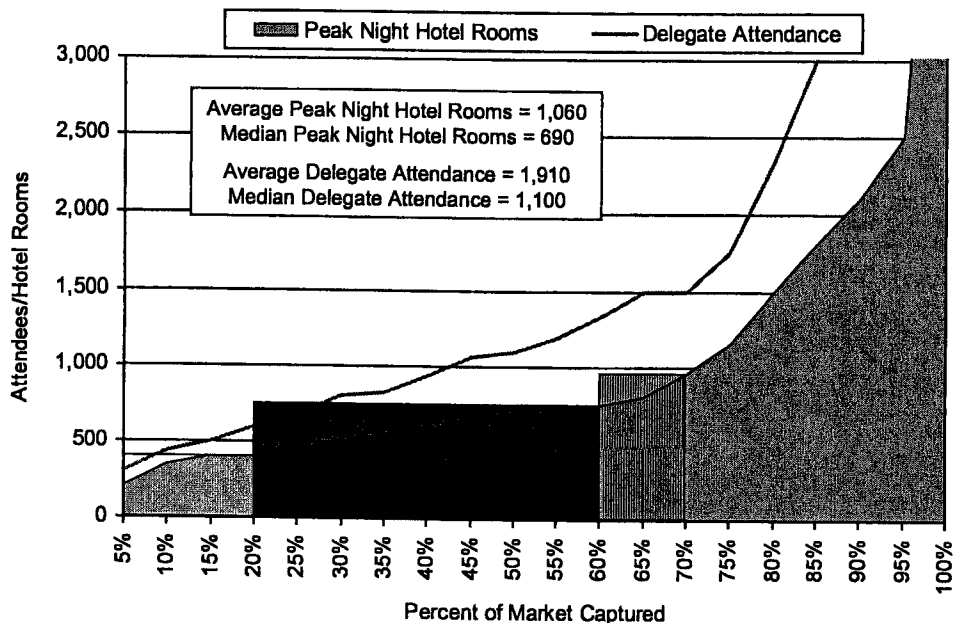
Orlando and San Antonio ranked as the top two ranked markets, with a 4.18 and 3.82 ranking, respectively. This reflects their strong national position as top tier convention destinations.

Based on the survey research of all organizations interviewed, West Palm Beach's rating of 2.35 was in the lower one-third of the competitive and comparable set and below large Florida markets such as Miami (3.29 rating), Tampa (3.23 rating) and Fort Lauderdale (2.80 rating). However, when compared to competitive regional markets such as Savannah, Myrtle Beach and Virginia Beach, West Palm Beach ranks higher than each. It is important to note that the PBCCC has not established a position as a major host for convention, tradeshow and meeting events, particularly on a national level, and not in comparison to other major Florida cities. The data suggest that the West Palm Beach brand is well positioned to compete with similar sized regional destinations. As further investment is made in hotel, entertainment and other visitor industry assets that impact the convention product, the profile of the Palm Beach market could improve as a convention destination.

As discussed previously, one of the most important aspects in attracting non-local conventions, conferences, meetings and other related events is the availability of committable, convention-quality hotel rooms. The market share captured in any community cannot expand beyond what the area hotels can accommodate. Exhibit

7 presents a summary of hotel room demand and estimated attendance associated with the national convention and tradeshow market as measured in the 2006 study.

Exhibit 7
Summary of Hotel Room Demand and Attendance
With Available Hotel Rooms in West Palm Beach –
National Organizations



