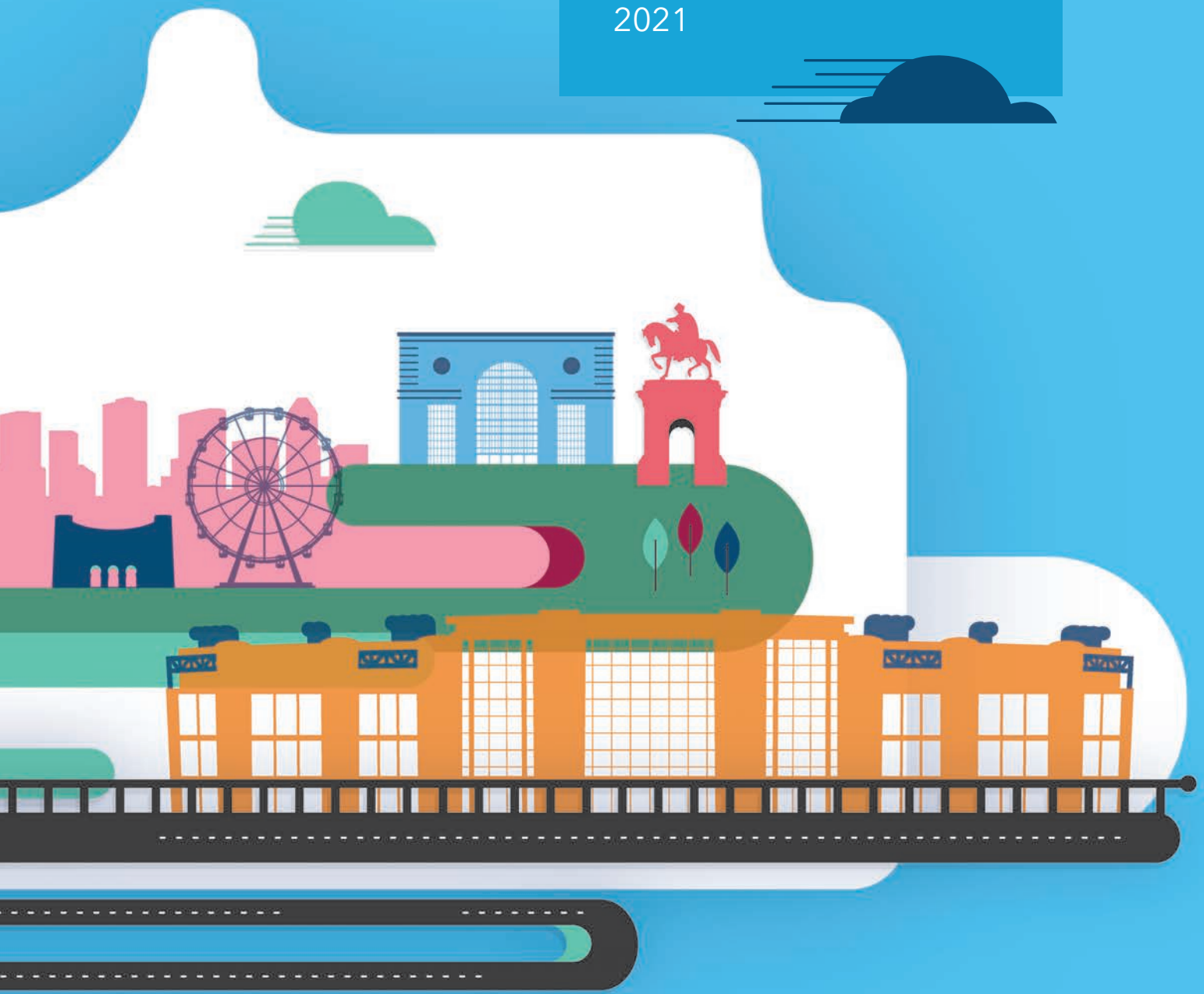


Houstonfirst

STRATEGIC SUMMARY & BUDGET

2021



STRATEGIC FRAMEWORK

VALUE CREATION will drive the Houston First recovery and long-term resiliency efforts, serving as the foundation for 2021 business planning. It includes innovation in everything we do and sell, promoting Houston's brand appeal and awareness, lowering costs while improving productivity, generating revenue, and delivering unparalleled experiences. A unified commitment to value creation benefits our company, as well as our hospitality community and other stakeholders.

