

AGENDA

HOUSTON FIRST CORPORATION

HOTEL COMMITTEE MEETING

November 5, 2021 2:30 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), Katy Caldwell, George DeMontrond, Jodie Jiles, David Minberg, 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 – June 8, 2021**
- IV. Committee Business**
 - A. Consideration and possible recommendation of the 2022 Hilton Americas-Houston Hotel Budget.
- V. Adjourn**

III. Minutes – June 8, 2021

MINUTES

HOUSTON FIRST CORPORATION

HOTEL COMMITTEE
June 8, 2021 – 1:30 P.M.
Hilton Americas-Houston Hotel
Ballroom of the Americas “AB,” 2nd Floor
1600 Lamar Street
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., posted a meeting at the Hilton Americas-Houston Hotel, 1600 Lamar Street, Houston, Harris County, Texas, 77010, on June 8, 2021, 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.

1. The Chair called the meeting to order at 1:30 p.m. and a quorum of Committee Members was established with the following members present: Nicki Keenan (Chair), David Minberg, George DeMontrond, and Paul Puente.
2. **Public Comments.** None.
3. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the meeting minutes of November 16, 2020 were approved as presented.
4. **Presentations and Reports.**
 - A. **Discussion regarding Convention Services Agreement.**

HFC Interim President & CEO, Michael Heckman, informed the Committee that a hotel property located in downtown Houston has requested an extension under their Convention Services Agreement (Agreement) with HFC due to a financial hardship related to the COVID-19 pandemic. Mr. Heckman then discussed the terms and conditions of the agreements between HFC and five downtown hotels. He also informed the Committee that no other requests have been made at this time.

George DeMontrond suggested that management create a system of restitution to allow struggling hotels to recover.

Mr. Heckman stated that should HFC agree to provide an extension for one hotel, it would likely have to assist all other hotels that entered into an agreement with HFC.

Nicki Keenan agreed with the comments made by Mr. Heckman and stated that all five downtown hotels suffered the same hardship.

Mr. Heckman stated that it is his recommendation that HFC decline to extend the Agreement.

Mr. DeMontrond asked if management's decision will damage the relationship between HFC and downtown hoteliers. Mr. Heckman explained that hotels have requested additional support regarding rebates from the Texas legislature, however, they have been unsuccessful in doing so. He also discussed the work done by HFC to promote staycations and help generate business.

- B. Hilton Americas-Houston General Manager Report. General Manager of the Hilton Americas-Houston Hotel (Hotel), Jacques D'Rovencourt, gave a brief report. Mr. D'Rovencourt began his report by introducing the members of the Hilton Executive Team. He stated that the Hotel is in a better financial position than when he presented the budget last year and the Committee approved a budget reforecast for 2021.

According to Mr. D'Rovencourt, the Hotel has exceeded room and parking revenues, but remains below budget in local catering; additionally, hotel expenses have been reduced through the second half of the year. He explained that there were approximately 600 team members this time last year and the number of team members has been reduced to approximately 130 for the first six months of the year; however, the Hotel hopes to increase the number of staff members to 300 by year end. He then provided statistics on hotel occupancy through May, which reflects continued improvement. He also discussed the re-opening of hotel services such as the valet, spa, and Pappasito's Restaurant.

The Committee Chair congratulated Hotel management on the increase in net income despite the challenges faced due to COVID-19. She asked if management has had difficulty with staff returning to work. Mr. D'Rovencourt stated that there have been no staffing issues at this time with housekeeping.

Mr. D'Rovencourt further explained that the figures for transient and group room activity temporarily flipped, but the Hotel is starting to see an increase in past trends. He also stated that the Hotel has hosted a number of weddings, specifically in the Pan-Asian demographic. He then asked Cynthia Mondragon, Hilton Director of Revenue, to provide a brief report.

Ms. Mondragon provided the STR report. She stated that the Hotel finished at 94.1 RGI with a good overall performance for the month of April. She also discussed the Hotel's performance in comparison to the national competitive set. The Hotel,

she explained, continues to highlight leisure travel campaigns with a focus on online travel agents (OTAs) through paid media campaigns with OTAs to promote hotel stays along with Visit Houston.