Source: CSL Interviews, 2006

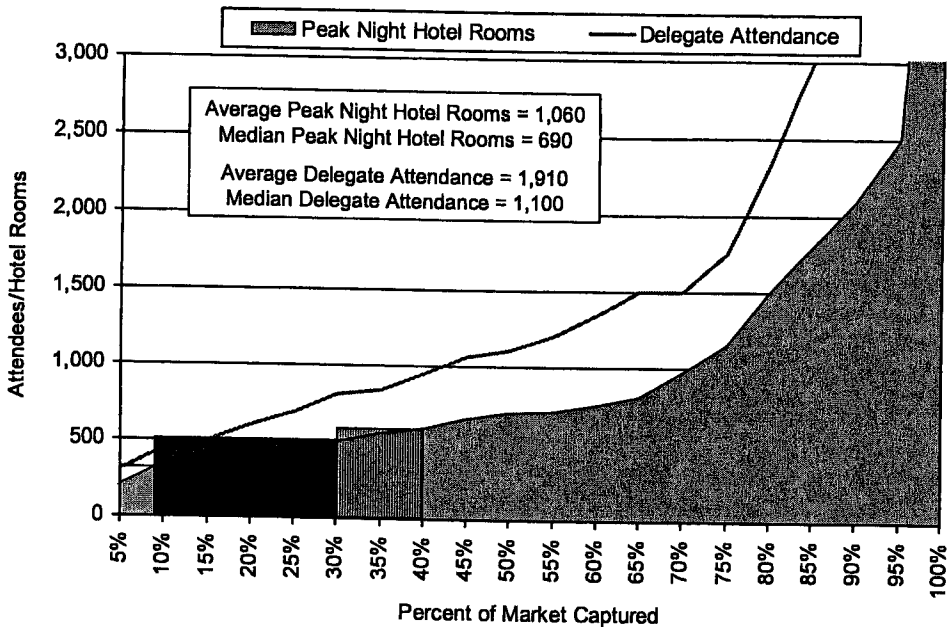
As shown, the average national convention or tradeshow event included in the survey requires approximately 1,060 peak night hotel rooms and has an average attendance of 1,910 delegates. Fifty percent of the PBCCC's potential national convention and tradeshow market consists of events utilizing approximately 690 hotel rooms or fewer and attracting 1,100 or fewer delegates. Attendance data for the event market is also represented as a red line in the chart.

The exhibit shows the percentage of the convention, tradeshow and meeting market that can be accommodated at various hotel inventories. For example, 400 rooms (proposed size of the new headquarters hotel) could accommodate up to 20 percent of market. At 752 rooms (the new hotel plus the Marriott), the room night demand for up to 60 percent of the market is accommodated. At 917 rooms (new hotel, Marriott and Hyatt Place), approximately 70 percent of the event market could be accommodated.

The above analysis assumes that 100 percent of the inventory of hotels near the PBCCC would be available for event planners. In reality, only a portion of the room inventory is available for convention events, with the remainder reserved by hotel management for in-house groups, business travelers and leisure visitors.

Based on likely room committability for convention events, Exhibit 8 highlights the level of market capture given current and potential future hotel inventory near the PBCCC.

Exhibit 8
Summary of Hotel Room Demand and Attendance
With Committable Hotel Rooms in West Palm Beach –
National Organizations



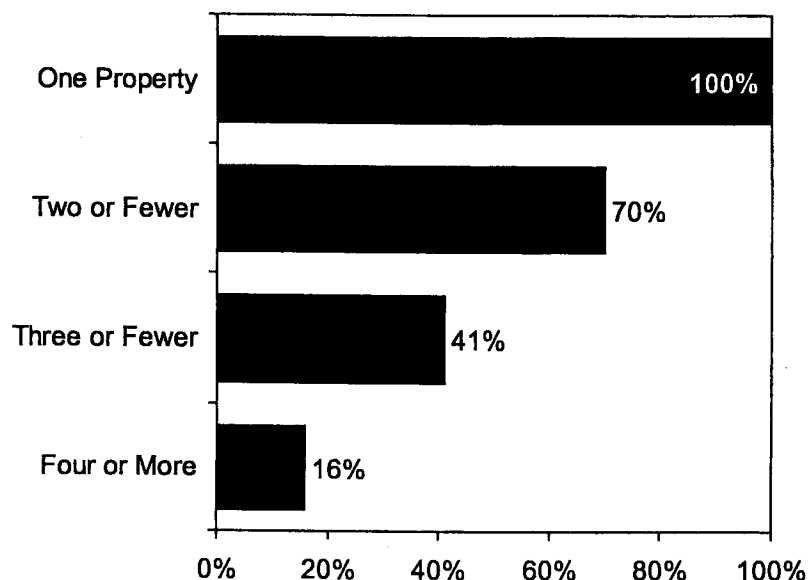
Source: CSL Interviews, 2008

As presented, the three existing or potential hotels near the PBCCC and described above are likely to provide approximately 500 total committable rooms, accommodating approximately 40 percent of the potential event market.

