



May 12, 1998

Ms. Betty Masuoka  
Deputy City Manager  
City of Sacramento  
City Hall, Room 101  
9151 Street  
Sacramento, California 95814-2684

Dear Ms. Masuoka:

We have been asked to comment on the proposed management of a 500-room convention hotel to be located at 13th and J Streets in downtown Sacramento which will be subsidized by the City of Sacramento. As I understand it, the City of Sacramento originally requested that the hotel be managed by a "corporate" hotel company, i.e. one that would provide both a brand name and national reservation system in addition to professional management. The alternative, which has since been proposed by the developer, is to have an independent (i.e. non-branded) professional management company operate the property with a brand name and reservation system to be provided by a franchise company.

Certainly any combination of an independent management company and franchised affiliation may be as successful at operating a 500-room convention hotel as a corporate hotel company. However, one of the concerns of the city and the other hotel operators in the area is that the hotel's operator have the capability of inducing new hotel demand into the Sacramento area. New demand will be primarily generated by the group meeting/convention market segment. The inducement of new demand will serve to lessen the impact of the 500 additional rooms upon the existing competitive hotels and will also serve to enhance the utilization of the convention center and generate additional revenues for area restaurants, and retail and entertainment facilities.

The national sales offices of any of the major chains, i.e. Marriott, Sheraton, Hilton, will generate sales leads for both their corporately operated and franchised properties. Corporate and franchised properties with the same brand are indeed members of the same branded family and benefit from leads provided by their national sales offices. Having the same brand identity creates one level of affiliation and synergy amongst similarly branded properties. A second, equally important level of affiliation and synergy is created amongst properties which are operated by the same managing agent. If the proposed hotel is managed by Sheraton it will be one of a fam-

116 New Montgomery Street  
Suite 620  
San Francisco, California 94105  
415-896-0868  
415-896-0516 FAX

SUZANNE R. MELLEN, CRE, MAI  
Managing Director

San Francisco  
New York  
London  
Miami  
Vancouver  
Boulder

Specialists in Hotel Consulting  
and Appraisal Worldwide



ily of at least 272 hotels (207 Sheraton corporately managed and 65 Westin corporately managed properties\*)<sup>1</sup>. Both Sheraton and Westin are now owned by Starwood. Sales forces within the same hotel management company refer business to each other. Leads are developed by properties located in feeder cities. Sales personnel can cross sell all the properties of the chain to major clients. Group demand can be referred to properties which need in-fill demand during weak occupancy periods. A corporate hotel company can have greater resources in terms of marketing to the group and convention market than an independent professional management. This has nothing to do with the expertise or marketing talent of the company's management team, but rather the sheer size of the company and the number, size and market orientation of the properties that they manage.

Corporate hotel companies manage the large majority of the large convention hotels in the United States. The marketing activities of these hotel companies in the day-to-day operation of the large convention hotels that they manage inherently place them in an advantageous position when targeting the group meeting and convention meetings market. This is not to say that an independent hotel management company cannot manage a 500-room convention hotel as successfully as a corporate management company, but that it is reasonable to expect that a corporate management company would have a better chance of inducing new group meeting demand to the Sacramento market.

I hope that this letter provides you with some insight into this issue. Please feel free to call me if you have any additional questions.

Sincerely yours,  
HVS International

A handwritten signature in cursive script, appearing to read 'Suzanne R. Mellen'.

Suzanne R. Mellen, CRE, MAI  
Managing Director

1. American Hotel and Motel Association, 1997 Directory of Hotel and Motel Companies, Washington, D.C.: Author, 1997

Item 11.2

**RSBA & ASSOCIATES**50 Francisco St., Suite 255, San Francisco, CA 94133  
415/956-7722 FAX 4159568131

May 11, 1998

Ms. Kristan Otto  
Development Manager  
City of Sacramento  
City Hall, Room 101  
915 I Street  
Sacramento, CA 95814-2684

Dear Ms. Otto,

The following letter shares my opinions with reference to your letter of May 11, 1998 regarding the development of a convention center hotel in the City of Sacramento.

