

CAPITAL IMPROVEMENT BOARD OF MANAGERS
OF MARION COUNTY, INDIANA
Minutes of Meeting
Friday, March 15, 2019-8:30am
Indiana Convention Center Boardroom

A Meeting of the Capital Improvement Board of Managers of Marion County, Indiana ("Board") was held on March 15, 2019 in the Indiana Convention Center's Boardroom. Board Members present included Melina Kennedy, David E. Corbitt, Michael C. Terrell, Mary Ann Fagan, Jim Dora Jr., Maggie A. Lewis, Brenda Myers, David Ruhmkorff and Ray Biederman. Ex-Officio Leonard Hoops was also present. Others in attendance included Barney Levensgood, Executive Director, Mary Solada, General Counsel, Bingham Greenebaum Doll LLP, Kobi Wright, Senior Staff Counsel and Business Operations Director, Debbie Hennessey, Convention Center Director, Tim Kuehr, Chief Financial Officer, Eric Neuburger, Stadium Director, James Wallis, Visit Indy ("VI"), Chris Gahl, VI, David Sease, SGA, John Griffin, Central Indiana Building Trades, Bruce White and Mike Wells on behalf of the Hotel Owners, Keith Johnson, Frost Brown Todd, Mike Biberstine, Frost Brown Todd, and members of the media. (A copy of the list of those who signed in upon arrival is also attached hereto.)

Ms. Kennedy shared with the Board that several representatives of the CIB and VI were recently at the State House testifying for Senate Bill 7. She acknowledged that there were some people in attendance at the CIB meeting that would like to make comments regarding this proposed legislation and informed those present that there would be an opportunity for this during the **Other Business** portion of the meeting. Ms. Kennedy explained she would go through the items on the agenda as per usual and during **Other Business**, each person who had signed in to give a public comment would be given the opportunity to publically address the Board.

Ms. Kennedy introduced the **Approval of Minutes** from the Friday, February 8, 2018 meeting. Upon a motion by Ms. Lewis and seconded by Mr. Biederman the Minutes were unanimously approved as presented.

Mr. Kuehr presented the **Financial Update** to the Board as per the supporting documentation, which is attached and made a part of these minutes. Mr. Kuehr reviewed the financial statements for the month and year to date with the Board members explaining variances from budget and answering questions as necessary. Ms. Kennedy asked if there were any additional questions for Mr. Kuehr regarding the Financial Update and there were none at this time.

Ms. Kennedy introduced Leonard Hoops to present the **Visit Indy Update**. The Market Share Performance report, Room-Night Production and Convention Sales Booking Pace graph documents are attached to and made a part of these Minutes. Mr. Hoops stated there has been a strong start to the year and the month of March will be busy as well. He noted downtown revenue was up 7.6% year over year compared to last January and while

the countywide hotel occupancy is comparable to the national average for January, the downtown occupancy of 66% was considerably higher than the national average. Mr. Hoops mentioned some upcoming events including Music For All and the Nike Mideast Qualifier Volleyball tournament which occupies space in all of the exhibit halls. Mr. Dora asked Mr. Hoops about his thoughts with regard to the booking pace and response from customers this year as compared to that of 2018. Mr. Hoops explained that VI had really worked through its pipeline and VI's forecast going into this year has it being on pace with numbers in the high 700,000s to low 800,000s in terms of room nights booked for future dates. Ms. Kennedy thanked Mr. Hoops for the report and asked if there were any further questions from the Board and there were none at this time.

Ms. Hennessey presented the **ICCLOS Sales Report**, which is attached to and made a part of these Minutes. Ms. Hennessey informed the Board that the occupancy for the month of February was 63% in the ICC Exhibit Halls and 82% at the Stadium. She highlighted several notable events which occurred in February including Monster Jam at the Stadium with an estimated attendance of 67,155. The Convention Center hosted the Water & Wastewater Equipment, Treatment & Transport Show ("WWETT"), with approximately 13,000 attendees, Signature EquipoVision Winter Convention with approximately 10,558, World of Asphalt Show & Convention with approximately 10,063 attendees as well as NTEA, The Association for the Work Truck Industry. Ms. Hennessey added the NFL Combine was conducted over both months at the Convention Center and the Stadium making February a very busy month for the Facility. Ms. Hennessey stated currently Lucas Oil Stadium was preparing for Supercross as well as the return of soccer and Indy Eleven at the Stadium which was exciting for the staff and fans. Ms. Kennedy asked if there were any questions for Ms. Hennessey and there were none at this time. Ms. Kennedy noted that Cummins, Inc. was represented at the work truck show and had many products on display.

