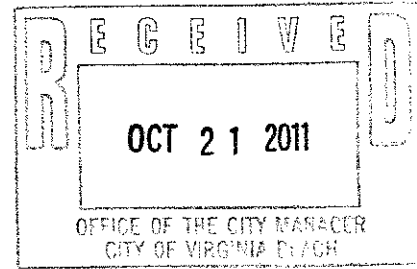




ARMONY HOSPITALITY, INC.

1300 Diamond Springs Road, Suite 204
Virginia Beach, VA 23455
(757) 363-9671
Fax (757) 363-9262



October 19, 2011

James K. Spore, City Manager
City of Virginia Beach
Virginia Beach Municipal Center
Building 1 - Room 234
Virginia Beach, VA 23456

**Re: Proposal for Headquarters Hotel Complex for the Virginia Beach
Convention Center**

Dear Mr. Spore:

I represent the owners of the DoubleTree Hotel on 19th Street and, on their behalf, would like to submit a serious, long-term solution to address the need for headquarters lodging adjacent to the Virginia Beach Convention Center. Our proposal follows conversations with Councilman Glenn Davis. We hope you will agree that it offers Virginia Beach an option that both citizens and members of City Council will find appealing and financially reasonable.

Our group consists of ten people in the local business community. We purchased the DoubleTree Hotel in June 2005 and immediately commenced a \$3.7 million renovation to the interior of the property that included a complete renovation of all 299 rooms. Over the past six years, we have made improvements in excess of \$3 million. To date, our total financial commitment to the property exceeds \$24 million.

Specifically, we propose to develop an expanded hotel complex totally on our property including a new exterior for the DoubleTree Hotel. The details of our plan are as follows:

- *Development of a new tower consisting of 134 rooms, meeting space, business center, indoor pool, exercise facility, spa and all amenities of a full-service four star hotel under the Hilton family of brands. See enclosed "Convention Center Hotel Complex" rendering and exhibit on "Full-Service Brands."*

- Rebranding of the hotel under the name “*DoubleTree by Hilton.*” *Doubletree by Hilton* is Hilton’s up and coming full-service brand that consistently ranks among the highest in the industry for customer satisfaction. A recent J.D. Power Customer Satisfaction survey showed that *Hilton received almost twice the First-Place Rankings of all Major Competitors combined.* (See enclosed “Reputation and Guest Satisfaction” exhibit.) We believe this new brand will both meet and surpass the demands of Convention Center guests.
- This proposal includes all new signage on both towers. See enclosed “The Rebrand” exhibit of new Doubletree by Hilton logo.
- *A new Welcome Plaza with a large fountain and main lobby positioned central to the main complex.* This will create a sense of arrival for all visitors to the Convention Center complex.
- *A new rooftop garden positioned between the two towers to include an outdoor pool.* We envision this “recreation area” as an amenity to be enjoyed by guests in both towers.
- *An outdoor event area directly across from the Convention Center to add to guests’ experience.* This feature, which we understand is not currently available at the Convention Center, will give guests the opportunity to enjoy the outdoors without leaving the complex.
- *A facelift for the exterior of the existing DoubleTree tower creating a harmonious architectural blending with the new tower and the Convention Center.* In essence, the DoubleTree will emerge as a brand new hotel.
- *Updated landscaping of all the outside grounds providing a fresh new appearance to the entire project.*

We have enclosed a detailed list of all anticipated renovations and new construction costs. The ownership group is willing to discuss additional improvements that the City feels would enhance conventioners’ enjoyment of their stay in Virginia Beach.

Below are several other facts that provide background and add further support to our proposal:

- Our property consists of 8.65 acres and is the largest parcel of land adjacent to the Convention Center.

- The current DoubleTree Hotel consists of 299 rooms with 12,024 square feet of meeting space.
- The existing DoubleTree Hotel is twelve floors tall. With the new tower at twelve stories the complex should not encounter any objections from the Navy and other aviation interests.
- Current ownership has the ability to develop the new tower in 18 months and improvements to the existing building within 12 months.
- The hotel will be part of the Hilton family of brands.
- When the second tower is completed, the City will have a total of 433 rooms on site for conventions.
- Being several blocks from the Oceanfront, the DoubleTree by Hilton complex will not be a threat to hotels on the oceanfront, but rather a complement for overflow use. The primary purpose of our hotel is to serve the Convention Center.