The impact on market capture when committable versus total rooms is considered is significant. The ability of the PBCCC to capture market share is significantly impacted not only by the total inventory of rooms, but also by the rooms available to event planners using the Center.

Since many groups have specific requirements related to a headquarters hotel being located either adjacent to or in close proximity of a host facility, survey respondents were questioned as to the total number of hotel properties they would be willing to use to assemble a room block. This analysis is presented in Exhibit 9 below.

Exhibit 9
Number of Hotel Properties Willing to Use –
National Organizations



Source: CSL Interviews, 2008

As presented, all event planners could be accommodated if all required rooms were available in a single headquarter hotel property. If a planner has to use two hotel properties to assemble a room block, it is estimated that 70 percent of the market could be accommodated. Approximately 41 percent of the market is willing to utilize up to three hotel properties to fulfill their room block. Only 16 percent of respondents indicated that they would be willing to utilize four or more hotel properties in order to achieve their respective group's room block.

The data presented above clearly indicate that if more than three properties are needed to accommodate an event, the PBCCC will be at a significant competitive disadvantage.

2.2 Surveys of Current, Past and Lost PBCCC Groups

In an effort to obtain useful feedback from event planners most familiar with the Palm Beach market, current, past and lost PBCCC users were contacted via email and asked to comment on the hotel supply of the Palm Beach convention package. Response to this survey request produced limited results; therefore, specific groups were contacted via telephone and asked to comment on their preferences regarding the hotel supply proximate to the PBCCC. The following are representative responses associated with six annual events:

Association Management Company – National Events

- A survey was completed with an association management company that oversees a variety of national events.
- Up to five of their events could potentially utilize the PBCCC.
- The events require between 400 and 800 hotel rooms on peak.
- They would likely look elsewhere to hold their event if they were unable to fit their entire room block into one property.
- The planner would also like additional hotel properties proximate to the headquarters hotel for overflow and additional options for people looking to book outside of the room block.
- The planner has considered West Palm Beach in the past and has been very impressed with the market.
- A hotel offering more than 400 rooms would better capture the potential market for events looking to utilize the PBCCC.
- A full service restaurant, an all-purpose restaurant and a snack bar available within the hotel would be important.

State of Florida Annual Conference

- The event requires 450 rooms on peak and approximately 1,000 total rooms from Tuesday through Sunday.
- They only consider venues where they would be considered a first option and can book up to three years out.
- The event occurs in late April or early May.
- The event attendees do not have a high disposable income so they require affordable hotel accommodations.
- They cannot afford to shuttle people to and from the venue, but would consider doing so if the venue would be willing to help minimize the cost.
- The planner has considered the PBCCC in the past but a lack of an affordable hotel package forced them to look elsewhere.
- The planner indicated that they would like to find a single property to utilize as a recurring venue rather than rotate to different locations annually.
- The planner believes a hotel larger than 400 rooms would be appropriate for a headquarters hotel property to accommodate groups using an event venue the size of the PBCCC.

2.3 Summary

The survey data presented above provides an indication that in order to allow the PBCCC to maximize event capture, and to provide a competitive advantage when competing with other markets, a new headquarter hotel should provide a significant

number of hotel rooms. Even at 400 rooms, and when combined with other hotels near the PBCCC, a significant share of the event market cannot be accommodated due to lack of committable hotel rooms. This is particularly true given the fact that management of hotels will not typically commit all hotel rooms to any single event.

ATTACHMENT “D”

In March 2005 Palm Beach County entered into a Settlement Agreement related to the Convention Center Hotel Site. At that time there was pending litigation related to valuation of the site and other matters. The Settlement Agreement resolved the litigation and obligated the parties to undertake certain responsibilities. The parties to the Settlement Agreement are identified below with their respective obligations agreed to as a part of the settlement.

City of West Palm Beach

1. Execute agreed upon amendment to the Declaration of Covenants for the Hotel site.
2. Expedite City functions related to construction of the hotel.

