



PROJECT UPDATE

August 11, 2015

- CONSTRUCTION STATUS
- BUDGET STATUS
- PROJECT OVERSIGHT
- INCLUSION PROGRAM STATUS
- HILTON SALES TEAM
- CURRENT MATTERS

AGENDA

CONSTRUCTION STATUS











Hilton
HILTON CLEVELAND DOWNTOWN

VIEW LOOKING SW FROM LAKESIDE / W. MALL DR.





Hilton
HILTON CLEVELAND DOWNTOWN

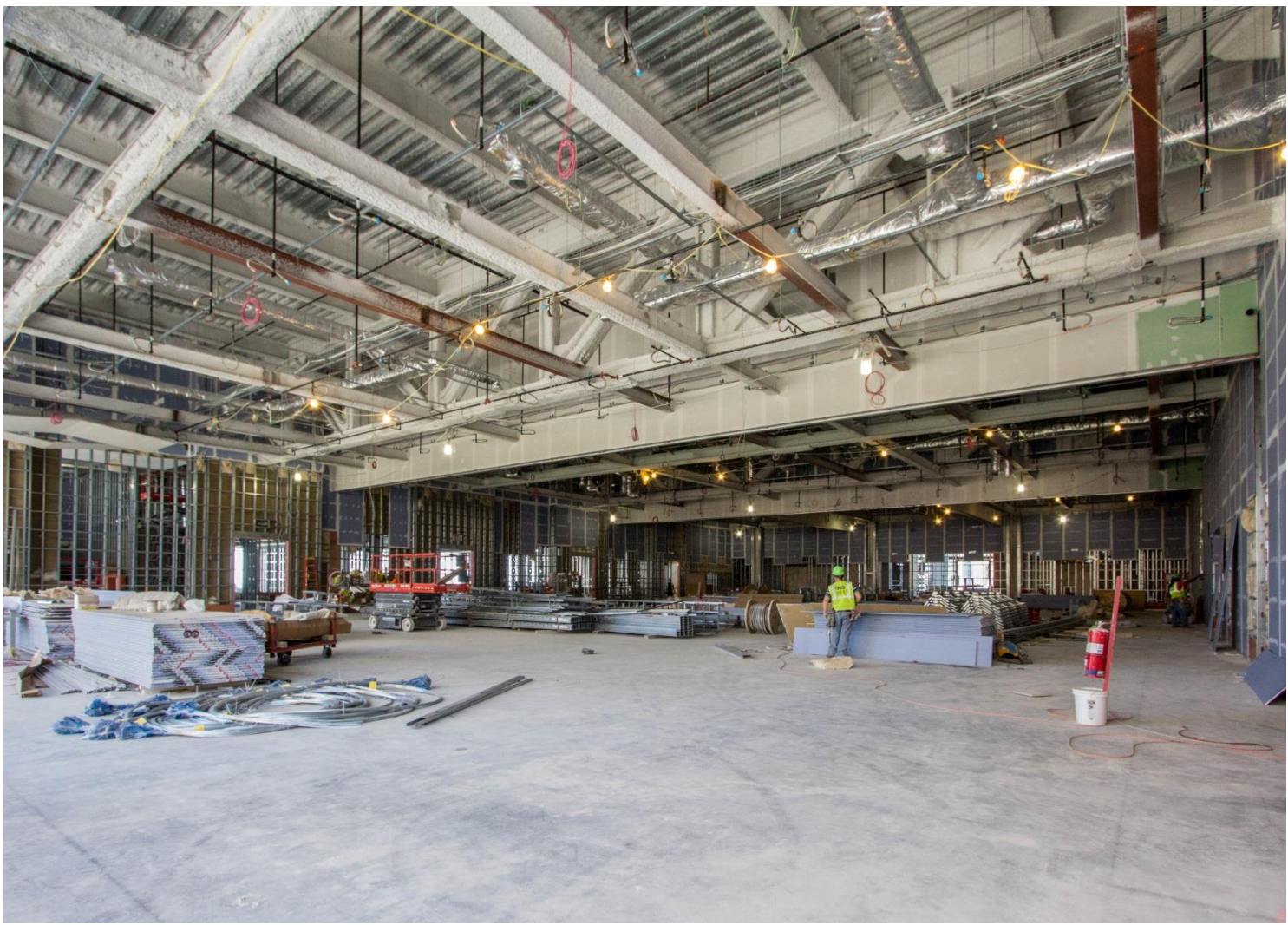
VIEW LOOKING SE FROM LAKESIDE / ONTARIO











