

AGENDA

HOUSTON FIRST CORPORATION

HOTEL COMMITTEE MEETING
November 1, 2022 - 8:30 A.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 – June 23, 2022**
- IV. Committee Business**
 - A. Consideration and possible recommendation of the 2023 Hilton Americas-Houston Hotel Budget.
- V. Adjourn**

III. Minutes – June 23, 2022

MINUTES

HOUSTON FIRST CORPORATION

HOTEL COMMITTEE
June 23, 2022 – 10:00 A.M.
HILTON AMERICAS-HOUSTON
Grand Ballroom “A”, 4th Floor
1600 Lamar St.
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 Hilton Americas-Houston Hotel, 1600 Lamar St, Houston, Harris County, Texas, 77010, on Thursday, June 23, 2022, commencing at 10:00 a.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), and George DeMontrond.

1. **Call to Order.**
The Chair called the meeting to order at 10:04 a.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 November 5, 2021, were approved as presented.
4. **Presentations, Reports, and Updates**
 - A. **Hilton Americas-Houston General Manager Report**
General Manager of the Hilton Americas-Houston Hotel (Hotel), Jacques D’Rovencourt, reported cancellations in January, the only month the Hilton did not make budget. He added that February was ahead of budget, and the last few months impacted the Hotel the most. March was the highest revenue month, which included CERAWeek. Mr. D’Rovencourt stated that April was over budget and May was another good month, particularly with food and beverage.

Vice President, Business Intelligence and Market Strategy, Cindy Decker, reported that the business transient market is 36% down to 2019. Ms. Decker stated that the

downtown market rate year-to-date is only \$203 - \$206, and the Hotel outperforms the market at \$222.

Mr. D'Rovencourt informed the Committee that expenses in all categories are down, but the Hotel is still running very efficiently. There is an increase of \$8.5 million in revenue, parking is better, and valet rates are higher. The 2022 net income forecast is \$41 million, which is an increase of \$10.8 million than was budgeted.

Hilton's full-time employees include 51 managers, which is down from 72 in 2019, and 337 hourly employees, which is down from 531 in 2019.

Director of Revenue Management, Ms. Mondragon, provided the Star report for April YTD vs. Comp set. She informed the Committee 2022 Occupancy was 102.5% and RevPAR was \$109.5.

Director of Sales, Jason Monroe, reported on the Group Sales Position for 2023. Mr. Monroe stated that 2023 group rooms on the books are 106,590, slightly down from 2021 for 2022, which was 110,064. The groups for 2023 are averaging 1,400 room nights.

Mr. Monroe then reported on the Group Sales Position for 2024 and stated there was a more significant booking gap. The 2024 group rooms on the books are 77,649, compared to 83,481 from 2021 to 2023, because of the hesitancy to book further out due to COVID. The current lead volume is at eight percent overall.

Ms. Decker explained that a large majority of groups are conventions, and the city-wides are being turned a little later to ensure the attendance numbers are correct. Before COVID, associations would have booked four or five years out, so the two-year window was missed for 2024 and 2025. The benefit now is that holds on the 2024 calendar for high-demand time frames can be filled with corporate business that is higher rated, driving better revenue for Houston, and hotels will be able to supply infill with short-term bookings.

Mr. Monroe continued with the Group Sales Position for 2025. He reports 2025 group rooms currently on the books are 35,542, compared to 65,920 from 2021 to 2024.

Mr. D'Rovencourt announced that the Hotel was awarded the 2021 Award of Excellence for the 10th consecutive year. Hilton Worldwide Holdings was number two on Fortune's 100 Best Companies to Work For.

5. **Committee Business.**

A. Consideration and possible recommendation of a job order with Chamberlin Houston, LLC for the Hilton Americas-Houston Hotel Sixth-Floor Ballroom Roof Overlay Project.

Mr. D'Rovencourt explained that the sixth-floor ballroom roof is an original Hotel roof and is 19 years old. The roof has reached the end of its useful life and identified by the Hotel insurer (AFM) as needing to be replaced. The 55,000

square foot section of the sixth-floor roof is the largest of the four sections that need to be replaced.

Urban Development Officer, Roksan Okan-Vick, reiterated that the roof is past its 10 to 15-year life expectancy and will be replaced with a single-ply overlay with a 20-year warranty and a life expectancy of 20 to 30 years. Ms. Okan-Vick emphasized that the Hotel does not expect any interruption in business, and work can begin approximately one month after the job order is approved. Ms. Okan-Vick added that it would take one to two months to complete, depending on the weather.