I understand from your letter that you have been advised that a corporately managed hotel is preferable. For the purposes of a convention center property this may be the case. This may only be due to the situation that convention center hotels or urban convention hotels in general have traditionally been corporately managed. Historically, chains have shown minimal flexibility in allowing franchisees to operate hotels of over 400 or 500 rooms, which means that few independent management firms have been able to gain critical mass or experience in the convention center market.

*Critical mass and convention center hotel experience* provide the foundation to generate convention bookings or sales, which are critical to the success of the project:

- **Critical mass** - Multiple locations in similar convention center locations better allow referral of business between properties and city destinations.
- **Convention center hotel experience** - Convention center hotels are different from free standing hotels due to the dynamics of a public/private partnership, even when the hotel is 100% privately owned. This is not so much of a corporate operator issue, as it is an experience issue. Since, however, the incidence of a corporately managed property in a convention center scenario occurs more often, there is probably more elemental experience within corporately managed properties.

Kristan Otto  
May 11, 1998  
Page 2

The following responds to your direct questions:

1. Difference between corporately managed and franchised managed

The comparison really should be made between corporate and independent management involving the same type of hotel within the same chain. When weighing advantages, consider the following comparisons between chain manager versus independent manager:

- management experience with convention center hotels
- management of the multiple units within the same chain which would allow referral of business
- management of multiple units within the same chain to allow leverage with or to get maximum service from chain regional sales offices
- management of multiple convention hotels, which are located within the same region or in similar cities to Sacramento, to enable referrals or multiple property bookings for the same customer.

Once again, since corporate managed hotels have been given the most opportunities to manage these situations, corporate management would have the advantage. Some larger independent management firms (ex. Interstate) have some of the same corporate manager-like experience and similar advantages.

2. Suggestions for the Sacramento market

I have studied the Sacramento market on behalf of different clients and therefore am familiar with the area.

In consideration of regional cities with some level of successful convention activities, the major convention center or city-wide headquarter hotels are affiliated as follows:

- Seattle (Sheraton)
- Portland (Doubletree)
- San Francisco (Marriott, Hilton)
- San Jose (Hilton, Fairmont)
- Monterey (Doubletree)
- Los Angeles (variable including Westin, Inter-Continental, Sheraton)
- San Diego (Marriott, Hyatt)

Kristan Otto  
May 11, 1998  
Page 3

Sacramento is challenged because several of the chains (Doubletree, Hilton, Hyatt) are already represented with significant properties serving the downtown or immediately surrounding areas. This would narrow the probable targets to Marriott and Sheraton (even in consideration of the Rancho Cordoba Sheraton franchise).

Therefore the answer to your challenge would be found in a Marriott or Sheraton corporately managed property or a franchised managed property of the same, only if the franchisee had specific experience in and critical mass with managing large convention or convention center hotels.

3. Advantages/Disadvantages between smaller independent owner versus corporate or large independent management entity

Once again this comes down to experience in managing large convention or convention center hotel and the ability to generate or refer convention business into the hotel or destination from one of its other affiliates. Additionally, there is the issue of leverage with corporate regional sales offices. A small independent hotel management company will simply not have the knowledge of or clout with large convention or convention center customers in the same way that a larger management company will. The larger firms with larger hotels have daily business dealings with these customers on a variety of agendas, where the small independent manager without ongoing management of convention hotels will not have the same exposure and relationship dynamics.

Although all owners are supposed to have equal access and attention from chain regional sales offices, the reality of the situation, although it would be vehemently denied by the chains, is that the larger operations or larger operators within a given chain get the most attention from the regional sales offices. A small independent hotel management company would probably not be able to get the same fair share of attention and booking leads, as a multi-hotel operator (corporate or large independent) would receive.

