

**: OFFICIAL PROCEEDINGS :**

**: OF THE CITY OF PEORIA, ILLINOIS :**

A Special Meeting of the City Council of Peoria, Illinois, was held July 1, 2014, at 5:38 P.M., at City Hall, Council Chambers (Room 400), 419 Fulton Street, with Mayor Ardis presiding, and with proper notice having been posted.

**ROLL CALL**

Roll Call showed the following Council Members were physically present: Akeson, Grayeb, Jensen, Johnson, Montelongo, Moore, Riggenbach, Spain, Turner, Weaver, Mayor Ardis – 11. Absent: None.

**INVOCATION & PLEDGE OF ALLEGIANCE**

Mayor Jim Ardis requested a moment of silent prayer or silent reflection, and then he led the Pledge of Allegiance.

**PETITIONS, REMONSTRANCES & COMMUNICATIONS – CITY OF PEORIA**

**UNFINISHED BUSINESS (Including but not limited to motions to reconsider items, if any, from the previous Regular Meeting)**

**(14-199) Communication from the City Manager with a Request to Approve the Request of EM PROPERTIES to Switch Management of the MARRIOTT PERE MARQUETTE and COURTYARD MARRIOTT from MARRIOTT INTERNATIONAL to FIRST HOSPITALITY GROUP and Authorize the City Manager to Execute any Necessary and Related Documents.**

City Manager Patrick Urich distributed two memorandums to the City Council regarding the Marriott Pere Marquette and Marriott Courtyard Downtown Hotel management change.

City Manager Patrick Urich provided a summary of the status of approval for the management change sought by the Redeveloper of the Marriott Pere Marquette and Marriott Courtyard Downtown Hotel. He reported that City Staff conducted due diligence on First Hospitality Group (FHG) wherein it was concluded that FHG was a capable management company. At the request of Council Member Jensen, he said Marriott executed certificates, which stated that the Management Agreements with Marriott were in full force and effect and that there were no defaults of the Redeveloper. He remarked that in order to effectuate the management change, there would be several documents that needed Council approval. He said City Staff believed there were four major objectives that needed to be accomplished with the change of management: 1) assure a competent management was in place for both hotels, and Staff believed that FHG was a competent hotel management company, 2) ensure the Marriott Courtyard Downtown Hotel opened, 3) add additional controls on the Redeveloper, and 4) the City waive no rights as a lender/mortgagee. He said City Staff recommended six conditions be adopted by the City Council and placed into the Consent/Forbearance Agreement between the City and the Redeveloper, and he outlined those conditions.

Attorney John Elias, outside counsel for the City of Peoria on this project, remarked that the City Manager's summary was accurate. Of paramount interest to the City, he said, was to open the Courtyard Marriott with competent management, and he commented that FHG was a competent manager. He said it was important to get the hotel opened and revenue flowing.

Attorney Elias said, in response to Council Member Jensen, that the six conditions as outlined by the City Manager, any document that was referenced as a Consent/Forbearance Agreement would be built into the document.

In response to Council Member Weaver, he responded that if the six conditions were not met, it would constitute a default under the mortgage wherein those remedies would apply.

Council Member Akeson said most of the people who contacted the City Council regarding this matter wanted the hotel to open and to be successful; however, she said what they wanted was a high quality service hotel. She expressed a concern that there would be too much focus on the numbers, which could limit the quality of the product. She said she wanted to see some way to hold the Redeveloper to the standards expected by the citizens. She said the City was relying on the reputation of FHG.

In response to Council Member Akeson, Attorney Elias said the standards of Marriott were outlined in the franchise agreement wherein it stated they would need to meet Marriott's service levels. He said the best way to approach this concern was to meet with FHG and develop an understanding between them and the City.

In response to Council Member Spain, City Manager Urich said the execution of the franchise agreement would extend the life of both hotels for the foreseeable future. He said when the agreement was executed in 2010, it was a 30-year agreement, which portrayed that Marriott wanted this hotel to be a Marriott for years to come. He said there was a contract and franchise agreement in place to keep the Marriott for the next several years.

In response to Council Member Riggerbach, Attorney Elias remarked that the City was a second mortgage lender and had the same collateral of that of the Senior Lender. He remarked that in a worst case scenario, the City would be included in the decision-making along with the Senior Lender.

Attorney Elias said, in response to Council Member Jensen, that if a lender had discretionary control over a borrower, it would put that lender in jeopardy due to their involvement in the decision-making.

Attorney Elias addressed Council Member Weaver stating that the City had authority in the construction contract and had rights to approve any change within that contract. He said the City also had the right to approve the management contract. He provided an explanation of what would happen should there be a change in ownership. He also explained how a foreclosure would affect the City's rights in its attempt to regain collateral. He provided various scenarios in a foreclosure situation. However, he commented that the City had a good relationship with the Senior Lender and other investors involved in the project.