The next item on the agenda, **Proposed Amendment to Wi-Fi Agreement Resolution** is attached to and made a part of these Minutes. Mr. Levengood explained to the Board that this agenda item involves the opportunity to improve the Wi-Fi system at Lucas Oil Stadium. He explained the CIB was working in conjunction with Verizon and the Colts to get a contract finalized. He further explained this was an addendum to the existing Verizon Agreement which has a 7 year term. Mr. Levengood explained the Resolution is asking for Board support and approval to authorize Ms. Kennedy as Board President, Ms. Solada and Mr. Graham as Board Counsel from Bingham Greenebaum Doll LLP, and Mr. Levengood as Executive Director to finalize the terms of the agreement and execute it on the Board's behalf. He explained the Agreement was not to exceed \$2.33M as deemed appropriate by Staff and Counsel. Ms. Solada further explained that at this time there was not a completed contract to present, but that there was a need to get the contracts signed before the next board meeting in April. She added this was necessary in order to keep the project on schedule. Mr. Dora added that in his experience in the hotel industry the number one complaint is poor Wi-Fi which illustrated the need for these upgrades. Upon a motion by Mr. Corbitt and seconded by Ms. Fagan the Resolution relating to the Proposed Amendment to Wi-Fi Agreement was unanimously approved as presented.

The next topic on the agenda was the **Claims**. Mr. Levengood explained this was the approval of all expenditures on a monthly basis and presented these to the Board as per the supporting documentation, which is attached to and made a part of these Minutes. Ms. Fagan recused herself from line item 93 on Voucher 6610G regarding Bingham Greenebaum Doll LLP. Ms. Kennedy recused herself from line item 45 on Voucher 6744C regarding Indianapolis Power and Light. There were no questions from the Board and upon a motion by Ms. Fagan and seconded by Ms. Lewis Claims 6610G and 6744C were unanimously approved by the Board taking into account the aforementioned recusals.

In **Other Business** Ms. Kennedy informed the Board that as she mentioned at the beginning of the meeting, several representatives of the CIB and VI recently testified at the Statehouse supporting Senate Bill 7. Ms. Kennedy explained Senate Bill 7 is a state piece of legislature which was introduced and intended to provide economic certainty and stability of the CIB, by continuing certain funding that is already being realized today and by not adding any new taxes or fees. Those testifying on behalf of the Bill included Ms. Kennedy and Mr. Levengood on behalf of the CIB and Mr. Hoops and Mr. Gahl on behalf of VI. She explained the CIB strives to make decisions today that will impact and encourage its continued success in the future. She commented that the CIB is a unique organization in that it oversees not only the Convention business which is critically important to the City's economy but also the City's professional and amateur Sporting teams and events. Ms. Kennedy added that over the years the CIB has taken advantage of Bipartisan Leadership to continue building this success. She stated the CIB has a long term vision to continue the economic success going into the future. Ms. Kennedy recounted the process of issuing the RFP for the Convention Center Expansion which began over a year ago. She mentioned the compelling findings of the commissioned Rockport study which concluded the CIB has a very significant \$1.1B economic impact on the State every year. She noted in October of 2018 the CIB passed a Resolution to make a recommendation to the City to proceed with one of the three proposals and for the Convention Center Expansion and Hotel to be built at Pan Am Plaza. Ms. Kennedy reiterated the Board approved by a unanimous vote of 8 to 0 with one recusal. Ms. Kennedy also noted a comment that was made by Mr. Dora that the CIB needed to be even more supportive of VI and give it more resources to get the job done as keeping our convention customers is so critical. She stressed this Expansion project is a critical component in retaining our big customers and maintaining our professional sporting teams. Ms. Kennedy stated the CIB made that recommendation and turned it over to the City and now it is in the City's hands to lead this long process of negotiating and executing the proposal and working toward that execution. She noted some non-Hilton hotel owners expressed concern about the competition and wondered if the demand for more hotel rooms is justifiable and the CIB welcomes them to share their concerns.

Ms. Kennedy explained she would be giving two Board members, Jim Dora Jr. as a representative for the hotel owners and Leonard Hoops as the Ex Officio representing VI, the opportunity to share their comments before receiving Public Comment from the general public. She asked if there were questions from any other board members before proceeding. Mr. Terrell commented that knowledge of the addition to the Pan Am Plaza had been in the public sphere for some time and he explained until now he was not aware

of these objections. He asked Ms. Kennedy if she had any knowledge of this. Ms. Kennedy responded that she was not aware of any objections to the level which the Board was seeing that day. Mr. Terrell then asked if there was any public subsidies given when the JW Marriott was built prior to the Super Bowl in 2012. Ms. Kennedy stated that there was a \$58M public subsidy to assist in building of the JW Marriott in 2011 and added there were objections to that at that time as well.

Mr. Biederman commented that while the County Commissioners support the expansion of the Convention Center and the Hotel project there was some concern that the passing of Senate Bill 7 would change the makeup of the Board and that the County Commissioners may not continue to be represented and have a seat on the Board. He stated that he thought a solution could be agreed upon that could work for the CIB, the Commissioner's Office and the State.

At this time Ms. Kennedy asked Mr. Levengood to remind the Board members of the process that was put in place with regard to the Hotel and Convention Center Expansion Request for Proposals and the timeline for that process which is outlined below.