Purchasing Agent, Mitch Miskowski, described the solicitation process and informed the Committee that management recommends approving Chamberlin's job order for \$742,455 plus a 10% contingency.

Following a motion duly seconded, the recommendation of a job order with Chamberlin Houston, LLC for the Hilton Americas-Houston Hotel Sixth-Floor Ballroom Roof Overlay Project was approved, pending the provision of additional information regarding proposed pricing.

6. **Adjourn.** The meeting adjourned at 11:06 a.m.

IV. (A) Consideration and possible recommendation of the 2023 Hilton Americas-Houston Hotel Budget

Consideration and possible recommendation of the 2023 Hilton Americas-Houston Hotel Budget.

RESOLVED, that the Hotel Committee of Houston First Corporation hereby recommends the 2023 Hilton Americas-Houston Hotel Budget.



HOUSTON FIRST CORPORATION
HOTEL COMMITTEE MEETING



Emancipation Park
SOUTH CENTRAL HOUSTON

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 1, 2022

2 HFC HOTEL COMMITTEE MEETING

Houstonfirst

River Oaks Theater
NEARTOWN DISTRICT

RIVER OAKS

ADVENTURES OF ROBIN HOOD
FRIDAY & SATURDAY
MIDNIGHT

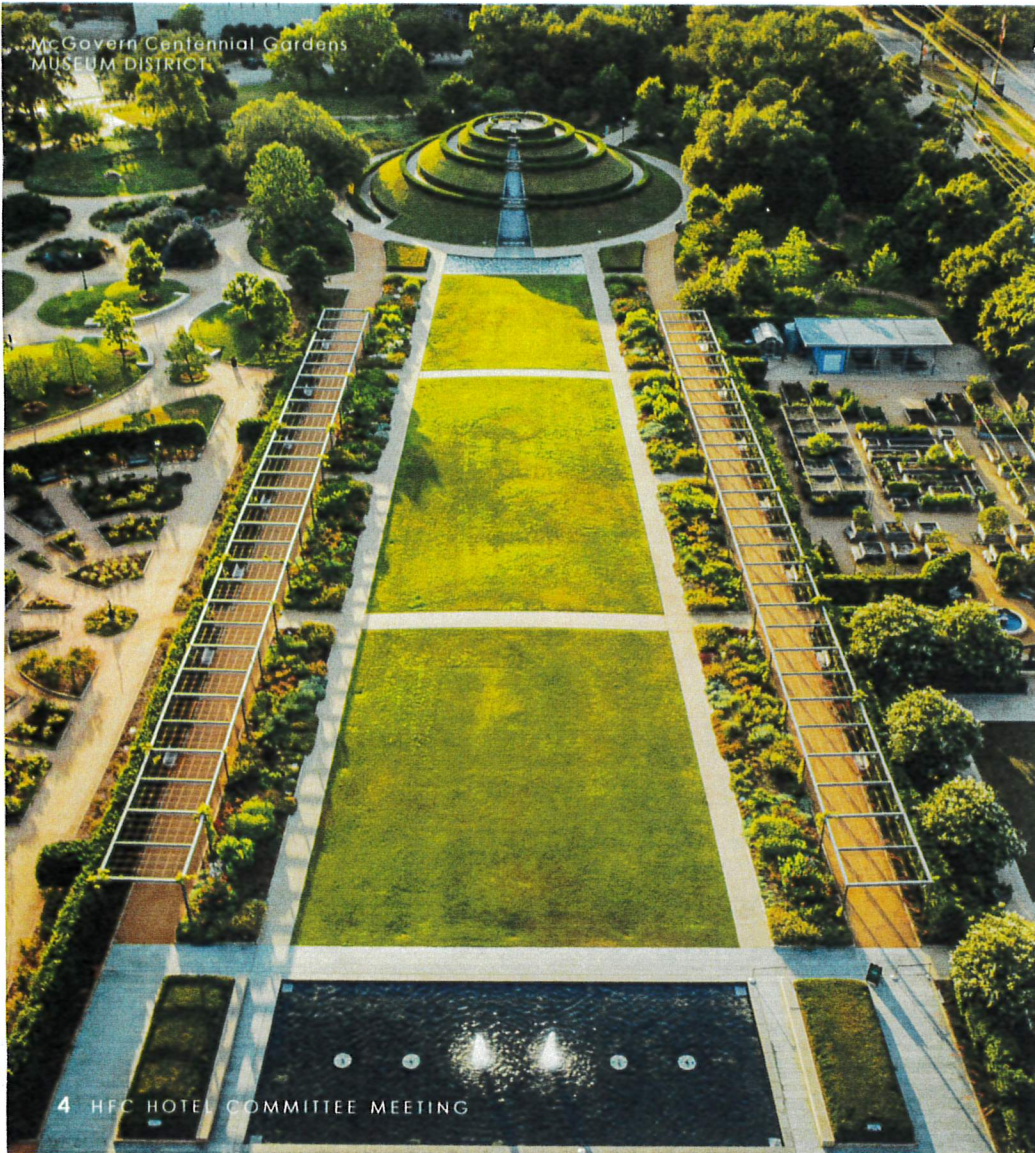
3 HFC HOTEL COMMITTEE MEETING

MINUTES

June 23, 2022

HFC HOTEL COMMITTEE MEETING
November 1, 2022

Houstonfirst



COMMITTEE BUSINESS

- A. Consideration and possible recommendation of the 2023 Hilton Americas-Houston Hotel budget

HFC HOTEL COMMITTEE MEETING
November 1, 2022

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"Fight or Flight" by Sonny Sundancer
HILTON AMERICAS-HOUSTON



5 HFC HOTEL COMMITTEE MEETING

HOTEL UPDATES

Houstonfirst

2022 FORECAST

VS.

2022 BUDGET

	2022 Forecast		
	2022 Forecast	2022 Budget	vs. 2022 Budget Variance
Revenues			
Rooms	\$ 50,595,366	\$ 47,368,837	\$ 3,226,529
Food & Beverage	\$ 32,351,443	\$ 26,832,568	\$ 5,518,875
Other	\$ 11,509,075	\$ 7,454,226	\$ 4,054,849
Total Revenues	\$ 94,455,884	\$ 81,655,631	\$ 12,800,253
Expenses			
Rooms	\$ 9,916,815	\$ 10,542,935	\$ (626,120)
Food and Beverage	\$ 16,862,034	\$ 14,444,414	\$ 2,417,621
