

**CITY OF EL PASO, TEXAS  
AGENDA ITEM  
DEPARTMENT HEAD'S SUMMARY FORM**

**DEPARTMENT:** AIRPORT

**AGENDA DATE:** January 31, 2012

**CONTACT PERSON NAME AND PHONE NUMBER:** Monica Lombraña/780-4724

**DISTRICT(S) AFFECTED:** All Districts

**SUBJECT:**

**APPROVE** a resolution / ordinance / lease to do what? **OR AUTHORIZE** the City Manager to do what? Be descriptive of what we want Council to approve. Include \$ amount if applicable.

This item is a Resolution to authorize the City Manager to sign a Contract by and between the City of El Paso and Hines Interests, L.P. granting Hines Interests, L.P. an option to conduct a Feasibility Study for a new hotel and conference center adjacent to the Butterfield Trail Golf Club.

**BACKGROUND / DISCUSSION:**

Discussion of the what, why, where, when, and how to enable Council to have reasonably complete description of the contemplated action. This should include attachment of bid tabulation, or ordinance or resolution if appropriate. What are the benefits to the City of this action? What are the citizen concerns?

For consideration in the amount of \$4,719.00, this contract grants Hines the exclusive option to conduct a feasibility study for the development of a new hotel and conference center to be situated on approximately thirteen (13) acres of land adjacent to the BTGC. The term of the contract is for 180 days (6 months), plus a maximum of three (3) month-to-month options to extend, as mutually agreed upon by both parties. This time period will allow for the completion of the feasibility study, as well as for time to negotiate a land lease agreement with Hines. In the event that Hines elects not to enter into a land lease agreement, the Airport will purchase and retain possession of the feasibility study at a cost of \$30,000 plus the consultant's out of pocket expenses not to exceed \$5,000.

**PRIOR COUNCIL ACTION:**

Has the Council previously considered this item or a closely related one?

None.

**AMOUNT AND SOURCE OF FUNDING:**

How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

If a lease agreement results, no funds will be expended and this would be a revenue-generating contract.

If a lease is not negotiated, the Airport is required to pay for study from the Airport Enterprise Fund – amount not to exceed \$35,000.

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**BOARD / COMMISSION ACTION:** N/A

Enter appropriate comments or N/A

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**DEPARTMENT HEAD:**

  
\_\_\_\_\_  
Monica Lombraña, A.A.E.  
Director of Aviation

(If Department Head Summary Form is initiated by Purchasing, client department should sign also)

**RESOLUTION**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:**

That the City Manager be authorized to sign a Contract by and between the City of El Paso and Hines Interests, L.P. granting Hines Interests, L.P. an option to conduct a Feasibility Study for a new hotel and conference center adjacent to the Butterfield Trail Golf Club.

Dated this \_\_\_\_ day of \_\_\_\_\_ 2012.

**CITY OF EL PASO**

\_\_\_\_\_  
John F. Cook  
Mayor

**ATTEST:**

\_\_\_\_\_  
Richarda Duffy Momsen  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Theresa Cullen  
Deputy City Attorney

**APPROVED AS TO CONTENT:**

  
\_\_\_\_\_  
Monica Lombraña, A.A.E.  
Director of Aviation

STATE OF TEXAS )  
 )  
COUNTY OF EL PASO )

CONTRACT

This Contract ("Contract") is made this \_\_\_\_ day of \_\_\_\_\_, 2012 by and between the CITY OF EL PASO (the "City") and HINES INTERESTS, L.P. ("Hines").

WITNESSETH:

WHEREAS, the City owns and operates the El Paso International Airport, located in the County of El Paso, State of Texas (the "Airport");

WHEREAS, the City deems it advantageous to itself and to the operation of the Airport to lease property;

WHEREAS, the City is the owner of certain property adjacent to its Butterfield Trail Golf Club; and

WHEREAS, Hines desires to obtain an exclusive option to conduct a Feasibility Study for a new hotel and conference center adjacent to the Butterfield Trail Golf Club on Airport property.

