

Draft August 15

TERM SHEET
CONFERENCE CENTER
AT UNC CHARLOTTE MARRIOTT HOTEL
CHARLOTTE, NC

August 27, 2018

This Term Sheet, as dated above is by and between The Foundation of the University of North Carolina at Charlotte, Inc. (“Foundation”), a non-profit corporation established to support the University of North Carolina at Charlotte (“University”) and the City of Charlotte, NC a political subdivision of the state of North Carolina (“City”). The parties to this Term Sheet are sometimes hereinafter referred to individually as a “Party”, and collectively as the “Parties”.

1. The Project

A 226 room full-service Marriott hotel and parking deck plus a 24,000 sq. ft. conference center which includes approximately 15,600 sq. ft. net useable conference space, 6,200 sq. ft. pre-function space; and storage, restrooms, and other “back of house” spaces.

Developed by the Foundation of UNC Charlotte. The Foundation owns the land of 4.7 acres at the corner of Tryon and JW Clay on the Blue Line at the JW Clay/UNC Charlotte light rail stop and Robert D Snyder.

The Project is expected to cost approximately \$87 million (including Foundation’s estimated legal and financing costs) to be funded from the following approximate sources:

\$44 MM Debt Issue
\$9 MM Cash Investment by UNC Charlotte Foundation
\$4 MM Land Value Contribution by UNC Charlotte Foundation
\$20 MM Private Donations to the UNC Charlotte Foundation
\$2 MM Key money by Marriott International and Sage Hospitality
\$8 MM City of Charlotte Tourism Funds

Groundbreaking is estimated at January 2019

2. Development and Capital Investments

- a. The Foundation will guarantee completion of both the hotel and conference center and the opening of the facility pursuant to the requirements of Marriott International, subject to receipt of the contemplated \$8 million investment from the City.
 - i. The Foundation guarantee will be supported by the General Contractor’s guarantee to achieve Certificate of Occupancy and additionally supported by Payment & Performance Bonds issued by a major financial institution identified by the General Contractor.

- b. Targeted Opening Date is September, 2020
- c. The Foundation will commit to invest \$79 million from the general sources listed above, and will fund the dollars as costs are incurred throughout the project. At or near project completion, the Foundation will convey title to the Foundation-owned facilities (i.e., not the City-Owned facilities which will continue to be owned by the City and leased by the hotel owner) to the University's Endowment (The Endowment is a statutorily-created component of the University that holds title to assets for the benefit of the University.).
- d. The City will commit to invest \$8 million to be sourced through an anticipated 20-year Bond which will be retired with dedicated "tourism funds" dedicated from the existing Hotel Occupancy and Food and Beverage Taxes. The City will own the portion of the facility deemed to be "conference center assets" and such ownership interest will continue regardless of any ownership changes in the hotel.
- e. The facility will be condominiumized such that the "Hotel Unit" will be owned by the Foundation and the "Conference Center Unit" will be owned by the City. The Condominium Documentation will include details of all obligations of the parties, including the obligation to continue operation as a hotel and conference center, and the obligation to re-build the facility in the event of fire or other catastrophe, all of such obligations will continue regardless of ownership of the Hotel Unit.
- f. The City's investment will be used exclusively for costs of construction of the conference center assets. The Foundation will be responsible for fitting out the conference center for operation, including investment in furniture, fixtures, & equipment (FF&E), Operating supplies & equipment ("OS&E"), Information Systems, Pre-Opening Sales & Marketing Costs, and other costs necessary to open the facility for business.
- g. The City investment will be funded in two \$4 million tranches (the first to be delivered six months after the beginning of construction) but first payment no earlier than July 2019 and \$4 million when a CO is received, to be outlined in the definitive agreements, each of which will have specific completion requirements.
- h. A summary of Development Costs (Uses of Funds) is enclosed with this Term Sheet.
- i. The Foundation will be responsible for all project cost overruns.

3. Operations

- a. The Foundation will lease the Conference Center Unit from the City pursuant to the following summarized terms:
 - i. 30 Year base lease
 - ii. Two 10-Year extension options
 - iii. \$1 per year payment obligation

- iv. Foundation receives an option to purchase the Conference Center Unit any time after the completion of the 30th year of operation for a price equal to the fair market value as determined by a third party appraiser.
- v. The Foundation will be responsible for all hotel and conference center operating costs throughout the term.
- b. The Foundation will covenant the following:
 - i. The Conference Center will be operated as a conference center throughout the term of the lease and will not be converted to any other use.
 - ii. The Conference Center and Hotel will remain operational throughout the entire term of the lease, subject to any short term period caused by fire or other property damage, while insurance matters are being resolved.
- c. The Parties will agree to a “Room Block Agreement” pursuant to the following general terms and conditions:
 - i. Up to 100 hotel rooms per night at the Marriott hotel
 - ii. Materially consistent with the room block agreement entered into with the downtown Westin hotel
- d. In conjunction with this transaction, the Foundation will agree to the following additional considerations:
 - i. Five rent-free days of UNC Charlotte Center City building space. Additional day will be provided at the discounted “sponsored” rate.
 - ii. Negotiate “rent-free” usage of selected UNC Charlotte athletic or campus facilities, including the Conference Center
- e. The Development Agreement and Lease Agreement will conform to the City’s Charter regarding public private partnerships in downtown and transportation corridors.
- f. The Foundation is responsible for all capital improvements and maintenance after the initial City investment of \$8 mm.
- g. The Foundation has agreed to participation goals of 10-15% MBE and 10-15% SBE of the total construction costs for the Conference Center and Hotel. Enrollment in the PIECE program, and University scholarships will be negotiated and agreed upon in the definitive agreements.

4. Default and Disposition

- a. The following conditions will constitute a default on the part of the Foundation, with remedies described as follows:
 - i. Failure to complete construction and open for business as a Marriott Hotel and Conference Center
 - 1. Sole Remedy is for Foundation to repay the dollars funded by City
 - ii. Failure to continuously operate the facility as a hotel and conference center during the term of the lease:

1. Sole remedy is for Foundation to repay a proportional amount of City investment, determined by amortizing the City investment over the term of the 20-year bonds.

5. Assignment

- a. Subject to City's reasonable approval, the Conference Center Lease will be assignable to any buyer or transferee of the hotel.
 - i. The City's assignment approval will be deemed to be given if the following conditions are met:
 1. The assignee is the first mortgage lender; or
 2. The assignee is The University of North Carolina at Charlotte or an associated entity, including the Endowment Fund
- b. Upon any assignment, all terms and conditions of the conference center lease and all condominium documentation, including all default and disposition provisions, will remain unchanged.

END OF TERM SHEET