Undistributed Operating Expenses	\$ 20,091,642	\$ 19,672,816	\$ 418,826
Other	\$ 2,741,308	\$ 2,751,197	\$ (9,889)
Total Expenses	\$ 49,611,799	\$ 47,411,363	\$ 2,200,437
EBITDA	\$ 44,844,085	\$ 34,244,269	\$ 10,599,816
Management Fees			
Base	\$ 381,434	\$ 341,176	\$ 40,259
Subordinated	\$ 824,386	\$ 737,376	\$ 87,010
Rent, Prop Tax and Insurance	\$ 2,718,499	\$ 2,537,743	\$ 180,756
Other Non-EBITDA Expense	\$ 150,166	\$ 72,681	\$ 77,485
Net Interest (Income)/Expense	\$ (48,555)	\$ (600)	\$ (47,955)
	\$ 4,025,931	\$ 3,688,376	\$ 337,555
Net Income	\$ 40,815,484	\$ 30,555,892	\$ 10,259,591
Occupancy	54.2%	54.3%	-0.1%
Average Rate	\$211.97	\$198.02	\$13.95
RevPAR	\$114.84	\$107.52	\$7.32

Projections are as of August 31st, 2022 and are subject to economic climate and changes.

2022 FORECAST

VS.

2019 ACTUAL

	<u>Total Year 2022 Forecast</u>	<u>Total Year 2019 Actual</u>	<u>2022 Forecast vs. 2019 Actual Variance</u>
Revenues			
Rooms	\$ 50,595,366	\$ 54,264,610	\$ (3,669,244)
Food & Beverage	\$ 32,351,443	\$ 36,846,758	\$ (4,495,315)
Other	\$ 11,509,075	\$ 7,794,762	\$ 3,714,313
Total Revenues	\$ 94,455,884	\$ 98,906,130	\$ (4,450,246)
Expenses			
Rooms	\$ 9,916,815	\$ 13,141,057	\$ (3,224,242)
Food and Beverage	\$ 16,862,034	\$ 20,654,035	\$ (3,792,001)
Undistributed Operating Expenses	\$ 20,091,642	\$ 21,789,993	\$ (1,698,351)
Other	\$ 2,741,308	\$ 2,747,420	\$ (6,112)
Total Expenses	\$ 49,611,799	\$ 58,332,505	\$ (8,720,706)
EBITDA	\$ 44,844,085	\$ 40,573,625	\$ 4,270,460
Management Fees			
Base	\$ 381,434	\$ 727,167	\$ (345,732)
Subordinated	\$ 824,386	\$ 1,571,610	\$ (747,224)
Rent, Prop Tax and Insurance	\$ 2,718,499	\$ 2,044,621	\$ 673,878
Other Non-EBITDA Expense	\$ 150,166	\$ 264,728	\$ (114,562)
Net Interest (Income)/Expense	\$ (48,555)	\$ (90,032)	\$ 41,478
	\$ 4,025,931	\$ 4,518,094	\$ (492,163)
Net Income	\$ 40,815,484	\$ 36,054,736	\$ 4,760,748
Occupancy	54.2%	64.3%	-10.1%
Average Rate	\$211.97	\$191.65	\$20.32
RevPAR	\$114.84	\$123.17	-\$8.33

Projections are as of August 31st, 2022 and are subject to economic climate and changes.