- **After feedback from some of our city's largest conventions about their growth, VI began analyzing hotel room and space optimization in 2014, starting under Ballard administration.**
- **Based on the study findings, VI recommended to the CIB that expansions to the Indiana Convention Center including an additional ballroom and meeting space as well as additional connected hotel rooms were needed to maintain our reputation as a top-tier convention city.**
- **The CIB issued a Request for Expression of Interest on December 15, 2017 to 40 local and national developers.**
- **A pre-request for information meeting was held January 4, 2018. There were 17 attendees who checked-in.**
- **Individual emails were sent on January 8, 2018 to the attendees inviting them to confidentially share thoughts and questions with the CIB. From the email chain, it appears three (3) groups scheduled times. VI and CIB reached out to others.**
- **On January 12, 2018, the CIB issued a Request for Information.**
- **The CIB received three (3) responses (that represented three completely different configurations, in three different locations) by the March 1, 2018 deadline.**
- **Mr. Levengood and members of the Chamber, administration, and CIB staff participated in the highly-competitive selection process. Technical advice**

was provided by VI, but they did not review the proposals.

- **After a three-month contingency period and a three-month technical review, the CIB recommended on October 19, 2018, that the City enter further negotiations with Kite Realty Group for a Convention Center Expansion.**

Mr. Levensgood noted that he believed all of the Board members were present for that CIB meeting and discussion on October 19, 2018, and that he (Barney) led the process and was very proud of the job that was done.

Ms. Kennedy invited Mr. Dora to address the Board at this time.

Mr. Dora stated he observed VI lobbying on behalf of the CIB this past week and thought this action did a great disservice to Mr. Hoops and his team. He explained he felt this way because for VI to have the trust of the hotels, these hotels must trust that VI is fairly representing all the hotels in the market and in his opinion these lobbying efforts have tainted that trust. Mr. Dora stated he thought it was improper that VI was there on behalf of the CIB in that function and that he felt it was the responsibility of the Board to hire a lobbyist in situations such as this and not the group that is entrusted to represent all the hotels in the City equally and impartially. He noted that the CIB receives tax revenues from areas well beyond the central business district and these entities providing this support are, in his mind, customers of the CIB. Mr. Dora stated he was disappointed after hearing testimony this past week to find that hotels are not considered customers of the CIB. Mr. Dora stated the CIB was not formed to only solve problems for only a select 2-3 entities downtown. He noted that the Hotel/Innkeepers tax provides a substantial amount of funding to the CIB and if hotels are not considered customers, perhaps they should be considered partners. Mr. Dora stressed that a proper partnership meeting is in order where all the parties involved could come together with their great ideas. Mr. Dora concluded by saying that in the past working together is what has always made Indianapolis the great City it is and he wondered why this amazing tradition would not be continued moving forward. He closed his statement saying that Indianapolis has people that want to be supportive and want to continue to feel as if they are partners, as they always have been as part of the development of the City. Ms. Kennedy thanked him for his statement and invited Mr. Hoops to address the Board.

Mr. Hoops explained to the Board that VI has a responsibility to customers, partners such as hotels and restaurants, and funders such as the city and state and they rarely are able to please all the stakeholder groups at the same time. He noted customers want as many hotel rooms and convention space options as possible, hotels want to sell all their rooms at the highest rates possible, and government entities would like to spend as little as possible to generate the economic development. He explained Visit Indy works to be as impartial as possible and keep everyone's interest in mind. He reminded the Board of the feedback from the 2014 Customer Advisory Board at which time some of our largest customers expressed concerns about the total amount of ballroom space available, the south campus' lack of ballroom space, and the downtown's insufficient number of hotel

rooms. VI utilizes this feedback from their customers to constantly improve their product in an attempt to continue their success going into the future. He reminded the Board that several of the City's biggest clients, such as GenCon, FFA, Fire Department Instructor's Conference ("FDIC"), and Performance Racing International ("PRI") had informed VI that they were concerned that if no upgrades were made to the ICCLOS and not enough additional downtown hotel rooms were added in coming years, they would be forced to consider moving their events to other cities that could provide them with what they required. Mr. Hoops noted that customer surveys also revealed the same concerns being expressed by other clients. The consensus among customers was that Indianapolis was a great convention city but it needed to begin planning now to keep its largest customers in the future as well as find new business. Mr. Hoops said that in 2016 VI worked with HVS Consultants on a market demand analysis for downtown hotel rooms and additional space needed in the facilities. Mr. Hoops referenced the findings of the report which were covered in more detail at the October 19, 2018 CIB Meeting. He summarized there were several key findings from the HVS report which made a compelling case for the need for the Hotel and Convention Center Expansion project, such as the lack of critical mass of hotel rooms near the south campus and the need for additional ballroom space. One of the main issues was that Lucas Oil Stadium was being underutilized as a result of these deficiencies. HVS concluded that the downtown market could successfully absorb another headquarters hotel with 800 plus rooms with 80,000 sq. feet of event space (meeting and ballroom combined) and that the ICCLOS should add a 40,000-60,000 sq. ft. ballroom in the south campus as there was none on that side of the facility.

