

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING

February 3, 2022 – 3:00 P.M.

Partnership Tower, 701 Avenida de las Americas, Suite 200

Houston, Texas 77010

HOUSTON FIRST BOARD ROOM

The Board of Directors (“Board”) of Houston First Corporation (the “Corporation” or “HFC”), a Texas local corporation created and organized by the City of Houston as a local government corporation pursuant to TEX. TRANSP. CODE ANN. §431.101 et seq. and TEX LOC. GOV’T. CODE ANN. §394.001 et seq., held a meeting at Partnership Tower, 701 Avenida de las Americas, Suite 200, Houston, Harris County, Texas 77010, on Thursday, February 3, 2022, commencing at 3:00 p.m.

Written notice of the meeting including the date, hour, place, and agenda for the meeting was posted in accordance with the Texas Open Meetings Act.

The following Board Members participated in the meeting: David Mincberg (Chair), Sofia Adrogué, Alex Brennan-Martin, Reginald Martin, Tom Segesta, Bobby Singh, Mayor Pro-Tem Dave Martin, and Council Member David Robinson, Ex Officio.

1. **Call to Order.** The Chairman of the Board called the meeting to order at 3:03 p.m. and a quorum was not established.

Council Member Robert Gallegos was in attendance.

2. **Public Comments.** None.

3. **Review and approval of minutes from prior meeting.** A quorum was not established. The minutes of November 18, 2021 were not presented for approval.

4. **Presentations and Reports.**

- A. **Houston First Chairman’s Report.** – Chairman David Mincberg stated that the CEO and CFO will report about recovery and, after our last calendar year, it is nice to see the activity throughout the convention center, around the restaurants, and on the Avenida. He added that it has been a long winter and he believes spring will be better and brighter. However, HFC is in a deep financial hole through no fault of its own. Management has performed admirably throughout this time from staffing issues, convention business, to bookings and re-bookings.

Chairman Mincberg mentioned that HFC, as well as the City of Houston, has been involved with ongoing litigation with the Houston Municipal Employees Pension System (HMEPS). The litigation has settled, but it is unknown how this will impact HFC financially.

Committee assignments have been distributed. Mr. Mincberg consulted with Reginald Martin, Chairman of the Greater Houston Convention and Visitors Bureau (GHCVB), and by and large, the assignments remained the same. Some Committee Members were moved around to reflect requests.

Chairman Mincberg emphasized that February is the beginning of Black History Month and HFC has robust programming planned. Although Vice-Chair Desrye Morgan was not present, he gave kudos to her for being clear and forthright about the need to expand programming regarding Black History Month.

- B. HFC President & CEO Report. President & CEO, Michael Heckman, stated his focus will be on projects that tie back to corporate strategic objectives that were provided in the plan for 2022. He reported that the trailer for Top Chef has dropped. The trailer was played for the Board. Top Chef premieres March 3, 2022. A watch party is planned and details will be provided.

Michael Heckman added that this past Monday, Houston was the destination date for “The Bachelor” which pulled across their platforms 10,000,000 viewers. Houston will also get representation in the next episode which is next Monday, February 7th, with the same number of viewers expected.

Another show featuring Houston is Samantha Brown’s “Places to Love.” Holly Clapham, Chief Marketing Officer, stated that Houston is the first city that aired on this program, five years ago, and is the first city to which Ms. Brown has returned. She added that there were more scenes than were able to be shown, so Houston will also have a presence in the fall.

Ms. Clapham mentioned that “The Bachelor” can be seen on ABC, Hulu, Disney, ESPN, Fubo, and one other streaming channel; and Samantha Brown is on PBS and Create TV. She offered to send the full list to the Board Members.

Michael Heckman said that HFC also looks at economic impact in spend in the community. There is a project by Mohammed “Mo” Amer on Netflix that will have approximately a \$24 million economic impact. Jorge Franz, Senior Vice President of Tourism and Industry Relations, expounded on the project by giving a view of how the Film Commission worked with Mr. Amer’s production team. He said that this has been an extremely busy year for the Film Commission. In fact, it is a record year on many of the categories that are tracked. This project relied heavily on HFC to provide locations and to get access to those locations. Mo Amer is a comedian, so the show is meant to be funny and serious at the same time. The show will highlight the diversity of Houston. Mr. Franz added that, Texas in general, is seeing a huge uptick on the film side. The ease of filming and the friendliness of the staff in Houston has been noted by every production team that has been in the city. He commended the Film team for that.

Mr. Heckman proceeded with a report on conventions. He stated that the convention industry continues to move forward. Consumer Electronics Show (CES) in Las Vegas, traditionally the largest trade show in the U.S. every year, held an in-person event. Professional Conference Managers Association (PCMA) is one of our largest client events of the year. PCMA manages the meetings and conventions for associations, corporations and others. HFC had a team in Las Vegas. PCMA had about two thousand attendees. World of Concrete was another ten to twenty thousand in-person convention in Las Vegas that moved forward. It was an inside and outside event.

Michael Heckman talked about how things look in Houston. Part of the strategic objectives for this year, not only were to maximize attendance for the groups that are on the books, but then also to fill those pipelines back up. Currently, Cattlemen's Beef Association is in town and attendance is expected to exceed six thousand. This is the largest business-to-business convention in Houston since the beginning of the pandemic.