NOW, THEREFORE, it is agreed as follows:

1. **Grant of Option.** The City hereby grants to Hines the exclusive right and option to lease the following property:

Thirteen (13) acres, more or less, adjacent to the Butterfield Trail Golf Club, and generally located along the southwest corner of the Butterfield Trail Golf Club and immediately east of Global Reach Drive in the City and County of El Paso, Texas; as more particularly shown in EXHIBIT "A", which is attached to and by this reference made a part of this Contract (the "Site").

2. **Consideration.** The Consideration for this Option is FOUR THOUSAND SEVEN HUNDRED NINETEEN DOLLARS AND 00/100 (\$4,719.00), receipt of which is hereby acknowledged and which will be non-refundable except as addressed in Paragraph 4 and neither party shall have any further claim against the other.

3. **Option Period.** This option shall be for the period of one hundred eighty (180) days commencing on the 15th day of February 2012 and continuing until 5:00 p.m. on the 14th day of August 2012. The Director may approve an extension to the Option Period, if mutually agreed.

upon in writing by both parties, on a month to month basis not to exceed three (3) months beyond the identified Option Period.

4. **Exercise of Option.** Hines may exercise this option by written notice to the City on or before the expiration of the contract and by the execution of the Lease Agreement (the "Lease") and any related documents as identified in Paragraph 6. The Consideration for this Contract will be applied to the first month's rental fee of the Lease. If the exercise of the option and the Lease and any related documents are not approved by the City Council, the City will reimburse Hines for the costs of the feasibility study for a new hotel and conference center adjacent to the Butterfield Trail Golf Club ("Feasibility Study"), without any markup by Hines. In such event, the Feasibility Study shall become the property of the City.

5. **Feasibility Study.** Hines will commission a Feasibility Study from PKF Consulting ("Consultant"), a third-party consultant, that will assess the market demand, determine the appropriate size of a hotel and conference center, define the economics of the hotel construction and operations, provide proforma financials for the hotel, and perform a "gap analysis" to quantify what level of public incentives/concessions may be appropriate to ensure the construction of a new hotel and conference center on the Site.

Pursuant to the attached Consultant proposal, the entire scope of the Feasibility Study will not exceed Thirty Thousand and no/100 Dollars (\$30,000.00), plus Consultant's out of pocket expenses which are not to exceed Five Thousand and no/100 Dollars (\$5,000.00).

6. **Negotiation.** Upon completion of the Feasibility Study, which will be completed within one hundred twenty (120) days of the date of this Contract, the City and Hines will work diligently and in good faith to negotiate and execute a mutually acceptable Lease and any related agreements which must be approved by the El Paso City Council.

The Lease and any related agreements may address:

- Incentives which may be offered by the City, including, but not limited to, potential tax abatements and potential tax increment financing mechanisms;
- Key roles of the Parties;
- General timelines for deliveries and key milestones of the project(s);
- Possible cost sharing arrangements and use of outside third parties;
- Development, Financing, and related fees; and
- Ownership of land improvements on the Site

The City and Hines will make reasonable efforts to complete negotiations of this Lease and any related agreements within sixty (60) days of the completion of the Feasibility Study.

7. **Delivery of Documents.** Within five (5) working days after the execution of this Contract by both parties, City shall deliver to Hines copies of all the documents related to the Site (collectively referred to as "City's Documents" and the date upon which a complete set of

12-1003-150/96117\_4 (revised 1/24/12)  
Butterfield Trail Golf Club Hotel Site  
Hines Interests, LP

City's Documents are delivered to and received by Hines being known as the "Delivery Date") for Hines to conduct its due diligence. Such documents may include, but are not limited to:

- (a) Any documentation which is in possession of the City or its authorized representatives or agents in connection with the environmental condition of the Site (including a Phase I and Phase II environmental site assessment, if any), any and all geotechnical, soils reports, all recorded documents and agreements affecting the Site, remediation and monitoring plans, correspondence with governmental agencies, current title reports on the Site including copies of City's existing title policies, if any, together with copies of all supporting documents and exhibits, and a Current Survey, if any.
- (b) Copies of any and all area calculations, economic analyses, surveys, site plans, engineering reports, permits, governmental entitlements/approvals, correspondence and similar documents in the possession of the City or its authorized representatives or agents that are related to the Site.