Andrew Hatton, Hilton Director of Sales and Marketing, then provided a brief sales report. Mr. Hatton stated that the Hotel's group sales position for 2022 is slightly lower than expected, but he believes it will be a successful year due to pent-up demand.

Mr. Heckman added that a number of corporations have moratoriums on business travel that will be lifted in 2022.

Mr. Hatton then discussed some of the new industries represented in corporate group business. He then discussed the Hotel's booking position for 2023 and 2024.

George DeMontrond asked if there has been a decrease in hotel availability due to hotels going out of business. HFC Vice President of Business Intelligence & Market Strategy, Cindy Decker, explained that inventory for the Houston market has in fact increased.

Paul Puente asked about the number of volleyball tournaments hosted in 2021. Ms. Mondragon stated that Houston has benefited from an increase in closures in Dallas. The Chair echoed the comments of Hotel management and stated that youth sports have sustained many hotels during a decline of group business and Houston is very fortunate.

Mr. Hatton concluded his report by stating that the Hotel is holding space for FIFA in 2026 should Houston win the bid and is working hard to secure business opportunities with the sports market.

Jacques D'Rovencourt concluded his report by announcing that the Hotel is ranked #1 on the Hilton Big Box rankings for hotel cleanliness. He also stated that a quality assurance audit was recently conducted and the Hotel received a score of 98.6 out of 100. The Hilton, he noted, also continues to be recognized as one of the Top 50 Companies for Diversity and one of the Best Companies to Work for in the U.S.

5. **Committee Business.**

A. Consideration and possible approval of the revised 2021 Hilton Americas-Houston Hotel budget.

Ms. Mondragon discussed the Hotel's transient and recovery assumptions from 2021, which she said reflects a slight increase quarter over quarter. There was further discussion on the mix of group and transient business as well as hotel rooms for the World Petroleum Congress (WPC).

Mr. Heckman stated that there is a lot of interest globally, but there remains some hesitation due to travel restrictions. He stated it is likely that hosting WPC will result in a good week for Houston, but there is concern regarding volume.

Cindy Decker stated that the attendance at NAPE and OTC will be slightly lower than expected, but noted that the NRA will host an event over the Labor Day holiday.

David Mincberg asked about group activity in the month of November. Ms. Decker stated that there will be a number of smaller groups meeting but no city-wide events.

Mr. D'Rovencourt then provided a review of the changes in the 2021 budget through year end.

Following a motion duly seconded, the revised 2021 Hilton Americas-Houston Hotel budget was approved unanimously.

6. **Adjournment.** The meeting was adjourned at 2:51 p.m.

**IV. (A) Consideration and possible recommendation of the 2022
Hilton Americas-Houston Hotel Budget.**

Consideration and possible recommendation of the 2022 Hilton Americas-Houston Hotel Budget.

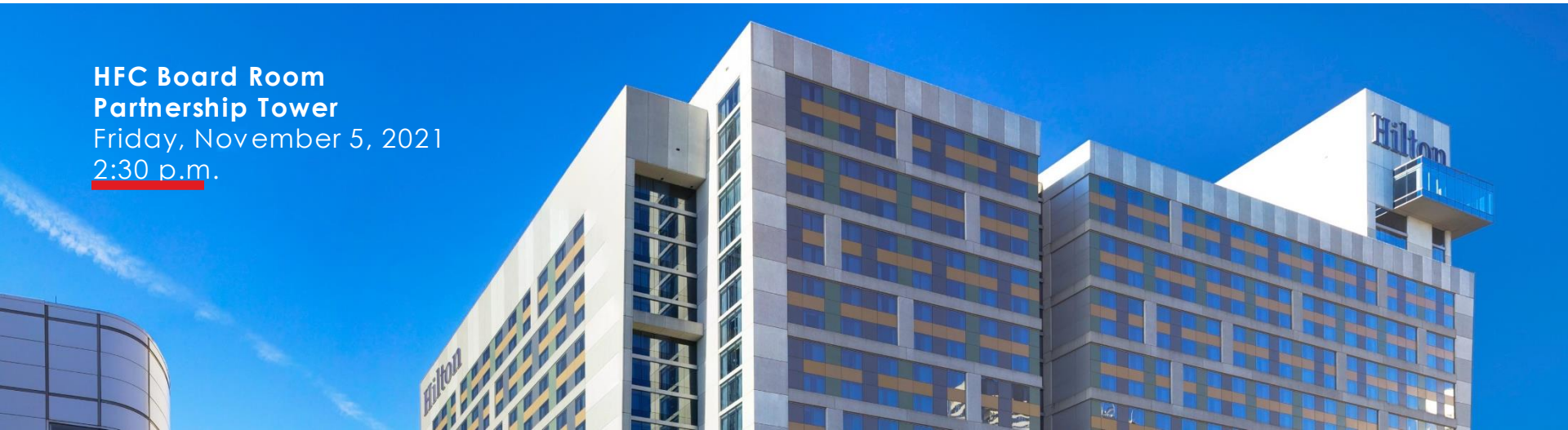
RESOLVED, that the Hotel Committee of Houston First Corporation hereby recommends the 2022 Hilton Americas-Houston Hotel Budget.

