



Legislation Text

File #: Res. 2018-53R, **Version:** 1

AGENDA CAPTION:

Consider approval of Resolution 2018-53R, granting consent to an assignment of the Master Development Agreement and Conference Center Lease Agreement for operation of the City's Conference Center adjoining the Embassy Suites Hotel from JQH-San Marcos Development, LLC, also known as John Q. Hammons Hotels and Resorts, to JDHQ Hotels LLC, commonly known as Atrium Hospitality; authorizing the City Manager to execute the consent to assignment on behalf of the City; and declaring an effective date.

Meeting date: April 17, 2018

Department: CMO

Amount & Source of Funding

Funds Required: Not Applicable

Account Number: [Click or tap here to enter text.](#)

Funds Available: [Click or tap here to enter text.](#)

Account Name: [Click or tap here to enter text.](#)

Fiscal Note:

Prior Council Action: In 2006-07 the City Council approved several agreements with John Q. Hammons to fund, construct the Embassy Hotel and operate/lease the City of San Marcos Conference Center. The attached version of the amended Master Agreement outlines lease requirements for JQH to operate our conference center operations, including maintenance; furniture, fixtures and equipment (FF &E); and rental of conference events and space. The City partnered with JQH on land acquisition, design/build, infrastructure improvements and ability of City to lease operation of the conference center to the owner and operator of the Embassy Hotel for a 25 year lease.

City Council Strategic Initiative:

City Facilities

[Choose an item.](#)

[Choose an item.](#)

Comprehensive Plan Element (s):

☐ Economic Development - [Choose an item.](#)

- ☐ Environment & Resource Protection - Choose an item.
- ☐ Land Use - Choose an item.
- ☐ Neighborhoods & Housing - Choose an item.
- ☐ Parks, Public Spaces & Facilities - Choose an item.
- ☐ Transportation - Choose an item.
- ☒ Not Applicable

Master Plan: Choose an item.

Background Information:

In 2016, various business entities operating under the umbrella of what is commonly known as John Q. Hammons Hotels and Resorts filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Among the entities included in the bankruptcy was JQH-San Marcos Development, LLC (JQH) which operates the City's Conference Center adjacent to the Embassy Suites Hotel.

Under the reorganization, JQH and its affiliated entities had the option to either assume or reject existing leases. Each subsidiary entity under the Hammons umbrella was created to independently lease or operate specific properties in different cities. Some properties were successful and some were not. Accordingly, leases that were profitable were assumed, while the remaining leases were rejected. Leases that were assumed continue in effect without modification and the subsidiary entity remains fully obligated to perform under the terms of the lease. In this instance, JQH elected to assume the San Marcos Conference Center Lease as the hotel and conference center remained high performing and profitable. **Thus, the City continues to receive all lease revenues from JQH as required by the lease.**

As part of the reorganization plan for all of the entities under the Hammons umbrella, however, JD Holdings, LLC,(or its wholly owned subsidiaries), better known as Atrium Hospitality, will assume ownership of all Hammons assets, including 35 properties from the Hammons portfolio. The San Marcos Conference Center is among the properties affected by Atrium Hospitality's acquisition from Hammons.

Under the City lease agreement (page 13 of Exhibit C), the Lessee shall not sell, convey, assign or sublet this lease without the express prior consent of the City (lessor). The lessee must also hold or operate the hotel as well as our lease, if assigned. The assignee must also submit a written assumption of all the obligations under the lease in a form acceptable to the City. Because the City must consent to the assignment, Atrium

Hospitality is formally requesting that the City grant its consent.

Council Committee, Board/Commission Action:

2006-2007 Council resolutions, contracts, leases, amendments in the design build, infrastructure improvements and land acquisitions, loans and funding agreements.

Alternatives:

There are no alternatives to this request at this time.

Recommendation:

Approval of assignment