Highlight and promote Houston's culture, attractions and features, building a sense of community while also stimulating business and leisure travel to the Houston region.

DESTINATION BRAND / IMAGE ENHANCEMENT

High levels of productivity at lower costs compared to alternate methods; it is the result of proficient processes that shorten the time to completion, mitigate errors, and improve quality.

OPERATIONAL EFFICIENCY

Houstonfirst. **VALUE DRIVERS**

REVENUE GENERATION

ORGANIZATIONAL INNOVATION

EXCEPTIONAL VISITOR / CUSTOMER EXPERIENCE

The coordinated effort to produce and maximize company revenue from existing properties, products and services, new business opportunities, and sponsorships as a result of strategic sales and marketing activities.

An encounter online or in person that meets or exceeds the individual's expectations. The resulting sentiment and response to these positive interactions can lead to repeat visitations and referrals.

Advancements that diversify or enhance our products, services, and business lines, as well as the addition of new technology, funding solutions, partnerships, and other opportunities that improve or provide value.

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MESSAGE FROM THE CHAIRMAN OF THE BOARD

One of the great things about Houston and Houstonians is: we never settle. We embrace opportunity and take adversity head on. No doubt, the past year has challenged us all. The way we all live and work has changed as a result of COVID-19 and the way the world operates is evolving. As an organization, Houston First has had to adapt.

Since March, the travel and tourism industry has been crushed by the worldwide pandemic, having a direct impact on Houston First, as well as our city. Travel and tourism are essential to Houston, in a typical year pumping an average of \$18 billion dollars into the region's economy and supporting at least 140-thousand jobs in the area. Simply put, the tourism industry is a critical part of Houston's economic health.

Houston First plays an important role for our community for so many reasons and I believe will help lead Houston through this pandemic. Organizationally, we will embrace an entrepreneurial and collaborative spirit, exploring new ways to achieve core objectives that support the community, our hospitality partners, and achieve our mission for Houston. Stabilizing and rebuilding will require ingenuity and commitment, but I know we are up to the task.

The road ahead will not be easy but Houston First has always been resilient. I am proud of all that the company has already accomplished for our city, I am confident in this team, and I remain optimistic in what the future holds.

All my best,



David Minberg
Chairman, Board of Directors



MESSAGE FROM THE ACTING PRESIDENT & CHIEF EXECUTIVE OFFICER

Representing Houston to the world is an honor. I know my associates at Houston First share that feeling, along with the passion to work to ensure that everyone knows how amazing of a city Houston is to visit and to live.

Due to the deep impacts of the pandemic, we continue to face many questions as an organization and a destination, our most pressing being how to approach a strategy and budget in a year with so much uncertainty.

This strategic summary provides a roadmap for 2021, but we will have to remain flexible and nimble if and when market conditions change.

Our strategic theme for next year will be Value Creation and it is a simple, yet powerful, description of our path for the transitional year that 2021 will be. Creating value for our company and then, more broadly, the Houston hospitality community will lead us to the other side of this pandemic. That said, creating value is what we do at Houston First and that focus will remain even as we begin to emerge from the depths of this downturn.

We have taken a three-phased approach to COVID response: React, Recovery and then, ultimately, Resilience. We are currently in the recovery phase, and likely will be through at least the end of 2021. As we recover, we will begin to lay the groundwork for eventual resilience. This will take big ideas and imagination for how Houston can continue to compete with the best cities around the globe.

It is our responsibility to act as excellent fiscal stewards, while also leading the recovery of the visitor economy to the Houston Region. This will require bold action, innovation of our business model, and industry-leading sales and marketing strategies. Jobs, and even businesses, of all sizes depend on this important work. As a team, this challenge should not intimidate us, but instead should inspire us to succeed because when we do, the impact is substantial and far-reaching.

Houston is the city that has developed world-changing innovations in several industries - space, life sciences and, of course, energy. I know we will adapt and innovate again as we come through this stronger than we were before.

Onward to the brighter days ahead.

Ever optimistic,



Michael Heckman
Acting President and Chief Executive Officer



COMPANY OVERVIEW

Houston First Corporation (HFC) is the official Destination Management Organization (DMO) for Houston, leading tourism and convention business for the city. Houston First is responsible for the day-to-day maintenance, licensing, and operation of convention and performing arts facilities, parks, plazas, events, and parking. Furthermore, the organization acts as the City of Houston's agent for the collection of hotel occupancy tax revenue.