Mr. Levengood wanted to point out that the full Board was provided a Future Hotel Development Fact Sheet. He also noted that Board Members Mr. Dora and Ms. Myers both requested and received a copy of the report. Mr. Dora requested the information on February 27, 2018 and VI sent him the executive summary of the study that same day and VI delivered a copy to Ms. Myers on March 1, 2018. Mr. Levengood also informed the Board that a copy of the full study was provided to Dave Sibley upon his request in October 2018 as well as a copy of the updated study in the last few weeks. (VI also provided a redacted version of the executive summary to Scott Olson, a former reporter with the IBJ, March 2018.)

Ms Kennedy wished to inform the Board that Mayor Cook of Westfield had reached out to her and expressed his support for the Hotel and Convention Center Expansion project. Mr. Levengood mentioned that he is often approached by our customers expressing the need for additional space in the Convention Center. He cited recent examples of this happening when having dinner with Steve Carey, the Executive Director of NTEA and also during a meeting with Tanya Bell of Indiana Black Expo the previous day.

Mr. Dora inquired as to the room count that was socialized to the Board (October, 2018) because he did not recall it being 1,400 rooms. Mr. Levengood answered that he believed the original number that was given from HVS was dealing with the demand analysis. Mr. Dora expressed that he thought this was an important detail to mention to which Mr. Levengood agreed.

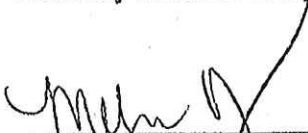
Ms. Meyers wanted to show for the record that she is supportive of the project and wished to reiterate her passion of supporting the effort of VI Leisure Marketing noting how interdependent the success of the Convention Center and downtown is with other areas on the outskirts of the City, and for her personally as President and CEO of the Hamilton County Tourism, Inc., in particular, the Grand Park Sports Complex. She noted she has worked with VI on the Tourism for Tomorrow program to help to drive business to all areas because Indianapolis has such a great product.

Mr. Hoops stated Visit Indy was very sensitive to the concerns that the hotel owners have about the findings of the studies and that is why VI does not consider themselves the experts in this field and they go out of their way to hire the experts. Mr. Hoops commented that the same reports and information were given to HVS and to LWHA and the two organizations came to different conclusions and obviously made different assumptions to reach those conclusions.

Ms. Kennedy invited those who had signed in, John Griffiths and Bruce White, the opportunity to address the Board.

This portion of the Board Minutes has been transcribed by Connor Reporting-A Veritext Company, to ensure accuracy of the guest speakers' statements. (See Attached.)

At the conclusion of the **Public Comment**, and with no **Other Business** to address, Ms. Kennedy thanked everyone for their input and the meeting was adjourned.



Melina Kennedy, President
THE CAPITAL IMPROVEMENT BOARD
OF MANAGERS
OF MARION COUNTY, INDIANA



Michael "Mick" C. Terrell, Secretary
THE CAPITAL IMPROVEMENT BOARD
OF MANAGERS
OF MARION COUNTY, INDIANA

Transcript Excerpt
March 15, 2019

1 CAPITAL IMPROVEMENT BOARD OF MANAGERS

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5 Indiana Convention Center

6 Indianapolis, Indiana

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9 Conducted On: 3/15/2019

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12 Excerpt Transcript

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16 A STENOGRAPHIC RECORD BY:
17 Judith E. Bellinger, RPR, CRR
18 Notary Public
19 Stenographic Reporter

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1 PRESIDENT KENNEDY: Any other comments or
2 questions from board members? So we have on the
3 agenda public comments. It, I think it's the
4 last agenda item. I think we had three people
5 sign in.

6 MR. LEVENGOOD: Really, two.

7 PRESIDENT KENNEDY: Two people?

8 MR. LEVENGOOD: Traditional for us, as they
9 sign in, is how we address them.

10 So John Griffin with the Building Trades.
11 And introduce yourself.

12 MR. GRIFFIN: Yeah, I will do that. Yeah.

13 MR. LEVENGOOD: Yeah, much more than I did.

14 MR. GRIFFIN: Yeah, good morning, members
15 of the board. My name is John Griffin and I'm
16 president of The Central Indiana Building Trades
17 Council. In that position I represent over
18 28,000 men and women of the union construction
19 industry in Central Indiana.

20 And for those of you in the room that don't
21 know who we are, when you leave this meeting,
22 take a look at the skyline. I'm proud to say
23 that we built that.

24 I'm here to speak in support of these hotel
25 projects. We estimate on a project of this size

1 1.6 to 1.8 million man-hours with a peak of 450
2 construction workers on site.

3 The building trades philosophy is real
4 simple. We are skilled tradesmen and women, and
5 we build things, and we want to build these
6 hotel projects.

7 We think these two hotels will be a great
8 addition to our skyline, and we look forward to
9 the groundbreaking.

10 Thank you.

11 MR. LEVENGOOD: And Bruce, Bruce White. And
12 you can do a much better job than I can of
13 introducing yourself, Bruce.

14 MR. WHITE: I wish I could get a chair or
15 something of some kind.

16 MR. LEVENGOOD: Yeah. You've got one right
17 there.

18 MR. WHITE: I can borrow a chair, if I
19 could.

20 MR. LEVENGOOD: Yeah.

21 MR. WHITE: Otherwise, I'm -- this is great
22 that we have this intimate setting here instead
23 of a big public forum.