4. Best hotel chain for a convention center

If you refer to the brief analysis of convention center or city wide headquarter hotel operators noted in question two above, the alternatives become clear. The best convention center hotel alternatives for Sacramento would seem to be Marriott and Sheraton.

Kristan Otto  
May 11, 1998  
Page 4

Do not lose sight of the fact that well over fifty or even sixty per cent of the time this hotel will not generate its demand from convention center or citywide convention activity. It is critical to choose a hotel chain with the greatest potential to generate demand from other market segments which would include corporate, leisure, and hotel inclusive meetings. Knowledge of national or regional customers and chain distribution channels becomes critical. A multi-unit manager, chain or large independent, would most likely have more data and experience than a smaller independent management company.

Please consider the above information as based on my hotel industry experience and a professional opinion which results from that experience. Any thoughts shared here are not the result of a formal or compensated study of the issues, but rather my historical experience with the Sacramento hotel market.

Regards,



Rick Swig, ISHC  
President

RS:ma  
Curt/511OTTO

**RESOLUTION NO.**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION TO EXTEND THE NEGOTIATIONS WITH THE PUBLIC MARKET BUILDING LLC (PMB LLC) FOR 120 DAYS AND REAFFIRM THE CRITERIA CONTAINED WITHIN THE EXECUTED EXCLUSIVE RIGHT TO NEGOTIATE (SEE TABLE I) AS THE BASELINE FOR THE FURTHER NEGOTIATIONS:**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:**

Section 1. Extend the negotiations with the Public Market Building LLC for 120 days. The 120 days extension begins and includes May 6, 1998 and concludes in 120 days.

Section 2 Reaffirm the criteria contained within the executed Exclusive Right to Negotiate as the baseline for further negotiations.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

**RESOLUTION NO.**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION TO EXTEND THE NEGOTIATIONS WITH THE PUBLIC MARKET BUILDING LLC (PMB LLC) FOR 120 DAYS AND REAFFIRM THE CRITERIA CONTAINED WITHIN THE EXECUTED EXCLUSIVE RIGHT TO NEGOTIATE (SEE TABLE I) AS THE BASELINE FOR THE FURTHER NEGOTIATIONS:**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:**

Section 1. Extend the negotiations with the Public Market Building LLC for 120 days. The 120 days extension begins and includes May 6, 1998 and concludes in 120 days.

Section 2 Reaffirm the criteria contained within the executed Exclusive Right to Negotiate as the baseline for further negotiations.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_



**RESOLUTION NO.**

ADOPTED BY THE REDEVLEOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

**RESOLUTION TO EXTEND THE NEGOTIATIONS WITH THE PUBLIC MARKET BUILDING LLC (PMB LLC) FOR 120 DAYS AND REAFFIRM THE CRITERIA CONTAINED WITHIN THE EXECUTED EXCLUSIVE RIGHT TO NEGOTIATE (SEE TABLE I) AS THE BASELINE FOR THE FURTHER NEGOTIATIONS:**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:**

Section 1. Extend the negotiations with the Public Market Building LLC for 120 days. The 120 days extension begins and includes May 6, 1998 and concludes in 120 days.

Section 2 Reaffirm the criteria contained within the executed Exclusive Right to Negotiate as the baseline for further negotiations.

\_\_\_\_\_

CHAIR

TTTEST:

\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
FOR REDEVELOPMENT USE ONLY

RESOLUTION: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

**RESOLUTION NO.**

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

**RESOLUTION TO EXTEND THE NEGOTIATIONS WITH THE PUBLIC MARKET BUILDING LLC (PMB LLC) FOR 120 DAYS AND REAFFIRM THE CRITERIA CONTAINED WITHIN THE EXECUTED EXCLUSIVE RIGHT TO NEGOTIATE (SEE TABLE I) AS THE BASELINE FOR THE FURTHER NEGOTIATIONS:**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:**

Section 1. Extend the negotiations with the Public Market Building LLC for 120 days. The 120 days extension begins and includes May 6, 1998 and concludes in 120 days.