Through unified, collaborative efforts with our partners, HFC actively promotes Houston as one of the world's greatest cities, enhancing the Houston experience for visitors as well as residents while generating economic benefits for the region.

MISSION

To enhance the quality of life, advance economic prosperity, and promote the Houston region.

VISION

Promote Houston as a premier global destination, building partnerships to improve the quality of life of Houstonians, and becoming a top revenue generator for the Houston region.

CORE VALUES

Respect All | Embrace Partnerships | Own It | Pursue Fulfillment | Be a Passionate Ambassador

2,650,000

SQ. FT. OF BUILDING SPACE

\$1 BILLION

ASSET VALUATION OF BUILDINGS

11,215

PARKING SPACES

FACILITIES WE OWN OR OPERATE

AVENIDA NORTH GARAGE

GEORGE R. BROWN CONVENTION CENTER

HILTON AMERICAS - HOUSTON

JONES HALL FOR THE PERFORMING ARTS

LYNN WYATT SQUARE FOR THE PERFORMING ARTS
(Coming 2022)

MILLER OUTDOOR THEATRE

MONTROSE BRIDGES

PARTNERSHIP TOWER

ROOT MEMORIAL SQUARE

SWEENEY CLOCK TRIANGLE

TALENTO BILINGUE DE HOUSTON

THEATER DISTRICT PARKING

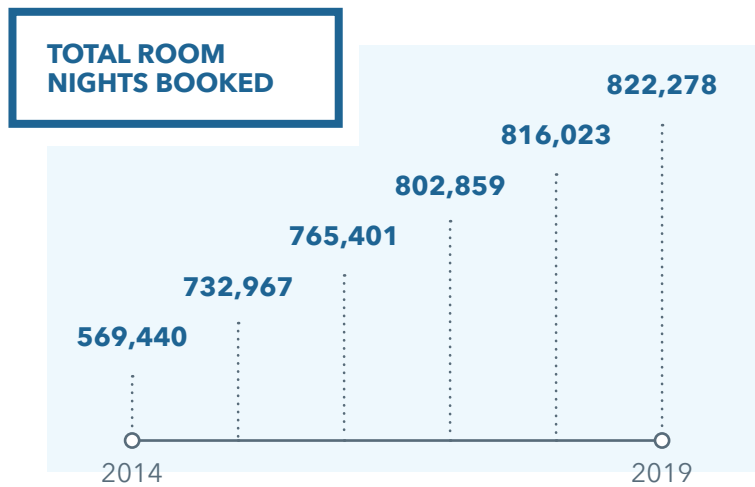
TOYOTA TUNDRA GARAGE

WORTHAM THEATER CENTER

ECONOMIC IMPACT

The greater Houston area has in excess of 600 hotels that, together, offer more than 85,000 hotel rooms to visitors. **The travel market is an integral part of Houston's economy, responsible for producing an average of \$18 billion annually into the region and supporting more than 140,000 jobs.** In 2019, leisure and business travel performance constituted more than 24.9 million domestic and international combined visits to Houston reflecting 12% growth over 2018.

The Houston First sales team held six years of record-breaking numbers in total room nights booked with 822,278 in 2019, a 44% increase since 2014.



Houston Convention Campus

2019

CITY OF HOUSTON TRAVEL STATISTICS

SPENDING

\$13.1B

Purchases by travelers during their trip, including lodging taxes and other applicable local and state taxes paid by the traveler at the point of sale.

EARNINGS

\$4.8B

Earnings (wage and salary disbursements and proprietor income) of employees and owners of businesses that are attributable to travel expenditures.

TAX RECEIPTS

\$1.25B

Collected by state, counties and municipalities, as levied on applicable travel-related purchases, including lodging, food and beverage service, retail goods and motor fuel.

Source: *Economic Impacts of Travel & Visitor Volume for Houston, Texas, 2019 Preliminary Report* by Dean Runyan Associates (April 2020).