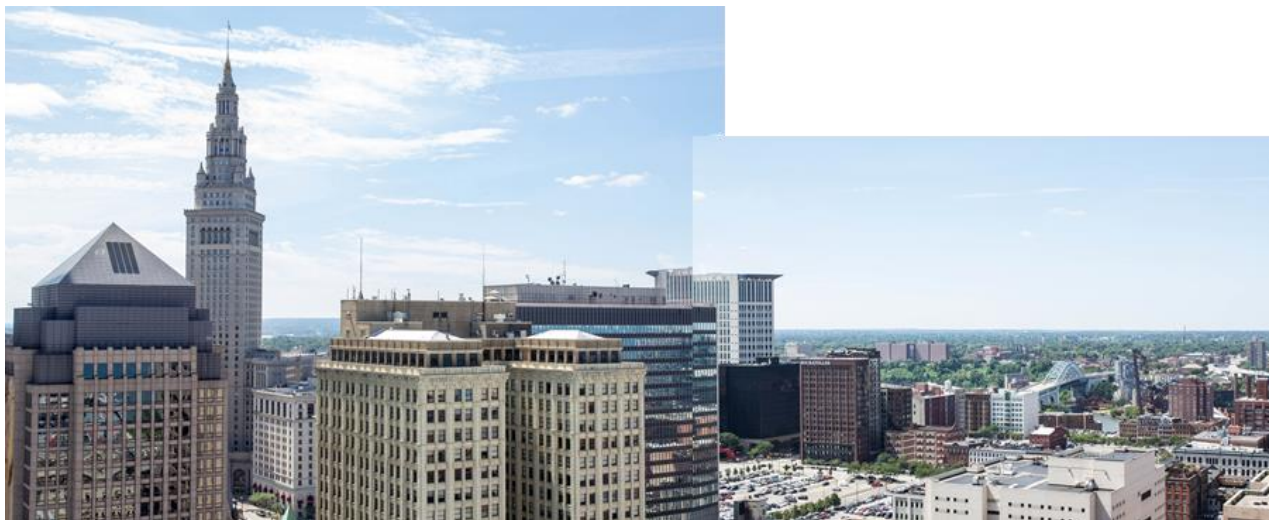








VIEW NW



VIEW SW



VIEW NE



VIEW SE

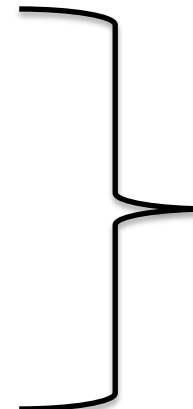
- Construction is **56%** Complete
- GMP Buyout is **100%** Complete



- Overall Development Project is **50%** Complete
- FF&E Buyout is **39%** Complete

Examples: Carpet and Wallcovering

- Art Buyout is **18%** Complete
- OS&E Buyout is **2%** Complete
- IT Systems Buyout is **1%** Complete