8. **Access.** The City will permit Hines the right to conduct property tours with investors, lenders, outside brokers and other parties that Hines determines necessary to evaluate the Site from time to time. Hines shall indemnify and hold the City harmless for all related access activities and shall give, at a minimum, a 24 hour notice prior to entering upon the Site.

9. **Commissions.** The City and Hines agree that there are no outside brokers involved in the structuring of this Contract.

10. **Exclusivity.** Until the expiration of the period referenced herein for the negotiation of a mutually acceptable Lease and any related documents, the City shall not market, offer, sell, negotiate the sale, or accept another offer to purchase the Site or its rights thereon.

11. **Notices.** Unless otherwise provided herein, any notice, tender, or delivery to be given by either party to the other may be effected by personal delivery in writing or by registered or certified mail, return receipt requested, postage fully prepaid, addressed to the proper party at the following addresses:

**City:** Director of Aviation  
El Paso International Airport  
6701 Convair Road  
El Paso, Texas 79925-1091

**Hines:** Hines Interests, L.P.  
811 Main Street, Suite 4100  
Houston, Texas 77002  
Attn: Travis Overall, Vice President

Any notice so given shall be deemed properly delivered, given, served, or received on the date shown for delivery or rejection on the return receipt, or if by personal delivery, by the date shown as received by the Director of Aviation. Any party may change the address to which notices shall thereafter be given upon five (5) days prior to written notice to all other parties in the manner set forth in this paragraph.

12. **Entire Agreement.** This Contract contains the entire agreement between the parties relating to the Option herein granted. Any oral representations or modifications concerning this Contract shall be of no force and effect, excepting a subsequent modification in writing, signed by both parties and supported by consideration.

13. **Binding Effect.** With the exception of the paragraphs hereof captioned "Feasibility Study", "Exclusivity" and "Records" (which are intended to be binding on Hines and the City and are referred to herein as the "Binding Provisions"), no obligation is intended to be created by this Contract or by any written or oral statements, negotiations or promises between the parties, directly or through any representatives, with the exception of statements and promises expressly set forth in the Agreement executed and delivered by both Hines and the City. Any costs incurred or actions taken by either Hines or the City in the absence of such an executed and delivered Agreement will be at such party's sole risk and cost, except for the costs of the Feasibility Study as set forth herein. Each of the parties hereto expressly reserves the right to not enter into a contract for any reason or no reason in each of their sole and absolute discretion. This Contract shall bind and inure to the benefit of the respective heirs, personal representatives, successors, and assigns of the parties hereto except as hereinabove expressly provided.

14. **Severability.** If any provision of this Contract is found by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remainder of this Contract will not be affected, and in lieu of each provisions which is found to be illegal, invalid, or unenforceable, there will be added as part of this Contract a provision as similar to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

15. **Law Governing Contract.** The laws of the State of Texas shall govern the validity, interpretation, performance and enforcement of this Contract. Venue shall be in the courts in El Paso County, Texas.

16. **Attorney's Fees.** If either party brings any action or proceedings to enforce, protect or establish any right or remedy under the terms and conditions of this Contract, the prevailing party shall be entitled to recover reasonable attorney's fees in addition to any other relief awarded as determined by a court of competent jurisdiction.

IN WITNESS whereof, the parties have executed this Contract as of the day and the year first above written.

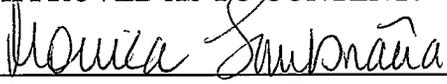
**CITY: CITY OF EL PASO**

\_\_\_\_\_  
Joyce A. Wilson  
City Manager

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Theresa Cullen  
Deputy City Attorney

**APPROVED AS TO CONTENT:**

  
\_\_\_\_\_  
Monica Lombraña, A.A.E.  
Director of Aviation

**ACKNOWLEDGMENT**

This instrument was acknowledged before me on this \_\_\_\_ day of \_\_\_\_\_, 2012 by Joyce A. Wilson as City Manager for the City of El Paso, Texas.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public, State of Texas

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

HINES INTERESTS, L.P.  
AS AN AGENT FOR HINES HOLDINGS, INC.