24 My name is Bruce White, I represent --

25 FEMALE SPEAKER: Let me give you a little

1 more room here so I can (indiscernible) you up.
2 Go ahead.

3 MR. WHITE: I'm a big guy. When I first
4 met in this room to do the 600-room Marriott, I
5 was a much smaller guy.

6 So White Lodging is a company that's
7 headquartered out of Merrillville, Indiana. Our
8 roots are in Indiana. We started building
9 Carlton Lodges, for any of you that remember,
10 this is a long time ago, in Goshen, Indiana,
11 Valparaiso, Indiana, Fort Wayne, Indiana. Then
12 we finally grew enough to come down to the big
13 city of Indianapolis, and we bought the Howard
14 Johnsons at the time. And you've seen -- some
15 of you are old enough to remember the evolution
16 of that from the Howard Johnsons to the Ramada
17 having the TGI Friday become the Courtyard and
18 also Fairfield Inn & Suites. And eventually in
19 response to our fete that was done for the Super
20 Bowl became the site of the JW Marriott.

21 We've developed over \$4 billion worth of
22 hotels across the United States. We've been
23 responsible for and developed six major
24 convention hotels throughout the United States,
25 and work in different markets.

1 We're very vested in the city of
2 Indianapolis. We've invested close to a billion
3 dollars in hotel product in the city of
4 Indianapolis. Much of that -- the majority of
5 that is downtown. And so I think it would be
6 safe to say, and not only have we invested that
7 in the past, we look forward to doing that in
8 the future.

9 I mentioned this at the State House when my
10 father passed away, who's been my partner in all
11 these things, he put his entire estate into the
12 Dean and Barbara White Foundation, to support
13 Indiana. Our priority is much like the Lilly
14 Foundation, where it will focus on the state of
15 Indiana and Northwest Indiana. But the one
16 asset that he kept out of that estate was the JW
17 Marriott. And he did that because, number one,
18 of the pride we took in building that and
19 exceeding all the requirements and expectations
20 at the time. It was a tumultuous time for our
21 family because the financial markets back then
22 fell completely apart. And so we had to put
23 debt on everything we could put debt on and
24 collect all our cash, and we built that project
25 on cash to fulfill our commitment to make sure

1 Indianapolis got the Super Bowl and the downtown
2 economy continued to grow.

3 Immediately after that, what was then the
4 ICVA came to us and said because of the
5 depressed economy, that they were out of
6 funding, basically, to promote the city. At
7 that time, my father and I collectively donated
8 to the ICVA \$5.3 million so they would have
9 money to market their facilities.

10 So I think it would be fair to say that we
11 are probably the most invested organization in
12 downtown Indy. Not just in the present, but,
13 again, into the future. We designed the JW
14 Marriott, and we have the plans in place for
15 actually an expansion of the existing meeting
16 facilities and the addition of another 400-room
17 hotel.

18 So I just want to say that to make sure
19 that everybody knows we're aligned here. The
20 tragedy of this whole process, in my opinion, is
21 that somehow this has become adversarial. It's
22 us versus them.

23 Indianapolis has always succeeded because
24 of the vision of the CIB and the city leaders to
25 work collaboratively and get input from all the

1 key stakeholders.

2 We can debate a lot of things about what
3 was released and what was requested, what was
4 kept confidential due to hotel owners' requests,
5 which is just, in my opinion, patently untrue.
6 Because we requested and we supplied most of the
7 information, et cetera, et cetera, et cetera,
8 which led us to be here.

9 We can talk endlessly that the market is
10 bursting at the seams because of this excess
11 demand and these (indiscernible due to coughing)
12 just need to grow, grow, and grow. Which, by
13 the way, we want to see happen more than
14 anybody. But we operate in other markets. This
15 market is run on a 72 percent occupancy at a
16 very compressed group rate. Indianapolis is
17 swim lane, which, by the way, is a good swim
18 lane. We've been very successful in this swim
19 lane, is mid-market, lower mid-market,
20 association business, and athletic groups.

21 All you have to do is walk through any of
22 our hotels any day of the week, be there the
23 last two weeks with the business -- the
24 marketing competitions, the business plan
25 competitions, the volleyball players coming in

1 this weekend, et cetera, et cetera, et cetera.

2 As an example, we have a hotel that's
3 almost identical to the JW Marriott Indianapolis
4 in Austin, Texas. We make 160 percent more
5 revenue and profit in that hotel than we do in a
6 basically identical hotel in Indianapolis.
7 That's just because of the rate structures and
8 the market mix is so radically different in
9 Austin, Texas versus Indianapolis.

10 So, to me, the biggest flaw in this
11 process -- and, actually, Madam President, this
12 became obvious in your testimony at the State
13 House the other day when you spoke about meeting
14 with the Pacers on a daily basis. You said you
15 talked to the Pacers on a daily basis. You
16 talked to Visit Indy on a daily basis. But you
17 never talked to the hotel community, the most
18 invested in this, and I would argue the most
19 knowledgeable of this of any of the key
20 stakeholders. That was also obvious when you
21 left the meeting and didn't even stay to hear
22 the hotel side of the story. I was really
23 disappointed in that.