**BEFORE COVID-19:
UNITED STATES
TRAVEL INDUSTRY**

\$2.6T

CONTRIBUTED TO ECONOMY

\$59B

DELIVERED IN TRADE SURPLUS

\$15.8M

OVERALL NUMBER OF AMERICAN
JOBS SUPPORTED BY TRAVEL
(8.9M DIRECTLY)

1 IN 10

EMPLOYER IN EVERY STATE

#2 OVERALL EXPORT
FOR THE U.S.

**COVID-19 IMPACT:
UNITED STATES
TRAVEL INDUSTRY**

36%

Leisure & Hospitality share of all U.S. jobs lost from April to September 2020, yet Leisure & Hospitality only accounted for 11% of pre-pandemic employment in the U.S.

\$424B

Cumulative losses for U.S. travel economy since March 2020

\$54.5B

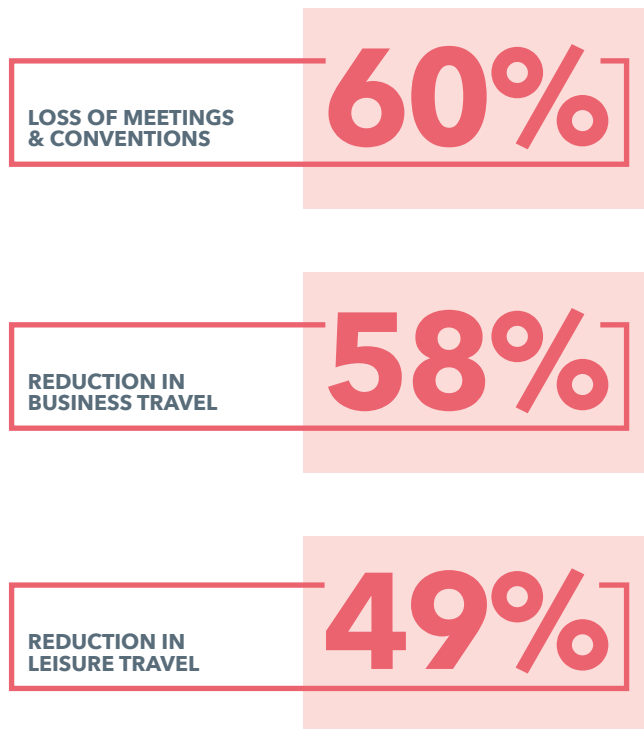
Loss in federal, state and local tax revenues since March 2020 due to decreased travel spending (includes \$8.3 billion in local tax revenue)

Source: *Tourism Economics*,
U.S. Travel Association

2020 AND COVID-19 IMPACT

Travel and tourism represented nearly 10% of the U.S. GDP prior to the pandemic. Following the initial onset of COVID-19, the industry came to a standstill globally, which had a direct impact on the U.S. economy and employment.

In Houston, the start of 2020 was proving to be as strong as previous record-breaking years, until the emergence of the COVID-19 pandemic. In 2019, total hotel occupancy in the greater Houston area was 63%. In April 2020, hotel occupancy bottomed at 22.8% for the region. The year over year decrease in hotel occupancy has been driven by these three primary factors:





THAT WAS COVID

THIS IS HOUSTON

A city of first steps, giant leaps and a leader in innovation of industries like energy, logistics, medical, and aerospace—our community doesn't shy from a challenge.



COVID RESPONSE STRATEGY

With dramatically reduced resources to support substantial business, community, and industry demands, Houston First’s strategic response needed to address immediate objectives but also provide a long-term foundation for opportunistic and sustainable growth for the company, stakeholders, and local community. Each of these require near- and medium-term funding or investment.

PHASE ONE: **REACTION**

- ◆ Convention rebooking
- ◆ Expense contraction
- ◆ Staff furloughs and layoffs
- ◆ Marketing pivot
- ◆ Community support
- ◆ Strategic recovery task force

PHASE TWO: **RECOVERY**

- ◆ Preserve viability of HFC enterprise
- ◆ Operational efficiency
- ◆ Focus on value creation for hospitality community
- ◆ Convention meeting retention and new sales generation
- ◆ Develop additional revenue streams
- ◆ Re-imagine organization with an entrepreneurial focus
- ◆ Facility modification and re-purposing

PHASE THREE: **RESILIENCE**

- ◆ Longer-term strategic planning
- ◆ Establish differentiators for Houston’s brand
- ◆ Create unique product offerings and experiences
- ◆ Forge impactful public/private partnerships
- ◆ Reduce debt
- ◆ Replenish cash reserves

PHASE ONE: REACTION

A NEW
WAY TO HOU

When the World Health Organization declared COVID-19 a pandemic on March 11, 2020, Houston First pivoted to crisis response and increased support of local businesses and the community. The *A New Way to HOU* campaign was a collaboration involving more than 160 restaurants, museums, theaters, attractions, non-profits, and artists. It included virtual activities, restaurant options, and ways to give back—ultimately becoming a lifeline for hospitality businesses in Houston.