City of West Palm Beach Redevelopment Agency

1. Execute agreed upon amendment to the Declaration of Covenants for the Hotel site.
2. Agreed to allow payment for release of Hotel Site to be paid out over term of Sunshine State Loan Program. As of March 2005 the balance of the release payment was one million three hundred ninety-four thousand seven hundred and three dollars (\$1,394,703).
3. Agreed that ½ of Release payment would be paid by Ocean Properties Limited (OPL) and ½ by CityPlace Retail LLC.

CityPlace Retail LLC

1. Execute agreed upon amendment to the Declaration of Covenants for the Hotel site.
2. Receives ten million seven hundred fifty thousand dollars (\$10,750,000) for Hotel Site. Palm Beach County to pay \$10m at closing and OPL to pay \$750,000 starting at issuance of certificate of occupancy for hotel or condos.

Ocean Properties Limited

1. Pay \$750,000 towards purchase of site. The first \$250,000 is payable at within 15 days of the issuance of a certificate of occupancy for the hotel or condos. The balance was to be paid \$250,000 on the first anniversary of

the issuance of the certificate of occupancy and \$250,000 on the second anniversary.

2. Pay ½ of the \$1,394,703 release price over term of the Sunshine State loan.

Palm Beach County

1. Pay \$10m for Hotel Site.
2. Execute agreed upon amendment to the Declaration of Covenants for the Hotel site.
3. Cause condominiums valued at \$32m to be constructed on site.
4. Have Hotel and condo plans reviewed by third party architect.
5. Make OPL obligations part of contract documents for hotel project and binding on any successor developer.

CityPlace Partners

1. Execute agreed upon amendment to the Declaration of Covenants for the Hotel site.

ATTACHMENT “E”

**CONVENTION CENTER HOTEL DEVELOPMENT LLC
1001 EAST ATLANTIC AVENUE, SUITE 202
DELRAY BEACH, FLORIDA 33483**

September 5, 2008

Shannon LaRocque
Assistant County Administrator
Palm Beach County
301 N. Olive Avenue
West Palm Beach, FL 33401

Re: Convention Hotel

Dear Ms. LaRocque:

We understand that on September 23rd, the Board of County Commissioners will be considering the status of the Convention Center Hotel Development LLC/Palm Beach County Hotel Agreements. We would like to share some of our thoughts on this subject.

Since the Board's approval of the Development Agreement and Leases in 2007, Convention Center Hotel Development LLC has in good faith spent approximately \$4,000,000 in plans and engineering to achieve the ability to construct the Hotel, Condos and Parking Garage. We have worked diligently with the County staff to get the necessary approvals for the project, culminating in obtaining City Commission approval for our Level III Hotel Site Plan in October of 2007.

Unfortunately, the project was dealt a severe economic blow by forces beyond all of our control. An integral part of the financial success of the project was the anticipated profit from the 104 condominium units which were required to be built simultaneously with the Hotel. There is now no market for these units. The West Palm Beach condominium market has been devastated, with thousands of unsold new and resale units flooding the market. There is unfortunately no apparent end in sight to this market condition.

Faced with this unforeseen hurdle on the Condos, Convention Center Hotel Development, LLC did not just exercise its right to terminate and walk away. Instead we made a revised proposal to the city and county to see if the parties' could reach an agreement that made sense for everyone.

This revised proposal offered the 340-room Convention Hotel approximately 9 months later than originally scheduled. We would construct the Convention Center garage, paying for all Hotel parking spaces required by code, but also agreeing to pay for any future spaces required by code based upon future development of the condo parcel which would not be built at this

time. This revised proposal was what we believed, as experienced hotel developers, all we could do in this market.

Despite efforts by all, the parties have not been able to agree on a solution.

We are disappointed that after all these efforts, circumstances beyond anyone's control led us to this point. We understand and share the Board's frustration. If the Board decides that it is in the County's best interest to go in a different direction, at your request, Convention Center Hotel Development, LLC will regrettably agree to terminate our mutual contractual relationship to develop the Convention Hotel.

Sincerely,

Convention Center Hotel Developers, LLC

A handwritten signature in black ink that reads "Richard Ade". The signature is written in a cursive, slightly stylized font.

By: Richard C. Ade, Managing Member