

AGENDA

HOUSTON FIRST CORPORATION

HOTEL COMMITTEE MEETING
November 9, 2023 – 2:00 P.M.
Partnership Tower, 701 Avenida de las Americas, Suite 200
Houston, Texas 77010
HOUSTON FIRST BOARD ROOM

HOTEL COMMITTEE MEMBERS:

Nicki Keenan (Chair), Ryan Martin (Vice-Chair), George DeMontrond, David Mincberg, Paul Puente

In accordance with the Texas Open Meetings Act, this Agenda is posted for public information, at all times, for at least 72 hours preceding the scheduled time of the meeting on the bulletin board located on the exterior wall of the Houston City Hall building, located at 901 Bagby. The Agenda is also available online at <https://www.houstonfirst.com>.

To reserve time to appear, come to the meeting at least ten minutes prior to the scheduled public session shown on the Agenda.

Any questions regarding this Agenda, or requests for special needs assistance, should be directed to Lisa K. Hargrove, General Counsel, by phone at 713.853.8965 or by email at Lisa.Hargrove@houstonfirst.com

- I. Call to Order**
 - II. Public Comments**
 - III. Minutes – September 5, 2023**
 - IV. Committee Business**
 - A. Consideration and possible recommendation of the 2024 Hilton Americas-Houston Hotel Budget.
 - V. Adjourn**
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III. Minutes – September 5, 2023

MINUTES

HOUSTON FIRST CORPORATION

HOTEL COMMITTEE MEETING
September 5, 2023 – 1:30 P.M.
George R. Brown Convention Center, 3rd Floor Executive Board Room
1001 Avenida de las Americas
Houston, Texas 77010

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., held a meeting at the George R. Brown Convention Center (GRB), 1001 Avenida de las Americas, 3rd Floor Executive Board Room, Houston, Harris County, Texas 77010 on Tuesday, September 5, 2023 commencing at 1:30 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 participated in the meeting: Nicki Keenan (Chair), Ryan Martin, and Paul Puente.

- I. **Call to Order.** The Committee Chair called the meeting to order at 1:36 p.m. and a quorum was established.
- II. **Public Comments.** None
- III. **Review and approval of minutes from prior meeting.** Following a duly seconded motion, the June 29, 2023, minutes were approved as presented.
- IV. **Committee Business.**
 - A. **Consideration and possible recommendation of additional funding for the Hilton Americas-Houston Hotel Roof Project with Chamberlin Houston, LLC.**

Roksan Okan-Vick, Urban Development Officer, reported that Chamberlin Houston LLC (“Chamberlin”) completed the Hilton Americas-Houston Hotel’s (“Hilton”) 6th-floor roof overlay renovation in 2022. Ms. Okan-Vick explained that, after the uplift testing of the new 6th-floor roof, uplift testing for the 8th, 18th, 20th, 25th, and 26th-level roofs was recommended before Chamberlin could install each overlay. Of the additional roof membranes tested, 88 percent failed testing. According to Ms. Okan-Vick, FM Global conveyed that, due to the failures, complete roof replacement would be required of the remaining roofs. Due to the additional work required to replace, versus overlay, the remaining roofs, Chamberlin’s pricing proposal increased by \$2,456,056 plus a 10 percent contingency of \$245,606, totaling to \$2,701,662. Ms Okan-Vick indicated that, regarding the cost for this change, the architect for the project, Gensler, informed her that it was competitive and reasonable. The additional funds will be allocated from the

2023 budget. The project is expected to be completed by March 1, 2024, before HFC's May 1, 2024, insurance renewal date.

Paul Puente, Board Member, disclosed his concerns that the total roof replacement appeared to be a new project and possibly should be re-bid. Management reminded Mr. Puente that the Committee, in previous meetings, had been informed that it was important to have one vendor perform the roof work for the entirety of the project for warranty purposes. Additionally, the Committee was reminded that it is highly important to complete this work by March 1, 2024, to avoid additional property insurance premiums estimated to be \$2.5 million for the 2024-2025 insurance year as well as a higher deductible.

Following a duly seconded motion, recommendation of additional funding for the Hilton Americas-Houston Hotel Roof Project with Chamberlin Houston, LLC was approved unanimously.