Most importantly, we feel our proposal has unparalleled merit because the request for City support is minimal. It includes:

- Designation of our complex as “**Headquarters Hotel of the Convention Center.**” Without this official designation the investors do not view the project as financially viable.
- Subject to Lender’s requirements, a long-term agreement that the City will not allow another hotel on land controlled by the City (through ownership or zoning) within an agreed upon Convention Center trade area.
- The City will fund an enclosed walkway between the hotel and Convention Center, a minor financial commitment that would add substantial value to the lodging/convention experience for guests.
- A stipulation that the City will fund any upgrades or additional features to our property that the City requests for its sole benefit.
- A request that the City will work with our firm to cultivate business for both the Convention Center and the hotel.
- A shared parking arrangement with the adjacent city owned parking lot is necessary to accommodate our guests’ needs.

- A shared cost arrangement whereby the cost of our improvements, estimated at \$25.5 million, will not exceed the increase in value supplied by the rooms generated by the convention center. This cost split arrangement will be determined after a third party consultant determines the amount of rooms and revenue that will be generated by the convention center. We believe that we can accomplish this study within 90 days.
- *Finally, we anticipate that the cost to the City will be \$5 million but do not expect it to exceed \$10 million.*

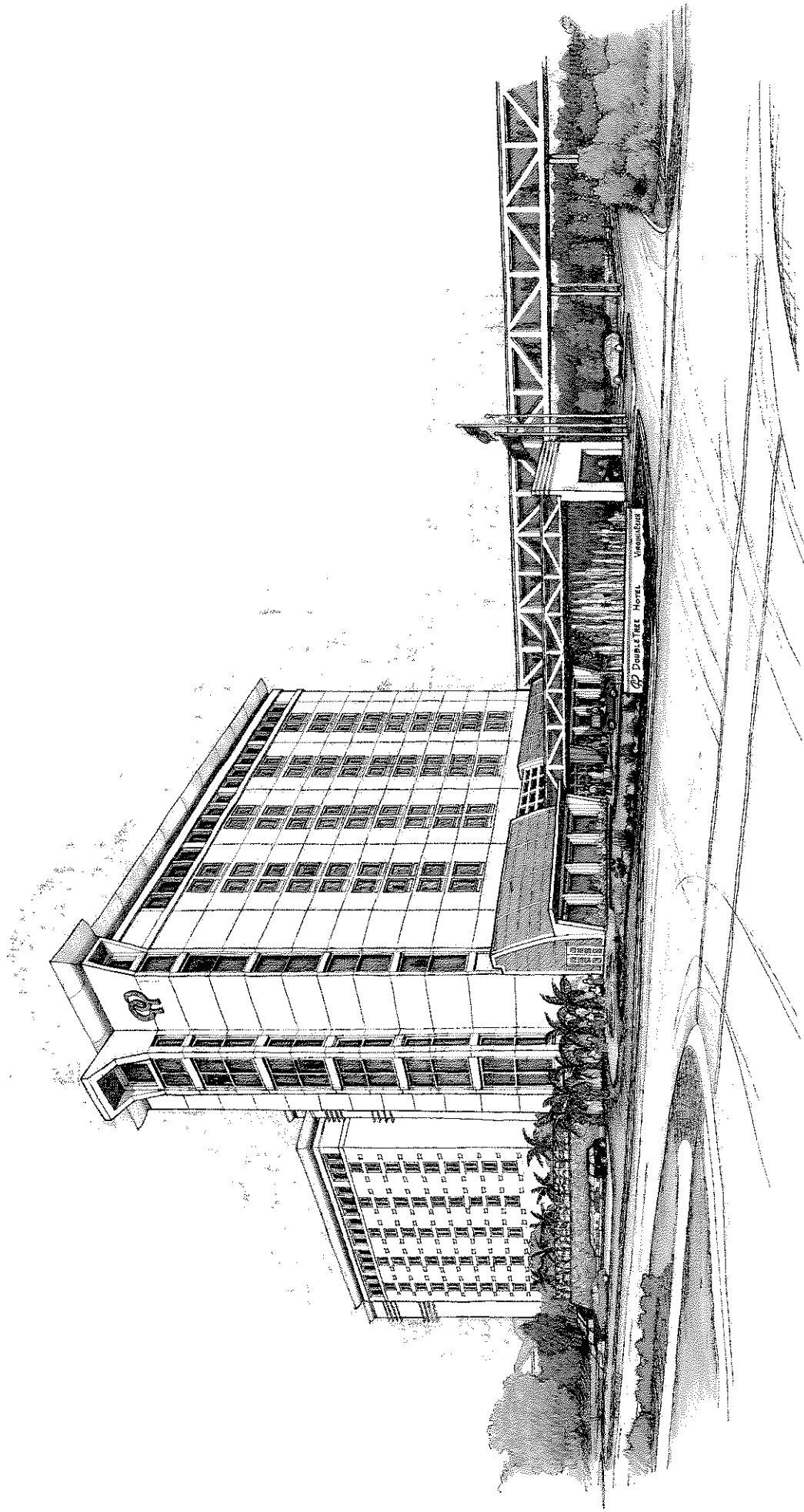
In conclusion, we believe this proposal offers the City of Virginia Beach a smart and affordable means to address the need for a Convention Center Headquarters Hotel with minimal investment from the taxpayers. After your review, we would be more than happy to discuss this in further detail to arrive at a mutually beneficial arrangement for the citizens and our company. If any other information is required at this time, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Page S. Johnson, II', with a stylized flourish at the end.