Section 2 Reaffirm the criteria contained within the executed Exclusive Right to Negotiate as the baseline for further negotiations.

\_\_\_\_\_

CHAIR

TEST:

\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
FOR REDEVELOPMENT USE ONLY

RESOLUTION: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_



11.2

OFFICE OF THE  
CITY MANAGER

CITY OF SACRAMENTO  
CALIFORNIA

CITY HALL  
ROOM 101  
915 I STREET  
SACRAMENTO, CA  
95814-2684

PH 916-264-5704  
FAX 916-264-7618  
TDD (ONLY) 916-264-7227

May 12, 1998

City Council  
Redevelopment Agency of the City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT: CONVENTION CENTER HOTEL**

**LOCATION AND COUNCIL DISTRICT: District One**

**RECOMMENDATION**

It is recommended that the City Council and the Redevelopment Agency of the City of Sacramento (RACS) adopt the attached resolutions which authorize the City Manager to extend the negotiations with the Public Market Building LLC (PMB LLC) for 120 days and reaffirm the criteria contained within the executed Exclusive Right to Negotiate (see Table I) as the baseline for the further negotiations. Staff will report back to the Council on September 8, 1998.

**CONTACT PERSONS: Betty Masuoka, Deputy City Manager, 264-5704  
Kristan Otto, Development Manager, 264-7948**

**FOR THE COUNCIL MEETING OF: May 12, 1998**

**SUMMARY:**

This report will discuss the status of the negotiations with the development team on the Convention Center Hotel that were to conclude with a signed Development Disposition Agreement on May 5, 1998.

## **BACKGROUND**

### ***Exclusive Right to Negotiate (ERN) and Subsequent Negotiations***

On December 10, 1997 Council authorized staff to sign the negotiated Exclusive Right to Negotiate and to begin negotiations to complete a Developers Disposition Agreement with PMB LLC. The Exclusive Right to Negotiate (ERN) as signed by PMB LLC was to serve as the base line for the future negotiations. Staff was directed to minimize the public investment and to maximize public benefit.

The negotiations started in earnest in the first week of January 1998. The initial negotiations centered on traffic, parking and design issues. In early February the design negotiations were further complicated by FEMA's change in the flood designation for downtown Sacramento.

During this time period, there were two committees formed to move the negotiations forward. The negotiating team consisted of Betty Masuoka, Dana Phillips and Kristan Otto. That committee met once a week and then moved to twice weekly meetings. A Technical Advisory Committee, consisting of a staff member from all the City's effected disciplines, met twice monthly to discuss and recommend on issues related to design, traffic, etc.

In early February the PMB, LLC contracted with an investment-banking firm, The Greenwich Group, to help them in securing their finance partners. On April 2, 1998, David Taylor announced his investment partner and the organizational structure to the negotiating team. On April 10, 1998, the City Treasurer visited the headquarters of the investment partner to review their financial capabilities. Concurrently, staff retained a hotel consultant to help evaluate the proposal in the operating, management, and marketing areas. On April 17, 1998, staff and the retained consultant met with the PMB LLC, the proposed investment partner, and their retained consultant.

The proposed investment partner becomes the owner/operator that would then contract for a franchise with a major hotel chain.

Staff also met with the established Ad Hoc Committee on April 14 and April 28 to inform them of the status and to discuss policy and direction.

### ***Current Status***

The Environmental Impact Report (EIR) is not expected to be complete until mid-August. This document must be in place prior to approval of any project entitlements, including the DDA. The EIR document will be finalized and ready for Council action just prior to final date of the negotiation period.