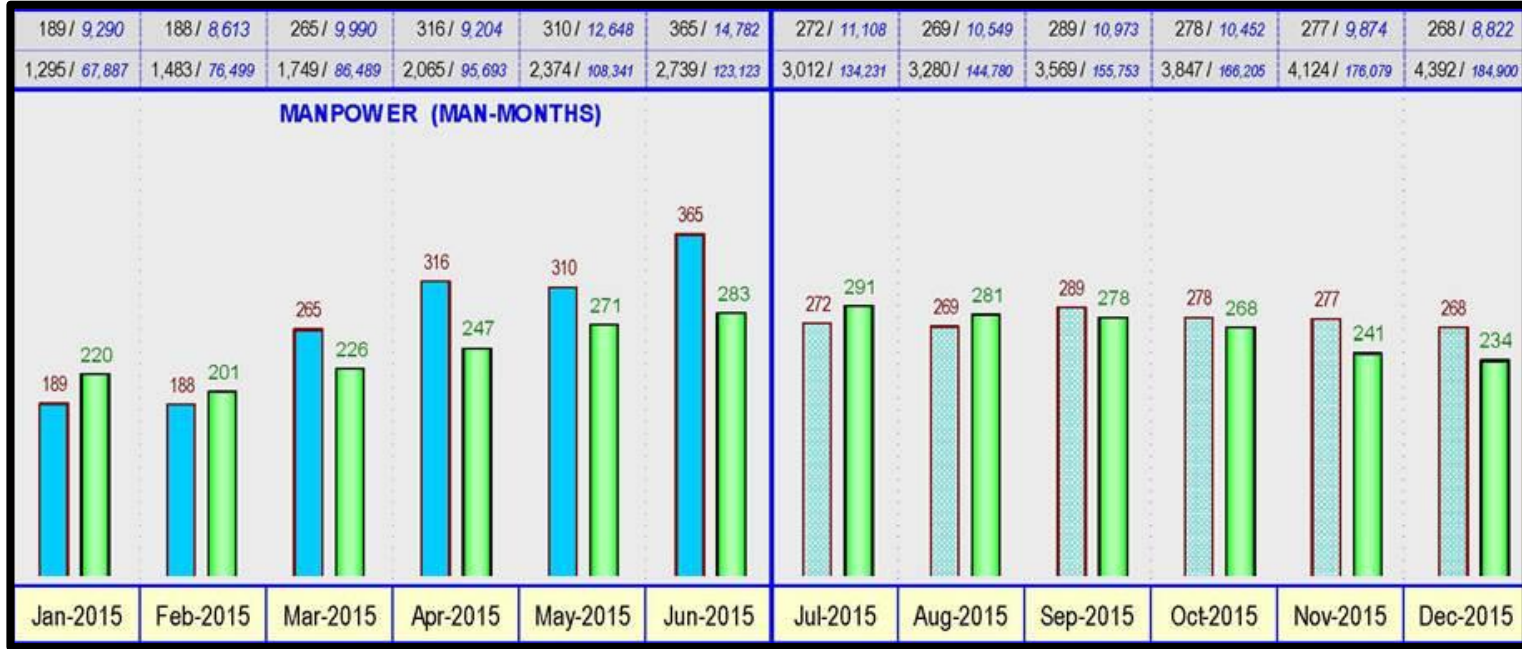


Components Outside of
Design Build Contract

- To date 1461 workers have performed work on the Project
- Approximately 482,064 man hours have been expended on site (through June 30, 2015)
- There has been only 1 injury that has resulted in a worker's lost time (and that was an engineer—not a construction worker!)



Peaking at 365 MM in June




Milestones:

<u>Milestones:</u>	<u>Date:</u>	<u>Status:</u>
• Abatement Complete	1/24/14	Completed
• Demolition Complete	2/28/14	Completed
• Deep Foundations Complete	6/11/14	Completed
• Concrete Foundations Complete	9/3/14	Completed
• Start of Steel Erection	9/17/14	Completed
• Podium Structure Complete	12/8/14	Completed
• <u>Tower Structure Complete</u>	9/18/15	<u>Projected</u>
• <u>Exterior Wall Complete</u>	10/20/15	<u>Projected</u>
• Build Out Complete	3/30/16	Projected
• Substantial Completion	4/1/16	Projected
• Hotel Grand Opening	6/1/16	

Topping out
Ceremony
around
10/1/2015

BUDGET STATUS

Project Development Budget

	Design Builder GMP	\$217,053,982	(incl. \$12 mil contingency)
+	FF&E	\$ 27,806,815	
+	Art	\$ 1,565,000	
+	Utility Costs	\$ 1,768,241	
+	Permits	\$ 1,356,610	
+	Soft Costs (Consultants)	\$ 12,742,496	
+	Insurance	\$ 674,582	
+	<u>Owner Contingency</u>	<u>\$ 9,285,274</u>	
	Sub-Total	\$272,253,000	
+	<u>Additional Design Contingency</u>	<u>\$ 4,000,000</u>	
	Development Sub-Total	\$276,253,000	
+	<u>Additional Owner Contingency</u>	<u>\$ 34,128,105</u>	
	Total Development Budget	\$310,381,105	