24 Visit Indy does a phenomenal job
25 representing Indianapolis. Phenomenal. That's

1 why we've supported them. That is why we've
2 worked hand-in-hand with them. They're doing
3 their job of representing their customers. I
4 was a bit disappointed in Chris's testimony when
5 he kept referring to his customers strictly as
6 these groups that come in. But the customers
7 are always -- are also the hoteliates that are
8 invested in this and invested in the facilities
9 and also jointly market.

10 I would like to say that out of their
11 numbers that they present, you'd have to tell us
12 the exact number, but many of those numbers of
13 your numbers come out of our marketing efforts
14 at the JW Marriott and business that we book
15 that is part of your book of business, but that
16 we're responsible for. And it's a very, very
17 significant number.

18 So, again, we're locked -- we're in
19 lockstep. We love these guys. I'm walking
20 around -- I didn't know where the meeting was,
21 and I'm walking around the center this morning,
22 and, again, they're all low-rated groups. But,
23 no, that's okay. That's our business. That's
24 our swim lane. Be good at what you do and excel
25 at it and really own that space.

1 But there were these groups everywhere.
2 And I thought, these guys, I mean, you're
3 working hard to get groups like that. But
4 you're getting groups like that because of our
5 value proposition and our meeting space.

6 So I want to start off that because I
7 don't -- again, this is -- due to our lack of
8 inclusion, this has become some sort of
9 adversarial thing. And I want you people to
10 know how much we respect your efforts. How
11 wonderful our experience has been. I was in
12 this room back for the 600-room Marriott many,
13 many years ago. And I've worked with the CIB on
14 putting all these things together. So, please,
15 don't think that I'm in any way disrespectful or
16 unappreciative of your efforts.

17 I would only ask -- instead of only ask to
18 talk of what we've had so far from everybody is
19 that we've been dismissed. We haven't been
20 listened to. Their first reaction is to defend
21 what happened as opposed to listening and
22 saying, "You know what? We might learn
23 something through this process and maybe the one
24 consultant we hire to be involved with this
25 incredibly high-impact redevelopment. It's an

1 incredible investment and incredibly important
2 in the strategic development of downtown.
3 Perhaps we should have just listened to the
4 people and asked them for their opinion that are
5 actually highly engaged in the business."

6 So if you go back to the ballroom, Barney,
7 the ballroom was discussed and part and parcel,
8 if you recall, in the last expansion. This is
9 not a new idea. The reason the ballroom wasn't
10 done then is because we just ran out of money.
11 I was involved in those conversations. I'm very
12 aware of that. That's one of the reasons that
13 we did 104,000 square feet of meeting space in
14 the JW. Those of you who recall that, Bob
15 Udell, who knew his business as well as anybody,
16 was the one screaming for the ballroom space.
17 And that's why we added a 40,000 square foot
18 ballroom in the JW Marriott.

19 The other thing is, is on this
20 confidentiality thing, we've been asking for
21 copies of a study forever. We were unable to
22 get it. They've said we was unable to get it as
23 an executive committee member of Visit Indy. We
24 did get an executive summary. It didn't go into
25 any detail.

1 The idea that the hotel community didn't
2 want to share their numbers is preposterous.
3 Those numbers are an aggregate. They don't
4 reflect any specific hotel. And, of course,
5 we're always interested in any study that
6 reflects the ongoing Indianapolis marketplace.
7 And, also, that study, at the time, was done for
8 800 rooms, not for 1,414 rooms.

9 I'm sorry, let me look at my notes here for
10 a second. So by -- my basic message and thought
11 process is the key stakeholders weren't engaged
12 in the process. As it relates to the RFP, okay,
13 I want to be very specific about that. Yes,
14 there's an RFP in the technical sense, Barney.
15 It was followed. So there's no accusations on
16 our point from a legal viewpoint or anything
17 like that.

18 I will say, though, that you only got three
19 responses. Very unusual for an RFP like that
20 not to have more responses. All of these brands
21 desperately want to build new hotels because
22 they get franchise fees off of them. They get
23 management fees off of them. They're building
24 new brands. This brand that Hilton has proposed
25 is a brand new -- there is not an Insignial

1 hotel in the world right now. So, obviously,
2 they're going to promote their brands and want
3 to grow. Those how as a public company they
4 boost their shareholder price and see
5 expectation of future growth.

6 What we're concerned about is that
7 38 percent increase in supply with a, whatever,
8 7 percent, plus or minus, depending on what
9 meeting space you count, increase of meeting
10 space.

11 We are the hotel community, not just White
12 Lodging, because I'm here representing all hotel
13 owners with -- they're enthusiastic and they
14 requested me to represent them at this meeting.
15 We would be enthusiastic in support of a
16 significant expansion of the convention center.
17 We just don't think a 30-thousand square foot --
18 or a 50-thousand square foot ballroom and 30,000
19 shows a vision that we need to really change the
20 dynamic of the business over time.

21 So we also would challenge the assumption,
22 strongly challenge the assumption, that the
23 80,000 square feet can be counted both in the
24 Hilton meeting space and the convention meeting
25 space. I'm fully aware of the Dallas model.