It was anticipated that the "Project Facts" might be modified during the negotiation period to minimize the public investment and maximize the public benefits of the project. The City retained the right to approve any changes in the ERN. The following chart describes the status of the negotiations:

**TABLE I**

	ERN December 10, 1997	Developer Proposal May 5, 1998
Operator	Corporately Operated Sheraton	Independent Owner Operator Unnamed Franchise
Project Cost	\$70 million	\$73 million
Investment	\$61.5 million	\$64.5 million
Rooms	500	525
Ballroom/Mtg Space	24,220 sq. ft.	24,220 sq. ft.
Restaurants	6,000	6,000
Room Blockage	Included	Included
\$1 Million Jt. Mktng	Included	See following discussion
Parking Impact	110 spaces net loss	110 spaces net loss

**Changes**

Operator: The major change in the current proposal from PMB LLC is from a corporate operator to an independent owner/operator using a franchise. Staff retained HVS International to review and advise on the different aspects of hotel operations and management. Their conclusion is that to maximize the success of a new convention center hotel and to produce net new business to the local hotel market place, a corporate run operation is essential. To reinforce that position, a majority of hotels that are 450 rooms or larger are corporately operated:

	Number of Hotels	% Corporate Operated
Marriott	52	89%
Hilton	40	90%
Sheraton	37	68%

The remainder of the large hotels that are franchise operations are situated in large resort areas or near large airport centers.

To have a corporately run flag hotel will benefit the City as a whole. It will aid the City and the Convention Center in attaining its stature in the regional and national market place. The Convention Center Business Plan calls for the Center to elevate its convention business to the next tier.

The importance of corporate management is not a new issue. It was addressed in the negotiations in the selection process. In fact this Development team elevated his original proposal from a franchise operation to a corporately operated hotel.

One Million Dollars of Joint Marketing: In the original negotiations the Development team proposed \$1 million in funds to joint market with the Convention Center and the Convention and Visitors Bureau. This was to further facilitate the Convention Center Business Plan and ensure the success of the new hotel. Staff had interpreted that \$1 Million Dollars was in addition to normally budgeted pre-opening costs. The Development Team contends they were offering to use the budgeted amount jointly.

## ENVIRONMENTAL CONSIDERATIONS

The actions recommended in this report are in furtherance of the Merged Downtown Sacramento Redevelopment Plan, as amended. Per CEQA Guidelines Section 15180, 15162 and 15163, actions to encourage redevelopment in a redevelopment area were deemed approved at the time of adoption of the redevelopment plan. The proposed actions do not commit the City or Agency to a definite course of action since they are expressly made contingent on CEQA compliance prior to approval of a Disposition and Development Agreement (DDA) or City entitlement per Agency and City environmental procedures. If the City and RACS determine the project is feasible to pursue, a Notice of Preparation of an environmental impact report will be published, and environmental review will be completed prior to consideration of a DDA or City entitlement. No further environmental documentation is required at this time. NEPA does not apply.

## POLICY CONSIDERATIONS:


### Consistency with the Exclusive Right to Negotiate


At the December 7<sup>th</sup> Council hearing when the selection was made, the Council mandated that the points in the ERN were to be a base line. As stated in the ERN, the City has the right to approve all deviations from signed agreement. The Council encouraged staff to further negotiate the terms to decrease the amount of the public investment and to increase the public benefit.

### MBE/WBE


Not applicable. There are no goods or services being purchased as a result of the recommended action(s). If a project is ultimately approved, the construction project will comply with the City's policy regarding

Respectfully submitted,

  
Betty Masuoka  
Deputy City Manager

  
Thomas V. Lee  
Deputy City Manager

## RECOMMENDATION APPROVED:

  
William H. Edgar, City Manager

**RESOLUTION NO.**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION TO EXTEND THE NEGOTIATIONS WITH THE PUBLIC MARKET BUILDING LLC (PMB LLC) FOR 120 DAYS AND REAFFIRM THE CRITERIA CONTAINED WITHIN THE EXECUTED EXCLUSIVE RIGHT TO NEGOTIATE (SEE TABLE I) AS THE BASELINE FOR THE FURTHER NEGOTIATIONS:**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:**

Section 1. Extend the negotiations with the Public Market Building LLC for 120 days. The 120 days extension begins and includes May 6, 1998 and concludes in 120 days.