BUDGET STATUS

Initial Operations Budget

Hilton Pre-Opening	\$ 6,300,000
+ Hilton Working Capital	\$ 900,000
+ Property Taxes during Const.	\$ 2,100,000
+ Interest Costs during Const.	\$ 23,812,200
+ Hotel Security Escrow	\$ 4,750,000
+ <u>Operating Reserve</u>	<u>\$ 4,750,000</u>
Total Operations Budget	\$ 42,612,200

BUDGET STATUS

Total Development and Initial Operations Budget (Uses)

Project Development Budget	\$310,381,105
+ <u>Initial Operations Budget</u>	<u>\$ 42,612,200</u>
Grand Total	\$352,993,305

Project Funding (Sources)

Net Bond Proceeds	\$230,885,000
+ Construction Reserves	\$ 41,088,210
+ City of Cleveland Contrib.	\$ 8,000,000
+ Bond Proceeds	\$ 23,812,200
+ Interest earned during Const.	\$ 643,230
+ Residual Sales Tax Collection	\$ 43,814,665
+ <u>Key Money from Hilton</u>	<u>\$ 4,750,000</u>
Total Funding	\$352,993,305

BUDGET STATUS

Owner Contingency Summary

Base Budget Contingency		\$ 9,285,274
+ Additional Design Contingency		\$ 4,000,000
+ <u>Additional Owner Contingency</u>		<u>\$34,128,105</u>
Total Contingency		\$47,413,379

Contingency Use To Date*

• Contingency Use (approved to date)	approx.	\$ 8,600,000
• <u>Anticipated Additional Use</u>	<u>approx.</u>	<u>\$ 3,000,000</u>
Total Contingency Use	approx.	\$11,600,000

*Potential unquantified risks:

- Excessive lost weather days (cold and wind)
- Potential labor issues

Total Owner Contingency		\$47,413,379
<u>Less Anticipated Contingency Use to Date</u>	<u>-</u>	<u>\$11,600,000</u>
Remaining Contingency		\$35,813,379

Additional Opportunities: Return of DB Contingency; Owner Holds and Unused Allowances; FF&E Buyout Savings

BUDGET STATUS

Contingency Use (greater than \$200,000):

- Glass Operable Walls at Level 3 & 5 Meeting Rms: \$ 221,600
- Created Centralized Fire/Smoke Dampers: \$ (597,074)
- Additional Anticipated Concrete Scope: \$ 556,678
- Revised Restaurant Entry: \$ 299,358
- Acoustic Isolation at Sky Bar: \$ 221,000
- Payment Credit adjustment: \$ 400,000
- Replace monumental stair with escalators: \$ 331,538
- Podium Roof Cornice Steel: \$ 737,377
- Porch Column Trellis Steel: \$ 231,316
- Added Granite Base to Precast: \$ 205,970
- Added more WAPs on Guest Floors: \$ 212,068
- Misc. 90% CD changes: \$ 475,460
- Final Millwork Scope Adjustment: \$1,510,071
- Unused Owner Allowances to date: \$ (500,000)

- Hotel Operator/Architect/Contractor Selection
- Owner Consultant Selection (testing, commissioning, purchasing)
- Preliminary Program Development
- Budget Management
- Schedule Management
- Design Review and Management
- Stakeholder and Public Outreach
- Scope and GMP Reconciliation
- Inclusion Facilitation
- Sub-Contractor Scope Review
- Operator Design Review Management and Coordination
- Art Review and Coordination
- Review Change Orders and Approval Letters
- FF&E / OS&E / IT Review and Management
- Interview Operator Key Personnel
- Owner / Architect / Contractor Meetings
- Owner / Contractor Meetings
- Field Observation and Problem Solving
- Pay Application Review and Approval
- Turnover and Transition Management and Coordination

Overview

- Cuyahoga County has adopted an 11-point Best Practices Plan for the SBE Diversity and Inclusion Program
- Diversity and Outreach Team – Cuyahoga County, Minority Business Solutions, The Sanchez Group, Turner/Ozanne/VAA

INCLUSION STATUS

Participation Tracking (through June 2015)

- **Contracting Participation Goals**

- • 32.01% SBE (30% goal) — 131 contracts, \$53.252m
- • 15.78% MBE (15% goal) - 66 contracts, \$26.255m
- • 13.73% FBE (7% goal) — 61 contracts, \$22.834m
- • 8 first-time sub-prime/prime contracting (6.1%)