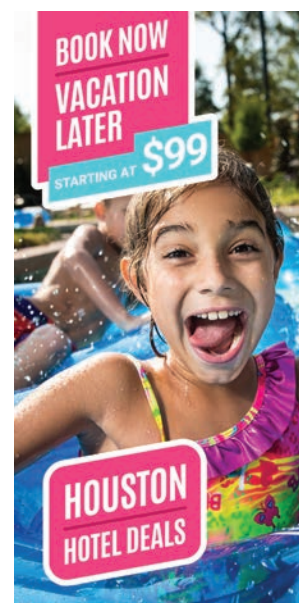
New Way to HOU was themed around activities to do from home - they included virtual museum tours, lists of restaurants offering delivery service, and very popular coloring book pages of Houston murals.

ADDITIONAL EFFORTS

- ◆ A comprehensive restaurant guide serving as a resource for Houstonians to support local restaurants;
- ◆ Writing and distributing feature stories about virtual tours, dining options, and more;
- ◆ A dinner party contest and *Cooking with HOU* virtual segments to connect the community with businesses through at-home activities;
- ◆ A partnership with local CBS television station, KHOU, to generate awareness of the assistance campaign;
- ◆ 40 social stories that reached more than 1 million impressions and 200,000 shares;
- ◆ Graphic packages with a variety of messages such as *Support Local, Thank You & Staycation Soon*. Other packages included a social distancing series and unique Zoom backgrounds;
- ◆ Community relations outreach with a virtual *Party on the Plaza* benefit concert held in May;
- ◆ Launching the strategic recovery task force with the purpose of identifying and implementing strategies that lead Houston First through the COVID-19 environment, and beyond;
- ◆ Rebooking meetings and conventions for future dates, preserving 92% of the room nights; and
- ◆ Contracting operating expenses by 40%.



Virtual Dinner Party social media contest



Book Now, Vacation Later digital ad

PHASE TWO: RECOVERY

The shift from the initial crisis response to the start of the recovery phase in May 2020 involved modifying HFC facilities to operate safely within these new conditions, not only for staff but in support of future events and visitors. Additional upgrades provided technical advancements for business meetings and conferences in support of innovative hybrid events. Subsequent messaging promoted safe environments for all HFC properties as well as the area, which infused community comfort and confidence throughout the city.

FACILITY MODIFICATIONS

\$3 Million in CARES Act Federal Stimulus Funding has been used to prepare facilities for the safe return of employees and visitors in response to COVID-19 including:

- ◆ Thermal cameras, sneeze guards, safety shields;
- ◆ Integrated Viral Protection System (IVP) - “Catch & Kill” Air Filtration system;
- ◆ Electrostatic sprayer cleaning equipment;
- ◆ Ultraviolet lights to sanitize escalator handrails;
- ◆ Health and safety protocols for work space and public areas;
- ◆ Touchless solutions to prevent or limit virus transmission in facilities;
- ◆ Informational signage; and
- ◆ Global Biorisk Advisory Council (GBAC) Star Facility Accreditation, the gold standard of prepared facilities. It is the cleaning industry’s only outbreak prevention, response, and recovery accreditation for facilities. This program provides independent validation that facilities meet a higher level of cleanliness and safety. HFC is in the process of applying for this accreditation for the portfolio of owned and managed facilities, including the George R. Brown Convention Center.





AVENIDA HOUSTON VIRTUAL STUDIO

The studio provides greater flexibility to accommodate fully virtual meetings or complement in-person gatherings with a hybrid solution that can extend participation beyond the venue.

MEETING & CONVENTION RETENTION

Houston First has been diligently working with clients to ensure 2021 event business is retained and new opportunities secured.