Page S. Johnson, II
President

cc: Honorable Glenn R. Davis



HILTON HOTELS CORPORATION
DOUBLE TREE HOTEL

CONVENTION CENTER HOTEL COMPLEX





Full-Service Brands



Hilton
HOTELS & RESORTS

Stay Hilton. Go Everywhere.®

- 549 Hotels; 193,764 Rooms
- The World's Most Recognized Hotel Brand
- Upper Upscale Market Positioning
- Broad, Multi-Segment Demand
- Stylish Design Creates a Sense of Place
- Exceptional Customer Service ... Extensive Amenities and Facilities



DOUBLETREE
BY HILTON®

We'll Make Everything Alright.

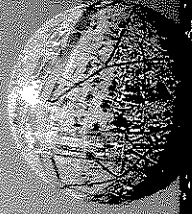
- 263 Hotels; 66,116 Rooms
- Refreshing, Current, and Contemporary
- Upscale Market Positioning
- Unexpected Design with Local Flavor
- Caring Service Culture
- Proven Conversion Opportunity



EMBASSY SUITES
HOTELS®

More Reasons to Stay™

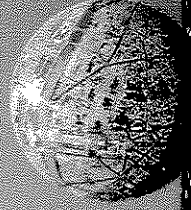
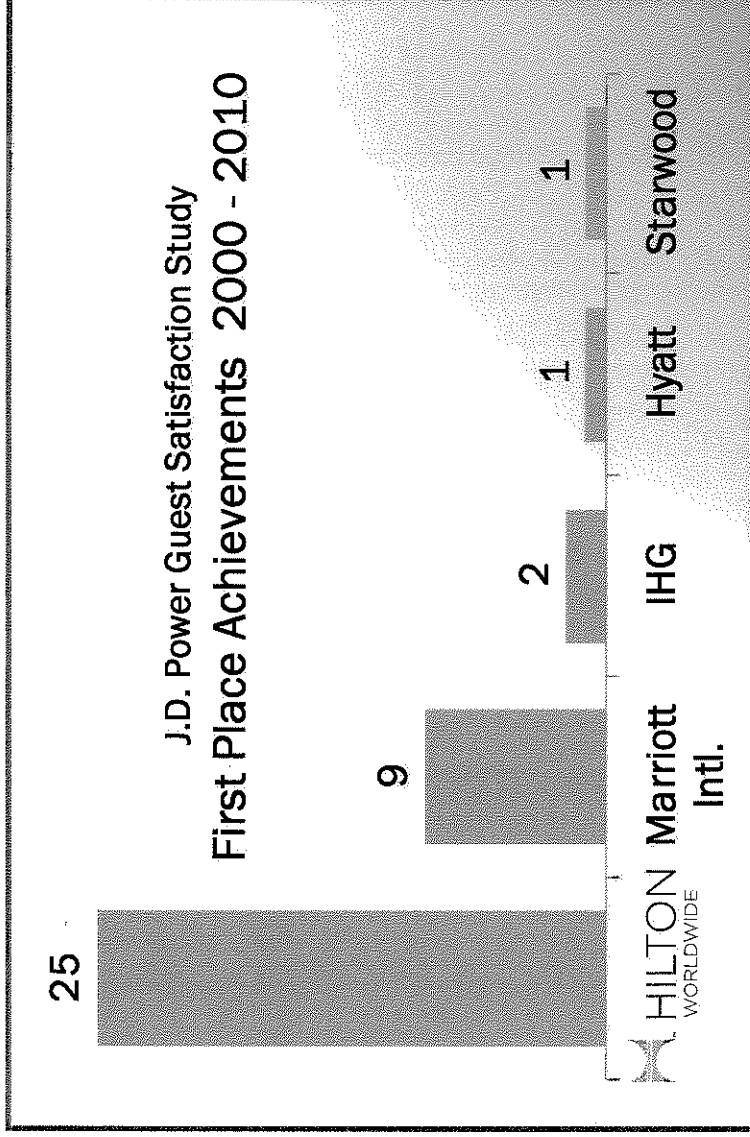
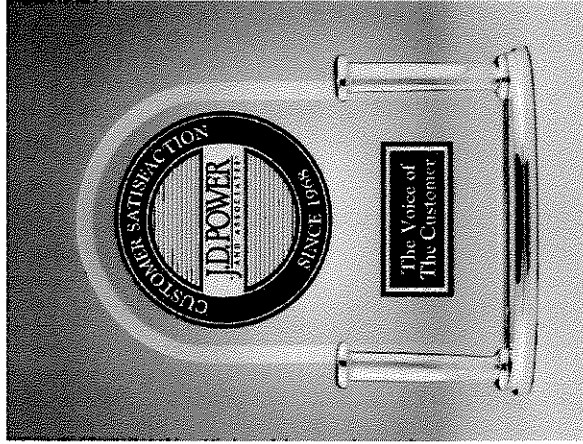
- 212 Hotels; 51,394 Rooms
- Category Dominance in Upscale All-Suite Market
- New, Efficient and Flexible Design Prototypes
- Strong Weekday and Weekend / Leisure Demand
- Empowered "Make a Difference" Service Culture



HILTON
WORLDWIDE

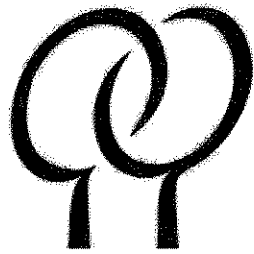
Reputation and Guest Satisfaction