- **Workforce Participation Goals**

- • 48% Cuyahoga County residency (40% goal)
- • 18% City of Cleveland residency (20% goal)
- • 8% "Low Income Person" (4% goal)
- • 20% Minority Workforce (20% goal)
- • 5% Female Workforce (6% goal)
- • 3% Hispanic Workforce (voluntary)

HILTON SALES



The Light and Warmth of Hospitality Comes to Cleveland



Hilton

CLEVELAND DOWNTOWN



Introductions

Teri Agosta

General Manager Hilton Cleveland Downtown

Ronnie Collins

Director of Sales & Marketing Hilton Cleveland Downtown



Market Positioning

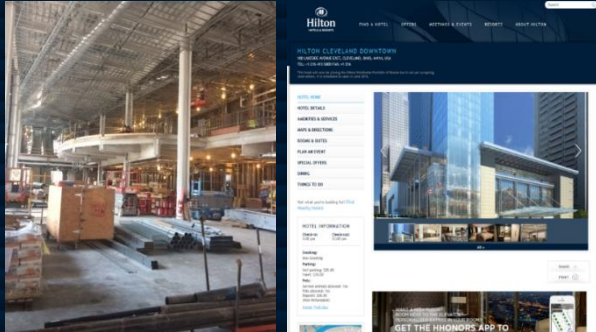
- Attract larger and more frequent citywide bookings into Cleveland
- Capitalize on the power of the medical market in Cleveland
- Create new group demand through Hilton National Sales
- Partner with Destination Cleveland, Cleveland Convention Center and the Global Center for Health Innovation to drive awareness and cultivate a cross selling culture
- Take full advantage of the exposure created by RNC
- Encourage site inspections and Experiential Trips to the destination to allow the charm of the city to be on full display

County Partnership

- Completion of 5 year master plan, most importantly pedestrian bridge and lakefront development
- Commitment to renovation of Huntington Garage – guests' first impressions
- Increasing city center way finding
- Increasing destination advertising/marketing and PR and direct selling to convention clients (FAMs)
- Increase airlift into Hopkins International Airport
- Allow hotel to remain competitive with pricing structure
- Increase public transportation options
- Orchestrate citywide services and venues



Current Sales/Marketing/PR Update



SEND US YOUR FAVORITE
CLEVELAND PHOTO

WIN A **FREE** WEEKEND **STAY**  **Hilton**
HOTELS & RESORTS

Go to myclevelandphoto.com for your chance to win





Current Sales/Marketing/PR Update

- Currently at 50.3% of annual booking quota while exceeding all ADR goals
- Completed over 70 well-qualified site inspection/model room tours
- Pass-through image in the Convention Center
- Model rooms experience
- Branded website launched as of April 15, 2015
- Completed seven sales missions/sales trips with several more upcoming
- Hosted a tour and visit for all Food and Beverage and Culinary leadership from Hilton Brand
- PR Agency selected – Brokaw
- Driving awareness and participation – crowd-sourced art project

Current Sales/Marketing/PR Update



- Partnership through collaboration – Downtown GM/DOSM Meeting
- Project review with Hilton Brand Management
- Hilton eCommerce launch game plan in place
- Maximize unique Suite product
- Hilton Worldwide Sales engagement
- Over 8.7 million media impressions to date

Future Sales Action Plans

- Upcoming HWS Visits – October 5-9
- Several Sales Missions in concert with HWS or CVB
- Social Media launch
- Project update blog/microsite
- Virtual brochure and updated fact sheet
- Topping Off Ceremony – October 1
- Experiential visits for key Third Parties
- Grand Opening and Ribbon Cutting



Business Drivers

- Group Segment:
 - Corporate
 - Association
 - Specialty Markets
 - Third Parties
- Transient Segment:
 - Business (local and corporate negotiated)
 - Leisure (wholesale and destination/event driven)
 - Membership organizations (AAA, AARP)
- Local Catering:
 - Corporate day meetings
 - Galas and fundraisers
 - Destination weddings and other social events
- Signature Food and Beverage facilities



CURRENT MATTERS

SOME CURRENT MATTERS UNDER CONSIDERATION

- Hotel operations, staffing and training
- Naming of meeting rooms, restaurant, bar and sky bar
- Huntington Garage – Design and Operations
- Asset Manager
- Campus Security
- Campus Connectivity

QUESTIONS?