*[Handwritten Signature]*

Printed Name: Travis Overall

Title: Vice President

**ACKNOWLEDGMENT**

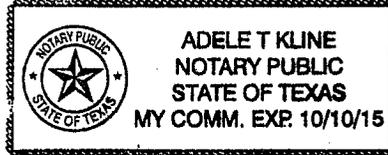
This instrument was acknowledged before me on this 20<sup>th</sup> day of January 2012  
by Travis Overall as Vice President for Hines Interests, L.P.

*Adele T. Kline*

Notary Public, State of Texas

My Commission Expires:

10/10/15





**Exhibit "A"**

October 31, 2011

Mr. Andy Heard  
Hines  
515 Congress, Suite 1425  
Austin, Texas 78701

**Re: Market Study for a Proposed Hotel and Conference Center in El Paso, Texas**

Dear Mr. Heard:

We are pleased to submit this proposal to perform a market study with financial projections for a proposed Hotel and Conference Center in El Paso, Texas. This engagement letter sets forth our approach to completing the work and our fee structure. We are confident of our ability to perform this assignment based upon our experience with similar projects.

**Background**

As we understand, you are considering the development of a proposed Hotel and Conference Center in El Paso, Texas. The site for the project is located adjacent to the Butterfield Trail Golf Club on El Paso International Airport (EPIA) property.

The proposed Hotel and Conference Center is envisioned as a four-diamond, resort-style property which would be located on an award winning Tom Fazio designed golf course. According to representatives of the City of El Paso and EPIA, there is a lack of quality hotel and meeting space in the El Paso area to meet the needs of the area universities and colleges, strong military presence, government agencies, medical complex and area corporate demand.

Hines has requested that PKF Consulting USA present this proposal to conduct a market study with financial projections to assess the viability of the proposed Hotel and Conference Center. As part of our analysis, you would like PKF to recommend the type of hotel, number of rooms, potential brands, amount and type of meeting space, and other facilities and amenities for the project.

**Scope of Work**

PKF Consulting's work plan has been broken into three phases, as follows:

- Phase 1: Market Analysis
- Phase 2: Financial Projections
- Phase 3: Written Report

The scope of our work will include, but not necessarily be limited to, the following steps.

Phase 1 – Market Analysis

- Review all available planning materials relative to the overall project. Such materials could include potential site plans, preliminary drawings, proposed facilities programs, market and financial projections, previous market studies and other data.
- Obtain a list of potential community contacts for interview purposes. This could include representatives of the EPIA, City of El Paso, Chamber of Commerce, Economic Development Corporation, Convention & Visitors Bureau, area attractions, community organizations, area colleges and universities, military representatives, performing arts groups, major corporations, major medical centers and others identified by your team.
- Identify potential email lists for area surveys. This could include Chamber of Commerce member lists, University of Texas El Paso faculty and alumni, Economic Development Corporation member lists, email lists for the local medical centers, military bases and any other available lists.
- Meet with you and/or your project team prior to commencing fieldwork in order to better understand the potential site, market, concepts and project details. At this meeting, we will discuss any questions related to the aforementioned topics and obtain additional input from you that confirms or amends our understanding of the details of the project and provides additional pertinent information.
- Inspect the proposed site and the surrounding area to determine its impact on the performance of the proposed Hotel and Conference Center. Such determinations will not include any engineering or environmental considerations, but will encompass an evaluation of the site's accessibility, visibility, aesthetic appeal, location in relation to supply and demand, proximity to food and beverage facilities and demand generators, and physical characteristics which might affect the marketability of the subject project.
- Evaluate the existing and proposed transportation patterns to determine their impact on the marketability of and access to the proposed Hotel and Conference Center.
- Assemble and review economic, demographic, real estate and transportation data pertaining to the City of El Paso in general and the EPIA area in particular to evaluate the present economic climate and future growth potential, particularly as it relates to lodging, meeting and event demand.

