

Case Studies on Dispute Prevention  
(River City Starlight Hotel Case Study)  
(prepared 2021)

Description of parties:	<b>Starlight Hotels</b> (Starlight) is a hotel chain interested in expanding its footprint. <b>River City Enterprises</b> (RCE) is a developer owning a large tract of land on the riverfront which it wants to turn into a major business and tourist attraction called the Landing.
Brief history of relationship and arrangement:	RCE developed plans for the commercial and residential portions of the Landing, and had set aside a portion of the Landing to develop a luxury hotel. RCE agreed to build a hotel to fit Starlight’s requirements and deliver the finished building by a firm date. Starlight agreed to pay a fixed price for the hotel so long as delivered by the fixed date. The project also includes a number of condominium units which RCE and Starlight agreed to own jointly and sell for their mutual benefit.
Nature of issue, conflict, or dispute:	The parties wanted to accelerate the deal but recognized that to do so they would need to enter an arrangement that amounted to an agreement to agree on the details of the condominium documents as well as the design and construction of the hotel subsequent to kicking off their partnership. Accordingly, the prospects for conflict were high.
How was the actual or potential conflict or dispute prevented or resolved?	The parties selected a neutral adviser skilled in designing governance and dispute prevention processes, who also was familiar with the design and construction of hotels. The parties acknowledged that there would be thousands of decisions about the details of the design, about changes during construction, and about the terms of the documents. They determined that they would need a project governance system that would provide a backstop enforcement mechanism to address any disagreements so as to ensure the progress of the project would not be delayed. They resolved on two governance processes: – the Condominium Arbitrator Process and the Development Arbitrator process.
Nature of dispute prevention mechanism deployed:	<b>The Condominium Arbitrator Process:</b> the parties agreed in their written documents on a respected local law professor, who was an expert in condominium law, and appointed him as their standing neutral. The neutral was to be available to the parties, and if they disagreed on any language for the Condominium Declaration, each party would propose their language to the neutral, who would promptly make a binding decision as to which proposal to accept. As it turns out, the parties quickly negotiated the terms and never had to rely upon the neutral. <b>The Development Arbitrator Process:</b> the parties agreed in their written documents that a neutral advisor would be selected as their standing neutral to monitor the three-year design and construction process. If at any point there was a disagreement about the design or construction, either or both parties would immediately notify the neutral. The neutral was then required

to hold a conference within 5 days to see whether immediate agreement could be facilitated. If not, the neutral would schedule an arbitration within 21 days at which the parties would present their respective positions to the neutral – in baseball arbitration format. Within 2 days of the hearing, the neutral would issue a binding award. In order to ensure that the neutral was always up to speed on the project, the parties were required to furnish the neutral with written monthly project management progress reports and to provide the neutral with a webcam linked to cameras on the site, so the neutral could observe progress. The neutral also was required to keep the parties informed of his whereabouts at all times during the three-year process.

The neutral ended up spending about one hour a month reading reports and otherwise keeping up to date on the project. As it turns out, the parties worked cooperatively through all design and construction issues without ever having to refer any disagreements to the neutral. RCE finished the construction of the hotel within budget and opened on the stipulated time schedule.

**If none deployed,  
nature of dispute  
prevention mechanism  
that might have been  
deployed:**

**Lessons from the case  
study:**

1. **Openness** – the parties acknowledged early on that the enterprise would experience challenges and committed to finding ways to solve them promptly so as not to interfere with the project.
2. **Uniqueness** – the parties understood the unique nature of their project and the tools they needed to foster dispute prevention. They combined both binding and non-binding processes to encourage cooperation and provide “enforcement,” if necessary.
3. **Simplified resolution** – the use of baseball arbitration as an approach offered an expedited and simplified resolution tool.
4. **Motivation** – establishing the preventative processes actually motivated the parties not to need to use them.
5. **Trust** – the parties believed in the competence of each other and built upon their shared objectives in getting the project done.