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## Deals for Dallas Convention Center hotel don't end debate; project's fate may be decided by bond sale

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An economic boon for the whole of Dallas.

A financial boondoggle destined to vacuum up taxpayer dollars.

Such are the two bookend arguments in Dallas City Hall's quest to build a publicly owned convention hotel – a facility that is closer to materializing since the City Council on Wednesday approved hotel operating and development agreements.

But despite a terrifically awful national economy and uncertainty about its future, both sides continue to parrot their core arguments for and against the project more fervently than ever.

For hotel supporters, today's soft economy initially could mean lower construction costs. Dallas, meanwhile, will probably become a more attractive convention destination in tough economic conditions than glitzier – and more costly – locations such as Las Vegas and Orlando, Fla., they said.

"The situation we're in won't last forever. Hunkering down and freezing is not a good option," Dallas City Manager Mary Suhm said. "It's important to look at this city, and where it will be five years from now."

Whether five years from now or five years ago, a publicly owned convention hotel simply won't make money, argued Anne Raymond, leader of Citizens Against the Taxpayer Owned Hotel, an organization primarily bankrolled by Dallas real estate mogul Harlan Crow.

Dallas' expectations of charging more than \$200 for hotel rooms and room occupancy numbers far above the city average make the hotel a sure money loser, she said

"The possibility the hotel can generate enough revenue to pay its mortgage is zero," Raymond said.

Dallas officials have produced few financial projections about the hotel beyond a 207-page HVS Consulting study it commissioned that concludes the Dallas market would benefit from an attached convention center hotel – a standard feature of most large convention centers.

The study assumes that in 2012, a 1,200-room Dallas Convention Center hotel would post a 52 percent occupancy rate, rising to 68 percent in 2015. The hotel would maintain that rate through 2021, it states.

Dallas is planning to build a roughly 1,000-room hotel that will be less expensive to build and operate,

and, perhaps, achieve a higher occupancy rate than initial projections.

The ultimate judge of whether the hotel is financially feasible is the nation's bond market, council member Ron Natinsky said.

Now that the city has selected a hotel operator, Irving-based Omni Hotels, and inked a development agreement with Dallas-based Matthews Southwest, the only major action between today and the start of construction is selling revenue bonds to fund the project. City officials say such a bond sale could occur as soon as a month from now.

But if the city can't obtain its target financing rate of 5.5 percent or better, or bond buyers simply don't spring for the city's offer, the hotel project won't move forward, said city officials, including Suhm and Mayor Tom Leppert.

"There are no guarantees in life. But I feel we're in a position where this will work," Natinsky said. "We've taken a very conservative approach in our estimates. We've taken into consideration that there are going to be up years and down years. And we're not going to be in this financial situation we're in now forever."

On May 9, Dallas voters will have the opportunity to decide on a proposed City Charter amendment that would prohibit Dallas from owning a convention center hotel.

One painfully technical, but nonetheless critical issue of a bond sale are covenants – the assurances given to bondholders that they receive payment from Dallas. City officials have not solidified those covenants, and they will not say how insulated taxpayers will be from subsidizing the hotel if the facility were to lose money.

"That, to me, is troubling in this market. These covenants are at the heart of the matter," council member Angela Hunt said. "Do I think the city will benefit from a convention center hotel? Probably. But the second and more important question is, who pays for it? That's where the risk comes in, and no one really seems to know."