STR

SMITH TRAVEL RESEARCH

STR UPDATE vs. COMP SET

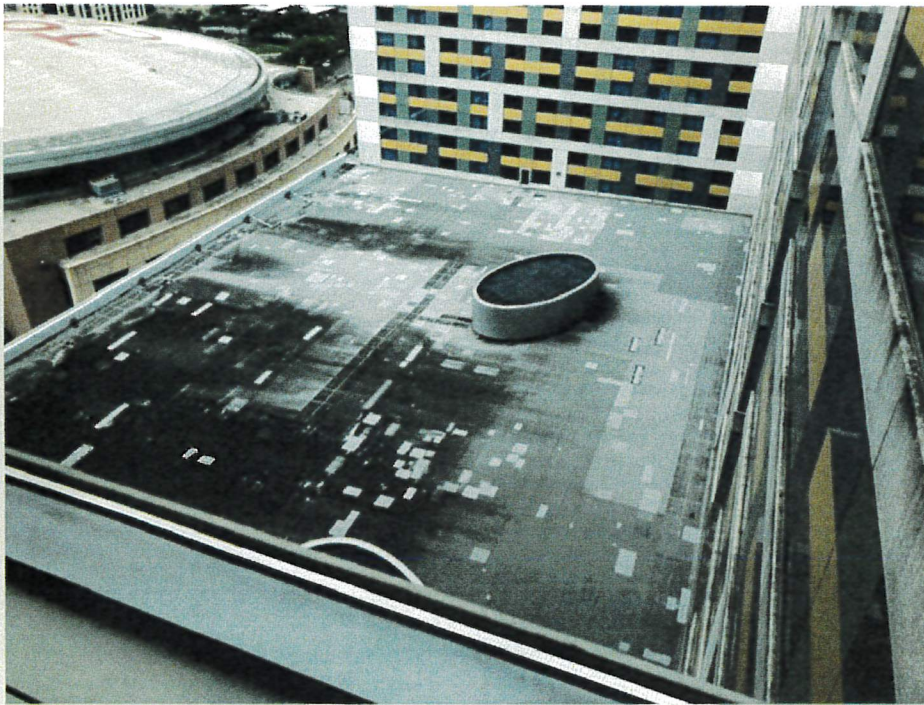
September 2022

	Occupancy (%)			ADR			RevPAR		
	My Prop	Comp Set	Index (MPI)	My Prop	Comp Set	Index (ARI)	My Prop	Comp Set	Index (RGI)
Current Month	62.4	60.8	102.7	222.82	221.99	100.4	139.05	134.87	103.1
Year To Date	53.4	53.9	99.1	212.44	209.39	101.5	113.51	112.92	100.5
Running 3 Month	53.8	55.6	96.8	194.90	203.57	95.7	104.79	113.09	92.7
Running 12 Month	54.6	51.4	106.3	205.86	206.70	99.6	112.37	106.16	105.9