- Interview key representatives of the El Paso area government; economic development; convention and visitors bureau; chamber of commerce; area colleges and universities; business, military and medical community; and any other contacts identified by your team to discuss the strength of the local economy, future economic development projects, existing lodging and meeting facilities, and the type of meeting facilities that would complement the existing supply.
- Conduct email surveys of the chamber of commerce members, area colleges and universities, major corporations, military and medical centers and other available email lists to gain feedback regarding galas/banquets, meetings/trainings, conventions/conferences, consumer/trade shows and lodging needs in terms of demand sources, community social needs, types of meetings, size of events, amount of lodging demand, price sensitivity, frequency and services required.
- Develop a census of local competitive lodging facilities. This census will include the following data:
  - Name / brand / management
  - Location
  - Date opened or last renovated
  - Facilities
  - Rate structure
  - Services and amenities
- Develop a census of local and regional competitive hotel and conference center facilities, as well as hotel and conference centers located in comparable markets. This census would include the following data:
  - Name / brand / management
  - Location
  - Date opened or last renovated
  - Facilities description
  - Types of events / groups served
  - Markets served
  - Size of groups
  - Rate structure
  - Services and amenities
  - Attendance
  - Number of events
- Interview representatives of the competitive hotels regarding their properties and historic, current and expected future market conditions.
- To the extent the information is available, identify other proposed lodging and conference center developments to assess their probability of completion.

- Identify, interview and tour existing local meeting facilities in the El Paso area to assess the quality and amount of space currently available, determine existing meeting needs and quantify the amount of demand being lost due to inadequate lodging and meeting facilities.
- Based on the results of our surveys and interviews, recommend the size and type of hotel and potential brands that would be appropriate to meet the identified needs of the market.
- Recommend the size and type of meeting facilities that can be supported by both the local and regional markets.
- Quantify competitive market supply, demand, occupancy, ADR and RevPAR for the competitive hotel market for the prior five year period and year to-date.
- Estimate the future performance of the competitive hotel market for the first five years of operation of the subject Hotel and Conference Center.
- Estimate the future competitive position of the subject Hotel and Conference Center based upon a consideration of location, brand, extent and quality of facilities, rate structure, management, marketing and other factors.
- Estimate the average annual occupancies and attainable ADR and RevPAR for the subject Hotel and Conference Center over its first five-year period of operation.
- Prepare a short Discussion Document that summarizes our findings and conclusions.
- Meet with you and/or your project team to present key data and analysis for review and discussion.

Upon your approval of our Phase 1 conclusions, we would proceed with Phase 2.

### **Phase 2 – Financial Projections**

- Prepare estimates of annual revenue and expenses for the proposed Hotel and Conference Center to the point of cash flow from operations available for debt service and income taxes for the first 10 years of operation. The bases for the prospective financial analysis and key assumptions underlying inflation estimates will be indicated in the financial section of the report.

- Estimate the development costs of the proposed Hotel and Conference Center by researching recent development of similar projects and the Uniform Franchise Offering Circulars of the recommended affiliation(s). This will provide us with an "order of magnitude" estimate of the development costs in order for us to assess feasibility. This should not be considered as a substitute for the design and costing of the project by qualified architects, engineers, and contractors.
- Survey industry investment criteria including current lending practices and expected returns. These will be used to relate the cash flows from the financial projections to the estimated development costs in order to determine the internal rate of return and therefore feasibility.
- Identify any gap in the funding of the project that may impede feasibility and, if a gap is identified, recommend methods utilized by other public entities to help bridge such gap. This would assist you in determining the need for public incentives to increase the feasibility of the project.
- Prepare a letter report summarizing our findings. The gap analysis would be prepared for internal use only and would not be included in the final report.
- Meet with you and/or your project team to discuss the financial analysis.

Upon your approval of our Phase 2 conclusions, we would proceed with Phase 3.

### **Phase 3 – Written Report**

- Prepare a detailed report outlining our conclusions and recommendations concerning the project. The report will be presented in a format generally acceptable to major sources of debt and equity financing, credit rating agencies, and franchise and management organizations. Though the exact format of the report will evolve as the engagement progresses, the following probable section headings provide an outline of the expected final report.
  - Executive Summary
  - Area Overview
  - Site Analysis
  - Property Description
  - Market Analysis
  - Financial Analysis

### **Additional Services**

In the event that you would like PKF to perform additional services related to this project, we would issue an addendum letter outlining the specific services to be performed and identifying the professional fees and out-of-pocket expenses associated with those services for your approval. Additional services could include the following:

- Economic Impact Analysis
- Appraisal for the Lending Institution
- Management Company / Brand Selection
- Management Contract Negotiations
- Asset Management

### **Limiting Conditions**

Our report will be subject to the attached standard statement of assumptions and limiting conditions.

