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MEMORANDUM

TO: City of Lawrence, Kansas
FROM: Gary A. Anderson
DATE: November 21, 2017
RE: Conference Center Project

We have been asked by City Staff to outline some of the considerations that the City should utilize in evaluating this proposed project. This list is not intended to be exhaustive, but to give you a tool as you evaluate this project.

Ownership – Typically the hotel and conference center will need to be operated together. Separate ownership creates complications, including allocation of operating revenues and operating costs and financing issues

Project Completion – who has the risks of project overruns; what are the financial ramifications if project is not completed on time

Debt Service Risks – who has the risks of paying debt service

Operating Costs – who has the risks of operating shortfalls

Depreciation – how do you insure that there are sufficient replacement reserves to replace conference center equipment and Hotel FFE when needed; What if cash flow is insufficient to provide for replacement reserve?

Hotel – City will want to approve Hotel Flag and any changes to Hotel Flag, City will want to approve Hotel operator and any changes to Hotel Operator

Financing – how does the City finance the Conference Center