George R. Brown Convention Center

HOUSTON CLEAN INITIATIVE—A CITY-WIDE EFFORT

A Houston Venues & Events Task Force was developed involving the major institutions in the city, including Houston First. In August 2020, the task force announced the Houston Clean initiative, which was spearheaded by the HFC marketing team. The campaign is a long-term commitment that unifies the efforts of venues, events, and the hospitality community across the city to meet a consistent set of health and safety guidelines. This initiative publicizes the resumption of activities and steps taken to ensure a safe experience in response to COVID-19, and promotes widespread involvement that leads to public confidence.

Participating entities and industries include:

- ◆ Public and sporting event venues, such as the BBVA Stadium, George R. Brown Convention Center, NRG Park, Minute Maid Park, and Toyota Center
- ◆ The Mayor’s Office of Special Events and annual special events such as The Houston Livestock Show and Rodeo and the Houston Marathon
- ◆ 19 properties that make up The Houston Museum District, including the Houston Zoo
- ◆ Airports, in conjunction with their FlySafe Houston program
- ◆ Support for hotels through partnership with The Hotel & Lodging Association of Greater Houston
- ◆ Theater District Houston and a variety of arts organizations spanning an array of performing arts disciplines

Future plans include expanding to restaurant and entertainment venues.

Find current guidelines, participating venues and more details at **HoustonClean.com**



"We Took The Pledge" badge for listings and social media.



Social media post graphic shared by participating properties.

2020 SUMMER STAYCATION CAMPAIGN

Recovery will initially rely on regional leisure travel. As a result, customer engagement strategies shifted to focus more prominently on staycations as well as the Visiting Friends & Relatives market segment.



Above: Various digital ads running throughout summer 2020 with changes in messaging to address holidays, nature of a visit to Houston or cause to take a break from the day-to-day.

Left: Opening frame of KHOU commercial promoting Summer Houston Hotel Deals.

THE WAY FORWARD

Recovery will continue well into 2021 with events and travel anticipated to scale throughout the year and significantly rebound the latter half of 2021. In 2022, the market is expected to draw nearer to normalization. In order to sustain the organization and successfully lead the destination and hospitality community forward, Houston First must anticipate and respond to emerging trends and opportunities; seek and develop new revenue streams; cultivate core strengths; promote competitive advantages and remain top of mind as a first-class destination. Additionally, HFC must be focused on delivering value to all stakeholders.

With this in mind, the Value Creation strategic framework was developed focusing on five drivers intended to stabilize and advance the organization and hospitality community. These priorities align the Houston First 2021 business plan and budget into one vision.

Rice Village





VALUE CREATION

Value Creation will drive the Houston First recovery and long-term resiliency efforts, serving as the foundation for 2021 business planning. It includes innovation in everything we do and sell, promoting Houston's brand appeal and awareness, lowering costs while improving productivity, generating revenue, and delivering unparalleled experiences. A unified commitment to Value Creation benefits our company, as well as our hospitality community and other stakeholders.

HoustonfirstSM





CORPORATE VALUE DRIVERS

ORGANIZATIONAL INNOVATION

includes advancements that diversify or enhance our products, services and business lines, as well as the addition of new technology, funding solutions, partnerships, and other opportunities that improve or provide value.

OPERATIONAL EFFICIENCY yields high levels of productivity at lower costs compared to alternative methods. It is the result of proficient processes that shorten the time to completion, mitigate errors, and improve quality.

DESTINATION BRAND/IMAGE ENHANCEMENT

highlights and promotes Houston's culture, attractions, and features, building a sense of community while also stimulating business and leisure travel to the Houston region.

EXCEPTIONAL VISITOR/CUSTOMER EXPERIENCE

is an encounter online or in person that meets or exceeds the individual's expectations. The resulting sentiment and response to these positive interactions can lead to repeat visitations and referrals.

REVENUE GENERATION is the coordinated effort to produce and maximize company revenue from existing properties, products and services, new business opportunities, and sponsorships as a result of strategic sales and marketing activities.

2021 OUTLOOK

2021 is an important transitional year. Re-energizing and accelerating business will be an iterative process requiring strategic planning and flexibility. Houston First will assess new products and services as well as the commercialization of assets to provide new sources of revenue. Additionally, HFC will pursue available grants and federal stimulus relief funding to supplement the budget and offset costs of activities that promote visitation to Houston. As the opportunities unfold, HFC sales and marketing will prioritize and engage key markets and audiences that have a higher potential for bookings, HOT revenue, and economic impact.