Jacques D'Rovencourt, General Manager for the Hilton Americas-Houston Hotel, informed the Committee that Hilton has been in constant communication with representatives of Unite Here and is confident that there will be a resolution in negotiations very soon.

V. **Adjourn**. The meeting adjourned at 1:59 p.m.

IV. (A) Consideration and possible recommendation of the 2024 Hilton Americas-Houston Hotel Budget.

Consideration and possible recommendation of the 2024 Hilton Americas-Houston Hotel Budget.

RESOLVED, that the Hotel Committee of Houston First Corporation hereby recommends the **2024** Hilton Americas-Houston Hotel Budget.

HOUSTON FIRST CORPORATION

HOTEL COMMITTEE MEETING

Houston Museum of Natural Science
MUSEUM DISTRICT



HFC Board Room
Partnership Tower
Thursday, November 9, 2023
2:00 p.m.



PUBLIC COMMENTS

Anyone who wishes to address the Committee during the Public Comment session may do so by signing up on the Public Comment sign-in sheet at the front of the room.

HFC HOTEL COMMITTEE MEETING
November 9, 2023



MINUTES

September 5, 2023

HFC HOTEL COMMITTEE MEETING

November 9, 2023



COMMITTEE BUSINESS

A. Consideration and possible recommendation of the 2024 Hilton Americas-Houston Hotel budget.

HFC HOTEL COMMITTEE MEETING

November 9, 2023



HOTEL UPDATES

2023 FORECAST

VS.

2023 BUDGET

			2023 Forecast
	<u>2023 Forecast</u>	<u>2023 Budget</u>	<u>vs. 2023 Budget Variance</u>
Revenues			
Rooms	\$ 58,452,388	\$ 57,531,978	\$ 920,410
Food & Beverage	\$ 42,051,326	\$ 37,081,540	\$ 4,969,786
Other	\$ 9,873,966	\$ 10,415,828	\$ (541,862)
Total Revenues	\$ 110,377,680	\$ 105,029,347	\$ 5,348,333
Expenses			
Rooms	\$ 12,282,031	\$ 11,437,068	\$ 844,963
Food and Beverage	\$ 21,394,345	\$ 19,272,199	\$ 2,122,146
Undistributed Operating Expenses	\$ 21,960,666	\$ 22,735,962	\$ (775,296)
Other	\$ 3,073,947	\$ 3,114,956	\$ (41,009)
Total Expenses	\$ 58,710,989	\$ 56,560,184	\$ 2,150,805
EBITDA	\$ 51,666,691	\$ 48,469,163	\$ 3,197,528
Management Fees			
Base	\$ 591,986	\$ 591,223	\$ 763
Subordinated	\$ 1,279,447	\$ 1,277,799	\$ 1,649
Rent, Prop Tax and Insurance	\$ 3,180,423	\$ 3,184,813	\$ (4,390)
Other Non-EBITDA Expense	\$ 651,902	\$ 72,681	\$ 579,220
Net Interest (Income)/Expense	\$ 25,758	\$ (8,182)	\$ 33,940
	\$ 5,729,516	\$ 5,118,334	\$ 611,182
Net Income	\$ 46,317,653	\$ 43,350,829	\$ 2,966,824
Occupancy	62.7%	61.2%	1.6%
Average Rate	\$211.49	\$213.51	-\$2.02
RevPAR	\$132.68	\$130.59	\$2.09

Projections are as of October 31st, 2023 and are subject to economic climate and changes.

2023 FORECAST

VS.