### **Qualifications**

PKF Consulting USA is a division of Colliers International (Nasdaq:FSRV), the third largest real estate services firm in the World. PKF is a national firm of management consultants, appraisers, real estate brokers and industry specialists who provide a full range of services to the hospitality and tourism industries. Headquartered in San Francisco, the Firm has offices in Boston, New York, Philadelphia, Portland, Atlanta, Miami, Jacksonville, Washington, D.C., Houston, Dallas, Indianapolis, Los Angeles, Seattle, Sacramento, and Bozeman with nearly 100 professionals and support staff.

Our Firm is comprised of three integrated divisions which provide consulting, brokerage and research services to the hospitality industry.

#### **1. Consulting**

Our consulting group provides advisory services and industry expertise to help our clients in planning, developing, managing, financing, problem-solving, improving operations, and valuing hotels and other hospitality assets. Our engagements range from hotel market and financial feasibility studies to investment structuring, and from hotel appraisals to asset management.

Our consulting group is constantly providing clients both large and small with the most constructive and valuable advice in the industry, performing feasibility and market studies, acquisition due diligence and valuations involving hotels, resorts, restaurants, golf courses, and a variety of mixed-use developments and other hospitality products. We have the distinct advantage of being the only hospitality consulting firm with its own, proprietary database of U.S. hotel financial statistics.

#### **2. Brokerage**

PKF's brokerage group, Colliers International Hotels ("CIH"), serves the investment market primarily as exclusive agents for owners/sellers managing the sale and disposition process. The team members of CIH have extensive backgrounds in hotel and resort transactions as well backgrounds in hotel consulting and operations. CIH's presentation of prospective hotel investments reflects a thorough understanding of hotels, their branding/affiliations, management issues, operating margins, market dynamics, and capitalization.

Mr. Andy Heard  
Hines  
October 31, 2011  
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Our hotel brokerage team has been retained for other services that include specific buyer-representation assignments, RFPs (Request for Proposals) for management organizations, executing ground leases, development financing, joint venture partnerships, and land sales.

The scope of our business includes all tiers of the lodging industry including hotels and resorts, vacation-ownership, residential/hotel mixed-use, conference centers, and recreational facilities. Because of its close working relationship with the consulting and research groups of PKF Consulting USA, our dedicated lodging brokerage platform offers clients an unparalleled level of market knowledge with a proven track record of sales and marketing successes.

### 3. Research

PKF Hospitality Research owns the database for *Trends® in the Hotel Industry*, the statistical review of U.S. hotel operations which first appeared in 1935 and has been published every year since. PKF's professionals use the *Trends®* database to assist their clients in making informed decisions. In addition, the *Trends®* data is used to produce custom financial reports for clients that enable them to benchmark hotel revenues, expenses, and profits.

Beginning in 2007, PKF unveiled its powerful *Hotel Horizons®*, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and RevPAR for the U.S. lodging industry. *Hotel Horizons®* reports are published on a quarterly basis for 50 markets and six national chain-scales.

With a long-standing tradition of tracking and forecasting the lodging industry, our Research Group has the technical capacity to conduct custom research, the analytical skills to interpret the data, and the access necessary to gather confidential performance information from the industry.

### 4. PKF Consulting USA Services

- Asset Management and Management Company Selection
- Real Estate Appraisals and Business Valuation
- Market and Financial Feasibility Studies
- Litigation Support and Expert Testimony
- Acquisition Due Diligence
- Operational Studies
- Tourism and Recreational Studies
- Resort and Recreation Services
- Conference, Convention, and Public Assembly Facilities
- Financial Benchmarking
- Econometric Forecasting
- Custom Research
- Transaction (brokerage) Advisory Service
- Development Financing

Mr. Andy Heard  
Hines  
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Given the historical role of PKF Consulting USA in the hospitality and real estate industries, and our knowledge of the local markets, we are of the opinion that there is no firm that can provide the services available through PKF. More background and information on our Firm can be obtained from our web site at [www.pkfc.com](http://www.pkfc.com).

