

Guide for Contracts

Sleeping Room Block: •

- Provide information on the year, days of the week, and dates the room block is needed.
- Provide a breakdown by types of rooms, suites and block per night
- Do not let the hotel lock you into payment for the entire contracted block.

Room Rates:

- The date and year that the room rates are contracted for should be included in the hotel contract.
- If you are negotiate rooms for future dates, established the percentage that the room rate may increase
- Establish the room rate by the room type, single, double, deluxe, and government rate.
- List the State the percentage blocked in each rate category.

Tips for Reviewing a Hotel Contract:

- Correct date of meeting on contract
- Accurate and complete legal names of both parties
- Correct addresses
- Correct name of the meeting.
- Actual dates of the meeting,
- Date of room block
- Statement if the contract is a first or second option. A first option should specify the date by which the contract must be signed and returned to the hotel. It should state when the offer will expire.
- Contract should state if rooms are being paid by individuals or the organization
- The contact should spell out required deposits.
- The contract should include early departure charge.
- Setting up a master account. Stipulate items that are to be included on the master account, and who is authorized to sign
- Date when the credit application is due
- Request when you need the per-night room pickup report.
- Request when you need a individual cancellations and no-shows report.
- Request when you need statistics for food and beverage revenue.
- Develop the agenda for the meeting
- Find out when the hotel want the tentative agenda
- And the deadline for the finalized agenda
- Find out when the hotel provide room names?
- Exact days, dates that you can do setups for functions.
- Learn the meeting room square feet sizes
- Learn the start and end times for the meeting room that have a 24-hour hold on space.
- Learn the ancillary charges for meeting room
- Learn the room rental fees

- Learn if there is a setup fee.
- Is there a charge for using outside suppliers or contractors?
- Get the last date when you are allow to release room from your room block.
- Learn about the hotel security guards.
- Determine if you need to hire security guard for your meeting and notify the hotel who your vendor is
- Make sure that the hotel can not make changes to function space assignments without written consent from organization.
- Learn what applicable taxes, service charges, and gratuities will be charge for your event
- Learn what hotel charges for extra person in room.
- Learn about country currency when contract is initiated in another country, rates are quoted in that country's currency.
- Make sure that final rates are not subject to change.
- Make sure that you receive at least one complimentary room per 50 revenue-producing rooms actually utilized.
- Determine how unused complimentary room will be calculated can you created them whether they can be credited to the master account.
- Make sure complimentary room are calculated on a accumulate basis.
- Make sure you under if your complimentary rooms are for how many nights
- If concessions are based on picking up 80 percent of the room pickup, you need to specify what happens if the pickup is less than 80 percent.
- Registration procedure for housing, let the hotel know who is handling your housing. Is it being handle by a third party vendor or are you doing in house.
- Let the hotel know if individuals will be calling in to make reservation and if they will be using reservation cards
- Let the hotel know if you will be using a rooming list
- Let the hotel know if you are using a housing bureau
- Learn the cutoff date for the hotel Determine the exact cutoff dat
- Indicate whether reservations received after the cutoff date will be honored at the group rate
- Let the know when you want confirmations to be send out to attendees to confirm their housing
- Determine the check-in and check-out times for the hotel
- Spell out what happens if the hotel walk a attendee who has a reservation with the hotel
Spell out what will happen if individuals with guaranteed reservations are turned away . Make sure the hotel reimbursement the guest for the cost of the room and t transportation to and from the hotel
- **The hotel contract should contain a single clause for restrict room block performance.** Many hotel contracts are now including multiple performance clauses all tied back to room pickup. The organization should allow only one clause to prevent double jeopardy. The hotel contract should contain language that encourages both parties to manage the room block.
- **Make sure the hotel contract attrition fees are due after the date the meeting would have been completed.** If the meeting has not been canceled there is no attrition.. No fees should be paid before the meeting date.

