

MINUTES

HOUSTON FIRST CORPORATION

HOTEL COMMITTEE
November 5, 2021 - 2:30 P.M.
Partnership Tower, 701 Avenida de las Americas, Suite 200
Houston, Texas 77010
HFC Board Room

The Hotel Committee ("Committee") 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., posted a meeting at Partnership Tower, 701 Avenida de las Americas, Houston, Harris County, Texas, 77010, on Friday, November 5, 2021 commencing at 2:31 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 Committee Members were present for the meeting: Nicki Keenan (Chair), Ryan Martin (Vice-Chair), Katy Caldwell, Paul Puente, George DeMontrond

1. **Call to Order.**
The Chair called the meeting to order at 2:31 p.m. and a quorum of Committee Members was established.
2. **Public Comments.**
None
3. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the meeting minutes of June 8, 2021 were approved as presented. Katy Caldwell abstained due to not being present at that meeting. George DeMontrond was not yet present at the time of the vote.
4. **Committee Business.**
 - A. **Consideration and possible recommendation of the 2022 Hilton Americas-Houston Hotel Budget.**

HFC President & CEO Michael Heckman stated that HFC supports and endorses the 2022 Hilton Americas-Houston Hotel (the "Hotel") budget and asked for the Committee's support.

Hilton General Manager, Jacques D’Rovencourt, presented the Hotel’s 2021 forecast vs budget report. He stated that the Hotel continues to record higher room revenue. He added that there were some large groups lost after June, including Amazon, NRA, and Walmart due to the COVID variant. These groups represent approximately 17,000 room nights that were lost. Mr. D’Rovencourt said that the Hotel was able to offset some of these losses with a nursing staffing agency, which will result in about 34,000 room nights. The Hotel will host the World Table Tennis Championship competition which resulted in 5,000 room nights booked. Houston First presented the highly attended State of the City luncheon in October at the Hotel.

Mr. D’Rovencourt stated that his team collected a significant amount of cancellation fees during the year and some events were rebooked. Overall, expenses are reported as down significantly and food and beverage revenues have increased. The Hotel reports a 35% food and beverage profit, where 36.5% was budgeted.

The Smith Travel Research data vs. Comp Set data for September 2021 reflects RevPAR of \$111.1 with occupancy MPI (market penetration index) at 71.9% in a month where there were short-term cancellations. Year-to-date the Hotel is only RevPar of \$88.4 due to the rougher start at the beginning of 2021. The running three-month RevPAR is \$102.2 and occupancy MPI is 127.9%. The Hotel’s Comp Set includes the Marriott Marquis – 1,000 rooms, the Hyatt Regency Downtown – 980 rooms, the Magnolia – 350 rooms, the C Baldwin Hotel – 354 rooms, and the Westin – 200 rooms. Finally, Mr. D’Rovencourt concluded that Thanksgiving week will be the busiest the Hotel has ever had over this same period with a Harry Stiles concert, Autorama, and the World Table Tennis Championship occurring simultaneously.

The 2022 Budget Assumptions (Group) is being compared to 2019. SMERF (Social, Military, Educational, Religious, Fraternal) will have a record first half of the year, with social events showing signs of accelerated recovery in late 2021 and demand for social gatherings postponed during the crisis. Company meetings will accelerate in Q2 with a spike in demand for corporate incentive events to make up for the inability to recognize and reward employees in person for the first time in two years. Convention associations will recover faster with the typical association needing to meet to stay solvent and relevant. Group Tours will gradually recover as International borders open. In-the-year-for-the-year (groups that book and consume in 2022) will be abnormally strong due to short-term decisions being made.

Business Travel is projected to be the slowest to recover and is driven by Consortia & Corporate Negotiated segments. Government will accelerate rapidly in Q4 of 2021 and Corporate Negotiated and Consortia growth is constrained to 75% of historical levels with major corporations restricting Travel budgets.

Leisure Transient is projected at +14.6% vs 2019, stemming from ADR. Retail rate will reach monthly recovery levels of 90–109% of 2019. ADR stability will be driven by both pricing and mix. The Hotel also expects to continue to see in-person

events like concerts and other demand generators like UGC/WWE fights, NBA, MLB, and city-wide events.

The 2022 Budget vs 2019 projects Occupancy at 54.3%, down from 64.3% in 2019. The Average Rate is up at \$198.02, from \$191.65 in 2019, and RevPAR is down at \$107.52, from \$123.17 in 2019.

Following a motion duly seconded, the 2022 Hilton Americas-Houston Hotel Budget was approved as presented.

5. **Adjourn**

The meeting adjourned at 3:28 p.m.