### Professional Fees and Engagement Timing

Our professional fees for this engagement are based upon the estimated amount of time spent in the performance of the work as outlined above at our standard rates, as follows:

	Fees	Timeline
Phase 1 -- Market Analysis	\$20,000	4 to 6 weeks
Phase 2 -- Financial Projections	5,000	1 to 2 weeks
Phase 3 -- Formal Written Report	<u>5,000</u>	2 to 3 weeks
Total	<u>\$30,000</u>	2 to 3 months

The fees quoted above are for the scope of work as outlined herein. We will not exceed these amounts without your prior written consent. Should the scope of the engagement change, we will discuss these changes with you and/or the City and the potential adjustment to our fees.

Travel, subsistence, courier service, report production, graphics, third party data, long distance telephone and other **out-of-pocket expenses will be invoiced in addition to our professional fees. Out-of-pocket expenses will not exceed \$5,000.**

Should you decide to discontinue our study for any reason, upon written notification we will immediately stop work, with our fee based upon actual man-hours expended and out-of-pocket expenses incurred to date.

### Retainer

Firm policy requires a retainer of **\$15,000** prior to the commencement of the engagement. We will invoice for the remaining fees at the end of the market study with all invoices due and payable upon presentation. We reserve the right to withhold delivery of any report, oral or written, if payments are in arrears.

### Meetings

We will meet with you and your project team at a mutually agreeable time to begin the engagement. We will provide you with verbal progress reports as the engagement unfolds and meet with you at the conclusion of each Phase, as deemed necessary, in person or by telecommunications. We would be prepared to attend one public meeting if needed to present our findings. Additional meetings are not within our current fee estimate and will be billed for at our standard per diem rates of \$175 to \$350 per hour.

Mr. Andy Heard  
Hines  
October 31, 2011  
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**Acceptance**

Please sign and return the enclosed copy of this letter along with the retainer as authorization to proceed. Please contact me if there are any questions regarding the conduct of the assignment. We appreciate the opportunity to present this engagement letter to you and look forward to working with you on this project.

Very truly yours,

PKF Consulting USA



G. Randle McCaslin  
Vice President / Practice Leader

ACCEPTED BY:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name Printed

\_\_\_\_\_  
Title

\_\_\_\_\_  
Company or Venture

\_\_\_\_\_  
Date

Mr. Andy Heard  
Hines  
October 31, 2011  
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**Acceptance**

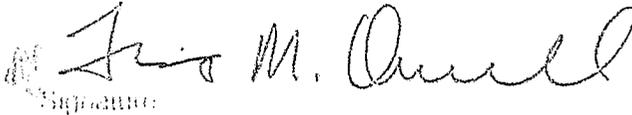
Please sign and return the enclosed copy of this letter along with the retainer as authorization to proceed. Please contact me if there are any questions regarding the conduct of the assignment. We appreciate the opportunity to present this engagement letter to you and look forward to working with you on this project.

Very truly yours,

PKF Consulting USA

G. Randle McCaslin  
Vice President / Practice Leader

ACCEPTED BY:

  
Signature:

Travis M. McCaslin  
Name Printed

Vice President  
Title

AS AN AGENT FOR HINES HOLDINGS, INC.  
Company or Venture

11/18/11  
Date

## STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

*The following Standard Conditions apply to real estate consulting assignments by PKF Consulting USA and will be attached to the report:*

***Achievability of Projections*** - Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore actual results achieved during the period under study will vary from our estimates and the variations may be material.

***Archaeological Significance*** - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological significance.

***Definitions and Assumptions*** - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

***Dissemination of Material*** - Neither all nor any part of the contents of this report (including the identity of the consultant or PKF Consulting USA) shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of PKF Consulting USA.

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***Hidden Conditions*** - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

***Income Data Provided by Third Party*** - Income and expense data related to the property being appraised was provided by the client and is assumed, but not warranted, to be accurate.

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**  
(Continued)

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**Legal Expenses** - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

**Legal Matters** - No opinion is intended to be expressed for matters that require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

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