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HOUSTON FIRST CORPORATION

HOTEL COMMITTEE MEETING

HFC Board Room
Partnership Tower
Friday, November 5, 2021
2:30 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 5, 2021



MINUTES

June 8, 2021

HFC HOTEL COMMITTEE MEETING

November 5, 2021



COMMITTEE BUSINESS

A. Consideration and possible
recommendation of the 2022 Hilton
Americas-Houston Hotel budget

HFC HOTEL COMMITTEE MEETING
November 5, 2021

2021 Forecast vs. Budget

				2021 Forecast
				vs. 2021 Budget
		2021 Forecast	2021 Budget	Variance
Revenues				
Rooms	\$	28,984,939	\$ 26,712,130	\$ 2,272,809
Food & Beverage	\$	12,126,602	\$ 12,152,041	\$ (25,439)
Other	\$	6,090,753	\$ 5,060,160	\$ 1,030,594
Total Revenues	\$	47,202,294	\$ 43,924,331	\$ 3,277,963
Expenses				
Rooms	\$	5,999,089	\$ 6,775,521	\$ (776,432)
Food and Beverage	\$	7,882,257	\$ 7,765,784	\$ 116,473
Undistributed Operating Expenses	\$	13,385,905	\$ 13,697,697	\$ (311,792)
Other	\$	1,804,950	\$ 1,942,496	\$ (137,546)
Total Expenses	\$	29,072,201	\$ 30,181,497	\$ (1,109,296)
EBITDA	\$	18,130,093	\$ 13,742,834	\$ 4,387,259
Management Fees				
Base	\$	227,451	\$ 227,451	\$ -
Subordinated	\$	491,584	\$ 491,584	\$ -
Rent, Prop Tax and Insurance	\$	2,275,136	\$ 2,274,655	\$ 481
Other Non-EBITDA Expense	\$	91,218	\$ 87,428	\$ 3,790
Net Interest (Income)/Expense	\$	(271)	\$ (191)	\$ (79)
	\$	3,085,117	\$ 3,080,926	\$ 4,191
Net Income	\$	15,038,753	\$ 10,654,001	\$ 4,384,751
Occupancy		41.1%	36.1%	5.0%
Average Rate		\$160.23	\$170.85	-\$10.62
RevPAR		\$65.79	\$60.63	\$5.16
Projections are as of October 27th, 2021 and are subject to economic climate and changes.				

STR UPDATE

vs. Comp Set

September 2021

	Occupancy (%)			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (RGI)
Current Month	71.9	48.3	148.9	91.47	82.36	111.1
Year To Date	36.3	34.3	105.8	53.07	60.06	88.4
Running 3 Month	59.7	46.7	127.9	86.22	84.14	102.5