Redeveloper Gary Matthews expressed his appreciation for the City's support on this project. He provided a summary of FHG's background in hotel management and how they would benefit the City of Peoria more than Marriott International. He remarked that FHG was focused on local management, and he introduced the FHG management team.

In response to Council Member Spain, Mr. Matthews said the primary reason for the management change was due to the lack of transparency from Marriott International. He held Marriott International in high regard noting its reservation system was second to none and outstanding rewards program; however, he expressed disappointment in the results of management. He remarked that FHG would be able to do a better job with local marketing, hiring and focusing on the Civic Center. He said there was a 30-year franchise agreement with Marriott, which stated the hotel had to be held to the standards of Marriott. He remarked that the most impressive thing about Marriott was their standards and expectations. In regards to the hotel's financial situation, he said the Pere Marquette met all expectations except for special events. He expressed a concern that there was a lack of special events at the Civic Center, and it was financially important to take advantage of that option. He said FHG exceeded management standards, exceeded Marriott's standards, and was sensitive to the local market. He said should the City Council not approve this management change, Marriott Courtyard would still be able to open, but services would suffer.

Mayor Ardis said the City would still have a 30-year agreement and the hotel would still have all the perks Marriott had to offer, but it would be managed by a quality local team who knew Peoria. He voiced his support of FHG, and he noted the outstanding team that was compiled to achieve the goals of the Redeveloper.

Council Member Grayeb said the City had seen a historic transformation of the Pere Marquette and that the City took pride in its new look. He said the hotel was poised for better days.

Mr. Matthews said the management team was ideal, and he remarked that the hotel was recently nominated to be a national historic hotel. He expressed confidence in management having all the components in order for this project to succeed.

Council Member Moore moved to approve the request of EM Properties to switch management of the Marriott Pere Marquette and Courtyard Marriott from Marriott International to First Hospitality Group and to authorize the City Manager to execute any necessary and related documents with the following conditions:

1. No distributions to members of any of the Redeveloper Entities without prior written consent of the City.
2. No fees or other compensation paid by any Redeveloper Entity to any member or manager of any such Redeveloper Entity or any of their affiliates, without the prior written consent of the City.
3. No change in control of the Redeveloper Entities (Mathews is currently in control), without thirty (30) days prior written notice to the City. (Such change in control is an acceleration event under the City Mortgage.)
4. Monthly reports from FHG, as hotel manager, to Redeveloper be sent concurrently to City.

5. Monthly financial reports from the Redeveloper to the City (all Redeveloper Entities), including the representation that Paragraphs 1 and 2 above have been observed. These financial reports to be certified by all Redeveloper Entities and Mr. Matthews and Mr. Brannan, personally.
6. Immediate notice to the City by the Redeveloper of any event of default under any agreement entered by the Redeveloper Entities.

Seconded by Council Member Jensen.

Approved, as amended, by roll call vote.

Yeas: Akeson, Grayeb, Jensen, Johnson, Moore, Riggerbach, Spain, Turner,  
Mayor Ardis – 9;

Nays: Montelongo, Weaver - 2.

#### **INTRODUCTION OF THE NEW CORPORATION COUNSEL**

Mayor Ardis introduced the City's New Corporation Counsel Donald Leist, and he extended a welcome to him from the City of Peoria.

#### **CITIZENS' OPPORTUNITY TO ADDRESS THE CITY COUNCIL/TOWN BOARD**

Mr. Harry Block, a Peoria resident, said he had worked as a cameraman for the City Council for 5.5 years, and that June 24, 2014, was his last City Council Meeting. He said it was a pleasure working for the Council and that he would continue to attend the Council meetings.

Mr. Savino Sierra, a Peoria resident, expressed his concerns for situations on the South Side of Peoria.

Ms. Phyllis Pryde, a Peoria resident, thanked Council for their efforts in the matter regarding the Pere Marquette noting that she had prayed for renewal of the downtown area. She remarked that FHG managed both Hilton and Marriott hotels, and that the City had a bright future and the tax payers would remember the vote.

Mayor Ardis said it was not customary for Council to have a dialogue with the citizens during meetings, but he expressed appreciation for Ms. Pryde's efforts in the Pere Marquette and the downtown area. He said Ms. Pryde had expressed an interest in the redevelopment of the Pere Marquette when it began many years ago. He thanked her for taking the time to make sure her voice was heard, and he said the City Council thanked her for her involvement.

#### **EXECUTIVE SESSION**

It was determined that an Executive Session was not needed at this time.

ADJOURNMENT


Council Member Spain moved to adjourn the Special City Council Meeting; seconded by Council Member Jensen.

Approved by roll call vote.

Yeas: Akeson, Grayeb, Jensen, Johnson, Montelongo, Moore, Riggenbach, Spain, Turner, Weaver, Mayor Ardis – 11;

Nays: None.

The Special City Council Meeting adjourned at 6:45 P.M.

  
\_\_\_\_\_  
Beth Ball, MMC, City Clerk  
City of Peoria, Illinois