John Solis, Senior Vice President of Sales & Client Services, addressed upcoming events. He stated that 30% of the 30 city-wide conventions that are coming to Houston are first time programs which is a great opportunity to showcase our city. Cattlemen's Beef is scheduled to come back in 2029. They had a great event this year, which was kicked off by George Foreman yesterday. He added that ten of the 30 city-wides will take place in Q1, eight in Q2, and the balance in the last two quarters. John Solis said that he has checked with other cities across the country and is finding that associations and conventions that are taking place are showing very strong indications that in-person events are back. Mr. Solis mentioned that NAPE attendance is expected to be 5,500. Michael Heckman added that attendance levels are being monitored and that we are not seeing Covid-related cancellations bleeding out past January.

Cindy Decker, Vice President of Business Intelligence and Market Strategy, reported on the Houston market as a whole. Occupancy since the beginning of the pandemic in April 2020, at the lowest, was just under 30% from a high of 63% in 2019. Houston patterns are still the same whether there is a pandemic or not, attendance goes up at certain time frames and drops at others. Houston dropped in December, which is normal. In the last 28, we are at 48% occupancy and although this is down from our average of about 56%, it is still ahead of 2021. Houston is moving in the right direction. Occupancies have been improving since that April. The best recovery in Houston is rates. Normally, after an economic downturn, rates recover. This not being an economic downturn, rates are almost flat to the same time in 2019. The market, in places like downtown and the Galleria, the weekend rates are ahead by over 20%. Many markets have found that because there is no demand, or less demand, it does not mean that rates need to change and that has helped recovery on the revenue side because we have been able to drive rates even through the pandemic especially on the weekend for the leisure demand.

Ms. Decker stated that Houston ended 2021 at about 55% occupancy, which is down from the 63% occupancy in 2019. Although we ended last year down over 22% in revenues to the 2019 timeframe, Houston was one of the top six cities in growth. Tampa and Miami were flat to 2019 revenues, Virginia Beach actually grew and they are fully recovered from 2019 and Houston is getting there.

Cindy Decker explained that the downtown market is still one of the softest. Right now, where the market is running 48 – 50% occupancy, downtown is still running in the 30s. Last year, the downtown market was at 17%. It is improving. The downtown market has always been the highest in rate and the rate is still recovering. The Galleria is the most improved market. Some of the submarkets in the outlying areas that have fully recovered from 2019 include the Eastside, the Beaumont side, and the refinery side of Houston. They are back to 2019 occupancy. Some of the airport markets are almost back to 2019. One submarket that has been very steady is the Medical Center. The downtown market is the one that needs to recover in occupancy.

Ms. Decker stated that what attributed to Houston being in the top six was the leisure marketing that was done. There was a large leisure campaign last year that started driving room nights into the hotels especially for weekends and for packages that really helped the market. Also, the fact that HFC was able to hold conventions with the right protocols in place helped.

Frank Wilson, Chief Financial Officer, stated that the books were not yet closed for 2021. He provided a preliminary update on major revenues and expenses. Through December, major revenues were \$12.8 million above budget. He reminded the Board that a \$55 million budget deficit was structured for 2021; that will not happen. This compares favorably to the end of July when major revenues were below budget by \$5.6 million. A big portion of the strong revenues was due to Hilton's net cash exceeding budget by \$10 million. The Hilton produced \$48.7 million of total operating revenues, exceeding budget by \$4.6 million. Hotel Occupancy Tax (HOT) exceeded budget by \$2.6 million due to strong summer leisure stays.

Mr. Wilson concluded with the major expenses which ended the year at \$9 million below budget in large part because of the variable expense related to personnel which varied by \$4.2 million which was largely a function of the PPP loans last year. Food and beverage is another major driver of reduced expenses for the year due to their reduction of food and beverage revenue. He added that the books are expected to be closed out by mid-February.

Michael Heckman informed the Board that HFC is planning a mission to Mexico from March 28 – April 1, 2022. This trip is directly related to the charge to be the number one U.S. destination for the Mexican traveler by 2023. The mission has been expanded to what is called Houston Week which will include a stop in Monterrey and Mexico City. Mayor Sylvester Turner will be leading the mission and the Greater Houston Partnership (GHP) will also be a partner. The Houston

Symphony will be performing and Houston will be highlighting all of its brand areas of entertainment, culinary, art and fashion lifestyle.

A first ever Lunar New Year Media Fam is also planned. Holly Clapham stated that it will be a themed event with multiple journalists. The event has expanded into Mexico and Toronto as well. It will be an action-packed experience.

Roksan Okan-Vick, Urban Development Officer, provided a construction status on the Lynn Wyatt Square renovation. The original bid was \$20,888,000 with the current projection at \$21,600,000. The construction is expected to be completed by October 2022 with the grand opening in November. Mr. Heckman emphasized that the renovation will open without a restaurant. Ms. Okan-Vick added that food trucks and other vendors will be available in the interim.

Michael Heckman stated that a fully integrated plan is in place for Black History month. It is advertised through website and social media. The events begin this Saturday on the Avenida at 5 p.m.

Mr. Heckman informed the Board of the Second Servings Partnership which is a charity. Luther Villagomez, Chief Operating Officer, explained that the George R. Brown Convention Center (GRB) and Hilton-Americas Houston Hotel have donated over 170,000 pounds of prepared food to more than 90 area non-profits. The charity supports more than 175,000 Houstonians who rely on Second Servings while also fighting food waste.

5. **Adjournment.** The meeting was adjourned at 4:23 p.m.