1 I'm also fully aware of how convention hotels
2 work, market and operate. And you can't count
3 it twice. It's just double counting.

4 So as our consultant said at the State
5 House, it's unprecedented to think you're
6 writing a 1,414-room hotel without having its
7 own meeting space. The general rule of thumb
8 for a meeting space in a convention hotel is a
9 hundred square feet per guest room.

10 If somebody wants to come in, you mentioned
11 our subsidy. I'm certainly not against public
12 investment from projects that are strategic and
13 creative and synergistic to create additional
14 development. That's what makes communities
15 vibrant. That's why we invested close to a
16 billion dollars and want to sustain. So we're
17 in violent agreement on working at that --
18 working towards that.

19 We got -- I don't think it was 50, I think
20 it was 48.5. But if you look at both projects
21 that we've done, the 600 -- now it's 650-room
22 Marriott. We've expanded that. And the
23 1,005-room JW Marriott, I believe, we got
24 \$48,500 subsidy on both of those, and that
25 was -- and maybe you might even recall what it

1 is. I didn't go back to look this up, but my
2 recollection is it was primarily in the form of
3 remonetized property tax abatement. We did get
4 the connectors to the convention center.

5 MR. LEVENGOOD: Yeah. And the mayor -- it's
6 built -- built on our property.

7 MR. WHITE: We lease -- we lease property
8 from the city or state. It's only that flag
9 lot. It's a very small parcel of land that
10 currently is unused. And we did get a long-term
11 lease at a dollar a year on that. But that's,
12 like, Barney, that's probably 3 percent of that
13 site. And as far as I know, there's not a
14 frickin' thing on it but grass. So it was an
15 insignificant contribution, at best.

16 So if somebody wants to come into
17 Indianapolis and you guys subsidize them to the
18 term of 50,000 a key and they build a hundred
19 thousand square feet of meeting space that's
20 just for their use and they're adding in a
21 creative way to the overall Indianapolis
22 package, you've got my total support.

23 Because I would challenge, and I think it's
24 worth debate, if a consultant -- and I would be
25 on -- obviously, I would be on our consultant's

1 side -- but I would love to debate on that --
2 those numbers for your induced demand. And I
3 would love for somebody to do a probability
4 analysis on that. And then I would also ask you
5 to think, let's just say, okay, because you're
6 relying on one consultant to make this
7 incredible decision that has such a high impact
8 on the existing industry. We've got a
9 72 percent occupancy with very complexed
10 roommates in the strongest sustained economy
11 that we've seen in generations.

12 I don't know about you guys, but I know in
13 our business right now we are really peeling
14 back our development pipeline because we
15 believe, number one, the economy has to slow
16 down. Trees don't grow to the sky. There's a
17 lot of event risk. There's a lot of Mackerel
18 financial market risk, et cetera, et cetera,
19 et cetera. Rates have been at historic lows.
20 We expect rates to go up.

21 Many of my fellow owners have refinanced
22 their assets in the marketplace when rates were
23 low and banks were aggressive in loaning money.
24 When those loans come due if the economy slows
25 down, or rates go up, it's going to be very

1 challenging, if not impossible, for those people
2 to refinance their assets at their existing debt
3 levels. If, in fact, the occupancy would go
4 down, as we would suggest, somewhere between 6
5 and 9 percent, that would reduce cash flows in
6 the downtown hotel market by 25 to 30 percent.
7 That's not a guess. I'd be happy to share
8 numbers with anybody that wants to sit down and
9 go through them. That's going to impact -- the
10 biggest -- to me, the biggest threat in that,
11 besides hotels going into foreclosure and the
12 impact that will have on the entire downtown
13 Indianapolis real estate market, but owners
14 aren't going to reinvest in their assets.
15 They're just not making money. And when you
16 degrade the product over time, and you guys do
17 your site visits, I know it. That's why when we
18 bought back the Marriott, we bought back the
19 existing Marriott. We had sold that to LaSalle
20 Hotel REIT. We bought that back because we
21 couldn't get those guys to invest back in the
22 property. They said, "We're not investing back
23 in the property because we're not making a
24 return on our investment."
25 So they went to sell it. We bought it back

1 from somebody under contract for 20 million more
2 than they had on it. Then our initial
3 investment, just to bring it up to standard, was
4 \$45 million.

5 If you look at the Hyatt, what it sold for,
6 was, I believe, 217,000 per key. The Hilton, I
7 believe, was 247,000 per key. I might be off
8 just a little about it there. But it's just a
9 little bit. But one thing I can tell you for
10 sure, both of those sales were at less than
11 60 percent replacement cost for those
12 properties.

13 So this is, for instance, like if you lived
14 in a neighborhood and you've read about this,
15 and when money was loose and the banks were
16 homes, everybody went out and borrowed a lot of
17 money because of cheap interest rate. But then
18 the housing market slowed down, people were
19 under water, wasn't going -- you know. This is
20 the same scenario. The same perfect storm that
21 could happen.