- **In the hotel contact do not use the word penalty.** Penalties constitute unfair, unequal financial payment and are frowned upon by the courts.
- **The attrition fees should not include room tax.** In many states, liquidated damages are not taxable. Ask the property to provide documentation of taxation of liquidated damages prior to including it with your payment.
- **Get credit for your sleeping rooms.** Compare your attendee list to the hotel's in-house guest list and make sure you receive credit for all of the rooms associated with your group.
- The hotel contract should state the hotel adherence to laws regarding fire, safety, and health codes.
- The hotel will usually ask that the laws of the state where the hotel is located will apply in the event of a dispute, as will venue and jurisdiction, but that may unnecessarily lock the group into traveling if there is litigation.
- The hotel contract should state if contract can be assigned to other parties.
- State that the hotel contract constitutes the entire agreement and supersedes previous agreements.
- Tell the hotel that changes can be only in writing.
- Determine if the contract enforceable if any provision is ruled unenforceable.
- Ask the hotel if a faxed document is valid and if they need to receive the original in 72 hours of the receipt of the fax.
- Ask the hotel who has authority to sign the contract.
- Check the signature information, name, title, group name, and date.
- The hotel contract should contain a clause for any room pickup deficits that exceed the agreed-upon scale. It should include a concise formula to determine the damages due. This should be a formula that all parties can interpret, calculate, and use to derive the same answer. The clause should contain a provision including the property's duty to attempt to mitigate, or lessen, the damages is recommended.
- **Sample Addendum for attrition:** Should the hotel not realize the full amount of its anticipated revenue from sleeping rooms and food and beverage functions, due to reduced usage of sleeping rooms within the room block and/or reductions in food and beverage functions, the parties agree it would be difficult to determine the Hotel's actual loss, because the Hotel would not only have lost the anticipated revenues derived from this agreement, but also the opportunity to have offered the unused sleeping rooms and/or food and beverage services individually or as part of a larger block to other parties. Accordingly, the parties agree that the following performance scale. A reasonable effort on behalf of the Hotel to establish its loss prospectively, and that it shall represent liquidated damages. If the percent of anticipated revenue from sleeping rooms and F&B functions actualized by the hotel is 80 percent or more, then the percent of anticipated revenue from rooms and functions to be paid by Group in addition to revenues actualized is No fee. If the percent of anticipated revenue from sleeping rooms and F&B functions actualized by the hotel is 70 percent to 79 percent, then the percent of anticipated revenue from rooms and functions to be paid by Group in addition to revenues actualized = 10 percent of total room revenue. If the percent of anticipated revenue from sleeping rooms and F&B functions actualized by the hotel is 60 percent to 69 percent, then the percent of anticipated revenue from rooms and functions to be paid by Group in addition to revenues

actualized = 20 percent of total room revenue. *If* the percent of anticipated revenue from sleeping rooms and F&B functions actualized by the hotel is 50 percent to 59 percent, then the percent of anticipated revenue from rooms and functions to be paid by Group in addition to revenues actualized = 30 percent of total room revenue. If the percent of anticipated revenue from sleeping rooms and F&B functions actualized by the hotel is 49 percent or below, then the percent of anticipated revenue from rooms and functions to be paid by Group in addition to revenues actualized = 75 percent of total room revenue.

Food and Beverage

- Menu prices should be established no later than six months out.
- Learn the date that the hotel need guarantees for meals
- Most hotel guarantees should be given 48 or 72 hours prior to the function.
- Have the hotel state whether the service charge is taxable.
- Make sure that the Hotel's alcohol service policy, adherence to laws
- Learn the food and beverage cancellation policy and write a addendum to reduce the penalty

Exhibit Space

- Make sure contact has the exact dates for exhibit include beginning and ending times, and the setup and move-in and tear-down move-out times
- Make sure contact contain the exhibit rental fee and if it include daily maintenance and vacuuming of the aisles? The charges should be by net, not gross, square feet.
- Make sure the contact contain booths size and the number of booths
- Make sure the contact contain delivery charges
- Make sure the contract contain where boxes are to be delivery and to whose attention
- Make sure you understand shipping charges?
- Find out when boxes may be shipped to the hotel prior to the meeting, where and by when should they be shipped?
- Find out if the hotel require security guards.
- Make sure the contract contain when you may release the space. And what are the terms?
- Find out the exhibitor responsibility clause and it absolves both the hotel and your organization of liability.

Room Block Control and Pickup

- What is the hotel's provisions for attrition and mitigation.
- What is the hotel meeting room rental fee
- What is the hotel service fees.
- Does the rental fee apply per day for a certain number of days. It should apply only to the major days. Is the fee all inclusive.
- The rental scale should be based on sleeping room revenue.
- The hotel contract should include room block review dates and date allowed for adjustment and attrition.
- If the hotel has no room block performance charges, make sure it is stated in the contract.
- Determine if any non-refundable individual cancellation or early departure fees that are collected should be applied to any group performance or cancellation charges due.