2022 BUDGET

Budget Assumptions Group

- **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 pent up demand for social gatherings postponed during the crisis. Full complement of Sports due to return in 2022 – Professional, Collegiate (All divisions) and Amateur sports should be back at Pre-Pandemic levels.
- **Company Meetings** **will accelerate in Q2 with a spike in demand for corporate incentive events** to make up for inability to recognize and reward employees in person for the first time in two years. A surge in conferences and corporate events in the second half of the year will put pressure on meeting space capacity.
- **Convention Association** **will recover faster than the industry thinks with typical association needing to meet to stay solvent and relevant.** They will find a way to have smaller meetings until large citywide return to full strength in 2023, with the size of this event smaller due to the Hybrid component involved, and more live connections or recorded content distributed post conference to those not in attendance.
- **Group Tour** **will gradually recover as International borders open.** With a large percentage of International travel normally occurring in the first half of the year, Tour Groups will miss their seasonal window to have a pent-up demand effect in 2022.
- **In The Year For The Year** **(groups that book and consume in 2022) Pace in 2022 for group will be abnormally strong due to short term decisions being made** in the new wait and see environment as well as the availability of small to mid-size event space in hotels due to less large conventions consuming in 2022.

Budget Assumptions

Transient

Overall, **Transient RevPAR recovery budgeted at 91% vs 2019** driven by Average Rate (102%).

Business Travel

- **2022 BT is projected to be the slowest to recover, driven by Consortia & Corporate Negotiated segments.** Assuming slower and more gradual recovery in Q1, following '21 trends, with largest step up to occur in Q2.
- **Government will accelerate rapidly in Q4 2021** at the start of the new fiscal year and new budgets more conducive to travel.
- **Corporate Negotiated and Consortia growth is constrained to 75% of historical levels with major corporations restricting Travel budgets.** The GDS channel will become a more viable space to advertise and drive high rated demand mid-week.

Leisure Transient

- 2022 **Leisure is projected +14.6% vs 2019, stemming from ADR**, based on recent absolute ADR trends (Q3 '21) . Segment is projected to peak over summer months and start to soften in Q4 as BT recovers, with a rebound in Dec over holiday weeks.
- **Retail rate will reach monthly recovery levels of 90-109% of 2019**
- **ADR stability will be driven by both pricing and mix** as leisure and retail travel will normalize as other segments return.
- Expecting to **continue to see in person events** like concerts and other **demand generators** like UFC/WWE fights, NBA, MLB, and citywides.

2022 Budget vs. 2019

	Total Year 2022 Budget	Total Year 2019 Actual	2022 Budget vs. 2019 Actual Variance
Revenues			
Rooms	\$ 47,368,837	\$ 54,264,610	\$ (6,895,773)
Food & Beverage	\$ 26,832,568	\$ 36,846,758	\$ (10,014,190)
Other	\$ 7,454,226	\$ 7,794,762	\$ (340,536)
Total Revenues	\$ 81,655,631	\$ 98,906,130	\$ (17,250,499)
Expenses			
Rooms	\$ 10,542,935	\$ 13,141,057	\$ (2,598,121)
Food and Beverage	\$ 14,444,414	\$ 20,654,035	\$ (6,209,621)
Undistributed Operating Expenses	\$ 19,672,816	\$ 21,789,993	\$ (2,117,177)
Other	\$ 2,751,197	\$ 2,747,420	\$ 3,777
Total Expenses	\$ 47,411,363	\$ 58,332,505	\$ (10,921,142)
EBITDA	\$ 34,244,268	\$ 40,573,625	\$ (6,329,356)
Management Fees			
Base	\$ 341,176	\$ 727,167	\$ (385,991)
Subordinated	\$ 737,376	\$ 1,571,610	\$ (834,234)
Rent, Prop Tax and Insurance	\$ 2,555,216	\$ 2,044,621	\$ 510,595
Other Non-EBITDA Expense	\$ 72,681	\$ 264,728	\$ (192,047)
Net Interest (Income)/Expense	\$ (600)	\$ (90,032)	\$ 89,432
	\$ 3,705,849	\$ 4,518,094	\$ (812,245)
Net Income	\$ 30,538,420	\$ 36,054,736	\$ (5,516,316)
Occupancy	54.3%	64.3%	-10.0%
Average Rate	\$198.02	\$191.65	\$6.37
RevPAR	\$107.52	\$123.17	-\$15.65
Projections are as of October 18, 2021 and are subject to economic climate and changes.			

2022 Capital Budget

- Guest elevator modernization – East Elevators
- Roof replacement
- Hotel phone system replacement
- Mechanical upgrades
- Department operational equipment

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