22 To think that we wouldn't get together and
23 at least talk about that and assess that risk
24 and just go forward on kind of a blue-sky basis,
25 I'm sorry, I think that's irresponsible. And to

1 try to proceed on this, again, and not engage,
2 you know, good dialogue in the hotel community
3 Visit Indy does a great job selling the city.
4 They're great communicators. They're great
5 salespeople. They are not hotel owners. They
6 are not hotel developers. They do not
7 understand hotel investment. Just as other
8 people don't suggest those, or other people
9 don't know that.

10 To go to Visit Indy to do all your work
11 would be, I think, similar if I just went, I
12 love the chamber of commerce, we're active
13 members, I think they do a great job promoting
14 business, and we support them a hundred percent.
15 I would not go to the chamber of commerce to do
16 my business planning for me, or to make my
17 investment decisions for me. I would want to
18 talk to people that are actively involved in
19 that and understand that.

20 So, you know, we feel, you know, calling it
21 the Boston Tea Party would be an exaggeration.
22 But we feel that it's our business that
23 generates the taxes that supports this, and that
24 this is kind of taxation without representation
25 since we weren't represented in this process.

1 And when we've tried to engage in the process,
2 we've gotten -- haven't -- we've gotten pushed
3 back, as opposed to inclusion, and let's get
4 together and talk and try to solve something,
5 listen, let's at least understand your issues.
6 Doesn't mean we have to agree with them. But at
7 least we understand what you have to say. And
8 that hasn't happened.

9 So all we're asking for is to recognize
10 we're an important part of this. We would love
11 for you to do a reset, understanding that we
12 believe it's been a flawed process because we
13 haven't been included. And that we do something
14 that's best for the city in the short term and
15 the long term. And we want you to know that
16 we're very happy to be part of that. And we
17 also want you to never forget how vested we are
18 in the future of Indy, again, not in the short
19 term, but in the long term. And we're going to
20 be an important part of this community, and
21 we're going to advocate, along with you guys.
22 Because you're volunteering your time. You
23 serve on an incredibly important board that's
24 essential for the continued growth of
25 Indianapolis, and we want to be part of that.

1 We always want to be part of that. And we want
2 to be supportive of it and participate.

3 So with that, I'm happy to respond to
4 any -- we're an open book. So ask me anything.

5 PRESIDENT KENNEDY: I want to thank you for
6 taking the time today. I do want to apologize
7 if you felt after I left after the three hours.
8 Barney was there on behalf of the CIB. I had to
9 pick up my daughter. So I hope you can
10 understand that. But certainly we were there to
11 listen. And, again, this is what makes our city
12 great. There's respectful opinions and they may
13 be varying, but I think Leonard has shared our
14 view that the hotels were included and we
15 respect your opinion and the others that are
16 here and the board --

17 MR. WHITE: Well, that's funny because the
18 funny thing is, all the hotel owners that you
19 say we were included without exception, we say
20 vigorously that we were not included, okay? And
21 we -- I know this from a pure fact because I did
22 it myself. I requested copies of the study and
23 could not get them. That's why we went out and
24 did our own study because we couldn't get access
25 to that study.

1 And the other thing, the original RFP went
2 out for 800 rooms with no public subsidy. Which
3 in my opinion is why you got no response -- no
4 response -- three responses, when typically
5 you'd get far more than that, okay? And the
6 reason was because we just looked at it and we
7 said, as Joe Young said at the State House, the
8 economics don't support it. No way the
9 economics support building a new convention
10 hotel. And then when we find out ineffectively
11 there's a \$120 million subsidy. Not
12 technically, but effectively. Okay?

13 So that's why we didn't get it. We just
14 said it's never going to get built. If there's
15 no public subsidy, the market will never support
16 getting a project like this financed. It will
17 make no sense.

18 And we know our business very well. We
19 know our business better than your consultant
20 does. And with all due respect, like you all
21 know your businesses better than I would know
22 your business, we understand this business very
23 well. We started with one Carlton Lodge and
24 grew a business that's doing close to \$2 billion
25 now. So we know our business pretty well. We

1 might not know much else, but we know about
2 serving drinks and cleaning toilets and taking
3 care of our associates.

4 And to think that this wouldn't have an
5 impact on employment downtown, and you think
6 that reducing cash flow by 25 to 30 percent
7 isn't going to reduce ours greatly, we did a
8 study just for the Marriott, and for the IMD
9 combined, and we're looking at somewhere
10 probably of immediately \$3 million in
11 (indiscernible due to coughing) immediately.
12 And that's just -- that's not me blue-skying.
13 That's just like this is what happens when the
14 occupancy will be this. This is what's happened
15 in the past when the economy is soft.

16 We've been through soft economies before.
17 We weathered the Great Recession across the
18 country. So we have a keen understanding of it.

19 I'm happy to answer any questions.

20 PRESIDENT KENNEDY: Okay. Thank you very
21 much for taking the time.

22 MR. WHITE: All right. Thank you very
23 much. Thank you.

24 PRESIDENT KENNEDY: I think with that we
25 are adjourned. And, again, I want to thank

Transcript Excerpt
March 15, 2019

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1 everyone on the board and those who are here.

2 (Whereupon, the digital recording ended.)

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