2019 ACTUAL

	<u>Total Year 2023 Forecast</u>	<u>Total Year 2019 Actual</u>	<u>2023 Forecast vs. 2019 Actual Variance</u>
Revenues			
Rooms	\$ 58,452,388	\$ 54,264,610	\$ 4,187,778
Food & Beverage	\$ 42,051,326	\$ 36,846,758	\$ 5,204,568
Other	\$ 9,873,966	\$ 7,794,762	\$ 2,079,204
Total Revenues	\$ 110,377,680	\$ 98,906,130	\$ 11,471,550
Expenses			
Rooms	\$ 12,282,031	\$ 13,141,057	\$ (859,026)
Food and Beverage	\$ 21,394,345	\$ 20,654,035	\$ 740,310
Undistributed Operating Expenses	\$ 21,960,666	\$ 21,789,993	\$ 170,673
Other	\$ 3,073,947	\$ 2,747,420	\$ 326,527
Total Expenses	\$ 58,710,989	\$ 58,332,505	\$ 378,484
EBITDA	\$ 51,666,691	\$ 40,573,625	\$ 11,093,066
Management Fees			
Base	\$ 591,986	\$ 727,167	\$ (135,180)
Subordinated	\$ 1,279,447	\$ 1,571,610	\$ (292,163)
Rent, Prop Tax and Insurance	\$ 3,180,423	\$ 2,044,621	\$ 1,135,802
Other Non-EBITDA Expense	\$ 651,902	\$ 264,728	\$ 387,173
Net Interest (Income)/Expense	\$ 25,758	\$ (90,032)	\$ 115,790
	\$ 5,729,516	\$ 4,518,094	\$ 1,211,423
Net Income	\$ 46,317,653	\$ 36,054,736	\$ 10,262,917
Occupancy	62.7%	64.3%	-1.5%
Average Rate	\$211.49	\$191.65	\$19.84
RevPAR	\$132.68	\$123.17	\$9.51

Projections are as of October 31st, 2023 and are subject to economic climate and changes.

STR

SMITH TRAVEL RESEARCH

STR UPDATE vs. COMP SET

September 2023

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	64.8	60.1	107.8	211.84	240.01	88.3	137.25	144.27	95.1
Year To Date	65.1	59.0	110.2	212.59	227.48	93.5	138.34	134.31	103.0
Running 3 Month	67.9	57.9	117.4	192.87	217.01	88.9	131.02	125.55	104.4
Running 12 Month	62.0	57.3	108.2	215.20	226.26	95.1	133.44	129.68	102.9

Hotel	Rooms
Hyatt Regency Houston	955
C. Baldwin, Curio Collection by Hilton	354
Tribute Portfolio Magnolia Hotel Houston	314
Westin Houston Downtown	200
Embassy Suites by Hilton Houston Downtown	262
Marriott Marquis Houston	1000

2024 BUDGET

2024 BUDGET

VS.

2023 FORECAST

			2024 Budget
	<u>2024 Budget</u>	<u>2023 Forecast</u>	<u>vs. 2023 Forecast Variance</u>
Revenues			
Rooms	\$ 62,384,397	\$ 58,452,388	\$ 3,932,009
Food & Beverage	\$ 45,369,266	\$ 42,051,326	\$ 3,317,940
Other	\$ 9,499,454	\$ 9,873,966	\$ (374,512)
Total Revenues	\$ 117,253,117	\$ 110,377,680	\$ 6,875,437
Expenses			
Rooms	\$ 13,060,746	\$ 12,282,031	\$ 778,715
Food and Beverage	\$ 22,721,811	\$ 21,394,345	\$ 1,327,466
Undistributed Operating Expenses	\$ 23,926,447	\$ 21,960,666	\$ 1,965,781
Other	\$ 3,384,751	\$ 3,073,947	\$ 310,804
Total Expenses	\$ 63,093,755	\$ 58,710,989	\$ 4,382,766
EBITDA	\$ 54,159,362	\$ 51,666,691	\$ 2,492,671
Management Fees			
Base	\$ 716,303	\$ 591,986	\$ 124,317
Subordinated	\$ 1,548,131	\$ 1,279,447	\$ 268,684
Rent, Prop Tax and Insurance	\$ 3,788,504	\$ 3,180,423	\$ 608,081
Other Non-EBITDA Expense	\$ 116,795	\$ 651,902	\$ (535,107)
Net Interest (Income)/Expense	\$ (329,750)	\$ 25,758	\$ (355,508)
	\$ 5,839,984	\$ 5,729,516	\$ 110,467
Net Income	\$ 48,301,045	\$ 46,317,653	\$ 1,983,392
Occupancy	63.6%	62.7%	0.9%
Average Rate	\$222.06	\$211.49	\$10.57
RevPAR	\$141.22	\$132.68	\$8.54

Projections for 2023 are as of October 31st, 2023 and are subject to economic climate and changes.