- The hotel contract should only contain not more than one room block performance charge.

Right of Termination

- Hotel contract should contain a force majeure for termination in the event of an emergency. This cover condition in which neither party has control. The clause should offer mutual protection. The clause should state that termination will be without a cancellation charge.
- The organization should have the right to terminate contract for construction in the hotel, a change in the management company or hotel name, , bankruptcy, conflicting booking, competitor, and unavailability of convention center space The organization should be able to cancel without liability.

Cancellation

- If the organization has to cancel the meeting space there should be a sliding scale of charges as well as mitigation stated in the hotel contract
- The contract should contain a clause which cover if the hotel does not perform and has an impact on the meeting what the hotel will pay the organization for its losses.
- The impact clause should not include both the hotel and the group. Issues affecting the group and the hotel are different and should not have the same charges.
- The cancellation clause should include the total revenue owed to the hotel for canceling.
- Watch out for cancellation clauses that seek to recoup all revenue that the hotel expected to earn. The fee should be for lost of room revenue only.

American with Disabilities Act

- Make sure the hotel is ADA compliant.
- The contract should specify the group's obligations.
- The hotel should include mutual cooperation in identifying needs.
- Each party should indemnify the other for violations by the indemnifying party.
- Make sure the hotel contract does not contain vague language and one-sided obligation for the group.
- Determine what system is in place for hearing impaired to notify them in case of fire. Does the hotel have flashing lights or vibrating beds.
- What system in place to check the rooms of the sight impaired to notify them in case of fire. Does the hotel have vibrating beds.

Disput Resolution

- The method to resolve arbitration and litigation should be stated in the contract
- Determine which side pays should attorney fees.
- In the event the hotel sues the group for collection of funds the group owes, and the hotel wants to be reimbursed for its attorney fees, the hotel should be reimbursed only for attorney fees the hotel incurred . The hotel should be pay for charges the group does not dispute that it owes.
- Dispute resolution should be held on a neutral site.

Miscellaneous Issues

- The hotel should contain a clause for indemnification. It should be reciprocal and each party should be responsible for its own negligence.

- If insurance is required it should be a mutual clause.
- The hotel contract should have the hotel warrant the condition of the facility. The condition should be the same or better than at the time of the on-site visit or contract signing.

Hotel contracts have gotten increasingly longer and more complex in recent years. The reason for this is:

1. Hotels are trying to protect themselves from previous mistakes that have cost them money.
2. Performance-related clauses have become a rule in the hotel contract.

Organization must understand that guest rooms are perishable. The sleeping room today, cannot be sold tomorrow. The hotel's goals are to maximize revenue and occupancy.

F&B performance should be addressed in one separate clause.

CANCELLATION OF FOOD AND BEVERAGE EVENTS: You should only agree to pay for lost profit when you cancel a meal function. If you are forced to cancel a meal function you should not agree to pay the entire cost of the canceled meals. The facility will not have the expense of ordering the food or hiring staff to serve the meal. The only thing you should agree to reimburse the hotel for is the profit they expected from the function. The average percentage of profit earned on food events is 35%.

CANCELLATION OF FOOD AND BEVERAGE: Should cancellation occur by the organization for food and beverage events the organization agrees to pay the hotel 35% of the total revenue anticipated for the food and beverage event canceled. This food and beverage cancellation

The clause should be clear as to whether F&B attrition or cancellation or both are applicable, and it should include specific time frames as well as a specific method for determining the damages due. It should *not* include meeting room rental, and there should be no tie-in to room pickup. **The hotel should recover lost profit only. Define lost profit.** Define profit both in terms of a percentage range (30 percent to 40 percent) and actual dollar amounts for each meal. **Include only major functions.** Smaller events like coffee breaks and committee luncheons should not be included in performance clauses.

If there is no F&B performance clause the organization should consider adding a clause stating that the group will not be liable for any performance charges other than those specified in the contract.

Get credit for resold functions. If the group cancels a function at the hotel and the property is able to replace it with another function, the resulting profit should be credited toward the damages owed by the group. If new events are added in conjunction with the meeting, the resulting profit should be credited toward the damages owed.