From 2000 to 2010, Hilton Worldwide Brands received **almost Twice** the First-Place Rankings of All Major Competitors Combined

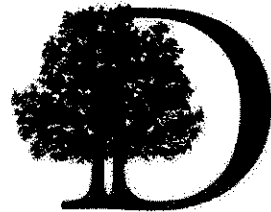


HILTON
WORLDWIDE

The Rebrand



DOUBLETREE



DOUBLETREE
BY HILTON™

Virginia Beach Convention Center Hotel

Proposed Renovations to Existing Doubletree Hotel

Exterior

New skin and parapet. Replace existing porte cochere	\$2,000,000
Upgrade signage	\$50,000
Upgrade Parking lot surface, lighting and landscaping	\$500,000
New Outdoor pool	\$250,000
New patio w/ deck and gazebo	\$250,000

Interior

Replace all lobby, public space and meeting space finishes	\$800,000
Conversion of 11th and 12 fl to upscale "Executive Level"	\$735,000
Add two upscale board rooms on 12th floor	\$40,000
Upgrade guest room bathrooms	\$250,000
Replace guest room carpet, seating, vinyl	\$400,000
Elevator	\$270,000
Replace major mechanical systems including Hot water systems	\$500,000
Guest Room HVAC	\$75,000

\$6,120,000

New 134 room Tower w/ Meeting space

Construction	\$14,000,000
New indoor pool structure with fitness center and spa facilities	\$1,250,000
Professional Fees/permits	\$450,000
FF&E	\$2,800,000
Opening Expenses/Equipment/Supplies/Technology/Project Mgt	\$850,000
	<u>\$19,350,000</u>

Total both Developments \$25,470,000