Leisure marketing will continue to focus on regional consumers but will expand to drive markets within Texas and nearby states and will include other cities when air travel is more widely utilized.

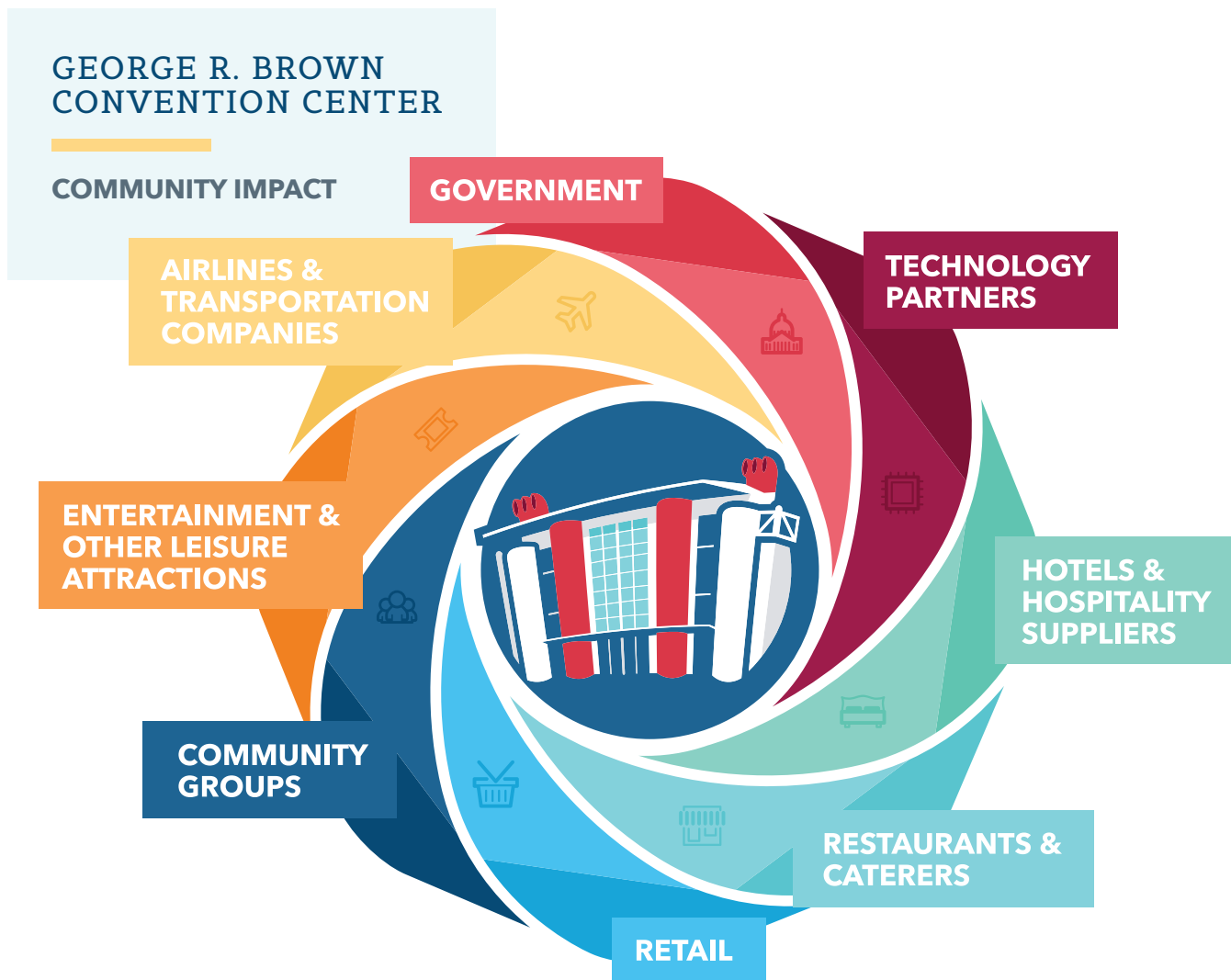
Although **travel from Mexico** has not yet reached 2019 numbers it has begun to rebound. Houston First online platforms, such as the Hola Houston website and social media channels, along with third-party sites and relationships, will be used to entice this audience as well as engage the U.S., Texas, and local Latin American community.