Section 2. Reaffirm the criteria contained within the executed Exclusive Right to Negotiate as the baseline for further negotiations.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

**RESOLUTION NO.**

ADOPTED BY THE REDEVLEOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF \_\_\_\_\_

**RESOLUTION TO EXTEND THE NEGOTIATIONS WITH THE  
PUBLIC MARKET BUILDING LLC (PMB LLC) FOR 120 DAYS  
AND REAFFIRM THE CRITERIA CONTAINED WITHIN THE  
EXECUTED EXCLUSIVE RIGHT TO NEGOTIATE  
(SEE TABLE I) AS THE BASELINE FOR THE FURTHER  
NEGOTIATIONS:**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:**

Section 1. Extend the negotiations with the Public Market Building LLC for 120 days. The 120 days extension begins and includes May 6, 1998 and concludes in 120 days.

Section 2 Reaffirm the criteria contained within the executed Exclusive Right to Negotiate as the baseline for further negotiations.

\_\_\_\_\_

CHAIR

TTEST:

\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
FOR REDEVELOPMENT USE ONLY

RESOLUTION: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_



PKF CONSULTING  
TELEPHONE (415) 421-5378  
TELEFAX (415) 956-7708  
EMAIL CALLAHAN@PKFC.COM

---

---

FACSIMILE TRANSMITTAL SHEET

---

---

TO:	David Taylor	FROM:	Thomas E. Callahan
COMPANY:	Lankford & Taylor	DATE:	05/12/98
FAX NUMBER:	916-638-0380	TOTAL NO. OF PAGES INCLUDING COVER:	1
PHONE NUMBER:	916-638-0242	SENDER'S REFERENCE NUMBER:	N/A
RE:	Proposed Downtown Hotel	YOUR REFERENCE NUMBER:	N/A

---

---

URGENT     FOR REVIEW     PLEASE COMMENT     PLEASE REPLY     PLEASE RECYCLE

---

---

NOTES/COMMENTS

Dear David:

I understand that City staff has noted in a memo dated May 12<sup>th</sup> that presently, the majority of hotels which are over 450 rooms are "corporately managed". While this is a true statement, it is important to note that the reason is not that corporate management is inherently superior for a large group oriented hotel. Rather, the reason has to do with the type of development opportunities which were available in the pre-1990 period, which is when most of these large hotels were constructed.

Prior to the early 1990's, most if not all major hotel companies limited franchise opportunities to small to mid sized hotels (100 to 300 rooms). Specifically, during this period, Marriott limited franchise opportunities to only a handful of companies (i.e. two or three), Sheraton and Hilton primarily franchised only small "Inns" and Westin and Hyatt did not franchise at all. However, over the last ten years, as the sophistication of independent management companies has grown, all chains have significantly expanded the number and type of hotels they franchise. Currently, all of the major chains are franchising large group oriented hotels, like the proposed Downtown Sacramento Hotel. Further, most industry experts expect this trend to continue, with the number of large franchised hotels (in excess of 450 rooms) associated with the major chains (i.e. Hilton, Marriott and Sheraton) to be closer to a 50 percent within five to seven years. Illustrative of this trend, is that in just the last several weeks, Marriott announced that they are franchising the 1000 room Parc 55 Hotel located in San Francisco. Similarly, the new owners of the former 469-room Sheraton Grande located in Los Angeles have opted to terminate Sheraton's management agreement and operate the hotel under a franchise agreement with Marriott.

---

---

425 CALIFORNIA STREET  
SUITE 1650 SAN FRANCISCO, CA 94104