2024 INDUSTRY FORECASTS

2024 Industry Forecasts	Market	Occ YOY %	ADR YOY %	RevPAR YOY %
McCaslin Hotel Consulting (9/14)	Upper Priced Houston	3.0%	2.7%	5.8%
McCaslin Hotel Consulting (9/14)	Downtown Houston	3.0%	2.2%	5.3%
CBRE Q2 2023 Edition	Upper Priced Houston	3.1%	2.5%	5.7%
Houston HOT Forecast (9/12)	Houston			3.3%
STR Forecast (Aug 2023)	Houston, TX	1.4%	0.2%	1.7%
LARC Forecast Q2 2023	Houston, TX	2.0%	4.9%	7.0%
HOUCV 2024 Budget		1.4%	5.0%	6.4%

vs '23: +4.8%
% of '19: 113.7%

BUDGET ASSUMPTIONS: GROUP

- **Company Meetings will continue to be a key driver to our success through rate growth of +5.3% (+\$12.36) in 2024 due to the continued short term nature of their booking window averaging 3-12 months.** The keys to success will be booking low demand dates and layering small to midsize groups as well as targeting pharmaceutical opportunities.
- **Convention Association will exceed 2023 room nights and ADR by 15% each due to consistent coverage throughout the year with an increase of 16,726 RN's (+226%) growth in October/November combined.** Due to our ability to optimize meeting space usage during the contracting phase we will see the rewards of being able to book strategically around them in 2024.
- **SMERF (Social, Military, Education, Religious, Fraternal) will be up in room nights by 15.4%, but down in rate by 6.4% to 2023.** It will continue to be a part of our success by filling shoulder periods and weekends and making up 29% of our 2024 plug.

BUDGET ASSUMPTIONS: TRANSIENT

Overall, **Transient RevPAR growth budgeted at +3.8%** driven by both, Average Rate (+\$5.30), and Occ (+1.6%) throughout all Quarters.

Retail & Leisure

- Leverage known high demand generators (i.e. CFP, NAPE, FIRST) to drive rate, and continue to remix from lower rated products (i.e. Per Diem) into Retail.
- Utilize Leisure to assist in building base (+2.0% Occ YOY) over need periods (holiday weeks, minimal group coverage, etc.).
- Drive additional volume (Q2/Q3) by optimizing spend within Amplify, Elevate, & Expedia Accelerators to reach the right customer (i.e. TravelAds, targeted campaigns, Vacation Package).

Business Travel

- 2023 BT is projected grow +5.4% in Occ YOY, driven by Consortia & Corporate Negotiated segments. Assumptions include:
- 1550 on the Green office building to lease to new local accounts.
- Gain acceptance with Chevron for the first time since 2019 as they have overtaken the Hess building.

BUDGET ASSUMPTIONS: BANQUETS & CATERING

Group Banquets

- **2024 is projected to be the highest revenue year at \$25.4M, growing +\$2,081K (+8.9%) YOY.** Assumptions include:
- Successfully capture over \$1.4M in citywide affiliate business thru meeting planner relationships.
- Continue to see an increase in F&B spend vs F&B minimums from Corporate Meetings.
- Utilize our unique infrastructure to capitalize on branding revenue.
- Convert at least 4 Pharma groups In-Year-For-Year.
- Definite repeat groups and citywides performing higher than historical levels, driven by an increase in average checks.

Local Catering

- **Increase of +\$736K YOY thru optimization of high demand space, particularly in Q2/Q4.** Assumptions include:
- Space available in Q4 due to rooms only bookings allowing for more strategic free sell dates to be made available further in advance.
- Achieve \$800K plug in Q2 with more free sell dates in Jun, by pursuing new business during off peak gala season.
- With one less demand weekend in Dec, will strategize to book highest revenue events on prime dates first & offer incentives to others to book non-peak (Thu & Sun) dates.

2024 CAPITAL BUDGET

2024 NOTABLE CAPITAL PROJECTS:

- Restaurant/Spa/5th Floor Design Fees
- Pool Air Conditioning Unit Replacement
- Replace Hilton Roof Signs
- LED Lighting Conversion
- Mechanical Upgrades
- Departmental Operational Equipment

2024 CAPITAL PROJECTS TOTAL: \$3.75M

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