Houston First's recovery strategies will **drive value creation in 2021 for the benefit of our stakeholders** and the community as well as potentially accelerate the timing of certain aspects of recovery of the Houston visitor economy.

- ◆ Position Houston as a safe destination for leisure and business travel;
- ◆ Lead by example and instill confidence in the community through messaging and activities that demonstrate a clean and healthy environment. This can include live, in-person events with clear protocols;
- ◆ Capitalize on the Houston Marketplace, an HFC-owned platform used to market and sell experiences directly to consumers, by expanding distribution channels to third party sellers and, in turn, increasing revenue to participating partners;
- ◆ Work with hotel partners to develop enticing and exciting staycation packages that include Marketplace attractions;
- ◆ Prioritize co-op marketing programs that expand HFC ad buys with Around Houston partners, hotels and attractions to increase visitation opportunities to Houston;
- ◆ Utilize online travel agencies as channels for increasing Houston's reach into key markets;
- ◆ Leverage earned, social and paid media to enhance Houston's brand and support the recovery of stakeholders;
- ◆ Protect Houston's reputation, enhance its prestige, and present a favorable image through ongoing relationships and new approaches with local media, national leisure travel trades, reporters and influencers; and
- ◆ Pursue production of multi-episode TV series for Houston, with focus on streaming services.

Convention Sales remain a vital source of revenue for multiple stakeholders, as well as Houston First. The Houston First sales team will conduct business in new ways like embracing technology to enhance offerings, such as the Avenida Virtual Studio, support the sales process with 360 Virtual Tours of facilities for virtual site visits, and continue to lead innovation in the meetings space utilizing new technology like augmented reality.

The Houston First sales team will continue efforts to retain lost meetings and conventions while seeking new opportunities for gap times and future business by honing in on domestic opportunities, with a higher concentration on associations. They will pursue bookings in the year, for the year, prospecting short-term consumer shows in Q1-2021 and small meetings, while simultaneously focusing on core industries, like healthcare and STEM, to generate new business. Furthermore, they will pursue high-profile, high-impact events that have longer lead times but provide both prestige and economic impact for Houston.



POSITIONING FOR PHASE THREE: RESILIENCY

As the company continues recovery measures, steps to build a more resilient infrastructure must also be taken. It requires fiscal responsibility, organizational changes, strategic planning and cultural shifts within Houston First, along with an ongoing commitment to value creation that generates both short- and long-term opportunities that benefit the company, stakeholders, the hospitality and local communities.

Priorities include:

- ◆ Establishing differentiators for Houston’s brand;
- ◆ Creating unique product offerings and services;
- ◆ Playing a larger role in event creation that supports organizational objectives;
- ◆ Forging impactful public/private partnerships; and
- ◆ Supporting the industries that drive the economic stability of the community.

The initial focus of the HFC financial strategy is achieving a balanced, breakeven budget. Longer-term objectives will consist of paying down debt and rebuilding cash reserves. To this end, HFC will pursue potential options for new dedicated funding mechanisms with additional and sustainable funding sources. Furthermore, risk management efforts, such as flood mitigation, will be a priority.

Levy Park, Upper Kirby





Endeavors that enhance the area as well as the Houston experience, such as urban development, sustainability, and quality of life, will remain important initiatives at Houston First. One example is the 2022 planned transformation of Jones Plaza into Lynn Wyatt Square for the Performing Arts, an outdoor plaza intended to create a quality of place for residents as well as visitors.

Other efforts include collaboration with relevant stakeholders to expand environmental sustainability practices, which supports the City of Houston’s Climate Action Plan but also satisfies an increasingly important selling point for convention business.

Of note, economic development, as a result of Houston First’s efforts will, in turn, provide additional opportunities for people in more neighborhoods; validate public funding; improve resident sentiment that builds stronger communities invested in Houston’s future; and elevate the destination’s image.

Houstonfirst

BRANDS



Houston Film Commission



FACILITY OPERATIONS



Hilton
Americas-Houston



Wortham
THEATER CENTER



JONES PLAZA
Future home of Lynn Wyatt
Square for the Performing Arts



PARTNERSHIP
TOWER



Houstonfirst.

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