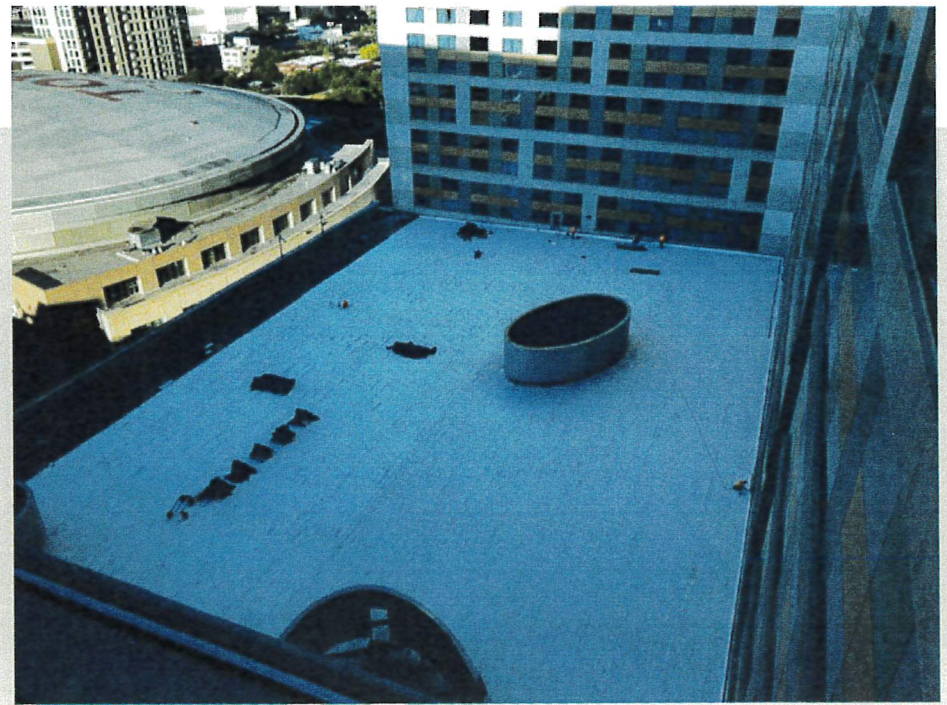
ROOF PROJECT

ROOF PROJECT

ORIGINAL



WORK IN PROGRESS



2023 BUDGET

2023 BUDGET

VS.

2022 FORECAST

	<u>Total Year 2023 Budget</u>	<u>Total Year 2022 Forecast</u>	<u>2023 Budget vs. 2022 Forecast Variance</u>
Revenues			
Rooms	\$ 57,531,978	\$ 50,595,366	\$ 6,936,612
Food & Beverage	\$ 37,081,540	\$ 32,351,443	\$ 4,730,097
Other	\$ 10,415,828	\$ 11,509,075	\$ (1,093,247)
Total Revenues	\$ 105,029,347	\$ 94,455,884	\$ 10,573,463
Expenses			
Rooms	\$ 11,437,068	\$ 9,916,815	\$ 1,520,253
Food and Beverage	\$ 19,272,199	\$ 16,862,034	\$ 2,410,164
Undistributed Operating Expenses	\$ 22,716,682	\$ 20,091,642	\$ 2,625,040
Other	\$ 3,114,956	\$ 2,741,308	\$ 373,648
Total Expenses	\$ 56,540,903	\$ 49,611,799	\$ 6,929,104
EBITDA	\$ 48,488,443	\$ 44,844,085	\$ 3,644,358
Management Fees			
Base	\$ 591,223	\$ 381,434	\$ 209,789
Subordinated	\$ 1,277,799	\$ 824,386	\$ 453,412
Rent, Prop Tax and Insurance	\$ 3,184,813	\$ 2,718,499	\$ 466,314
Other Non-EBITDA Expense	\$ 72,681	\$ 150,166	\$ (77,485)
Net Interest (Income)/Expense	\$ (8,182)	\$ (48,555)	\$ 40,372
	\$ 5,118,334	\$ 4,025,931	\$ 1,092,403
Net Income	\$ 43,370,109	\$ 40,815,484	\$ 2,554,626
Occupancy	61.2%	54.2%	7.0%
Average Rate	\$213.51	\$211.97	\$1.54
RevPAR	\$130.59	\$114.84	\$15.75
Projections are as of August 31st, 2022 and are subject to economic climate and changes.			

2023 BUDGET

VS.

2019 ACTUALS

				2023 Budget
		Total Year	Total Year	vs. 2019 Actual
		2023 Budget	2019 Actual	Variance
Revenues				
Rooms	\$	57,531,978	\$ 54,264,610	\$ 3,267,368
Food & Beverage	\$	37,081,540	\$ 36,846,758	\$ 234,782
Other	\$	10,415,828	\$ 7,794,762	\$ 2,621,066
Total Revenues	\$	105,029,347	\$ 98,906,130	\$ 6,123,217
Expenses				
Rooms	\$	11,437,068	\$ 13,141,057	\$ (1,703,989)
Food and Beverage	\$	19,272,199	\$ 20,654,035	\$ (1,381,836)
Undistributed Operating Expenses	\$	22,716,682	\$ 21,789,993	\$ 926,688
Other	\$	3,114,956	\$ 2,747,420	\$ 367,535
Total Expenses	\$	56,540,903	\$ 58,332,505	\$ (1,791,602)
EBITDA	\$	48,488,443	\$ 40,573,625	\$ 7,914,818
Management Fees				
Base	\$	591,223	\$ 727,167	\$ (135,943)
Subordinated	\$	1,277,799	\$ 1,571,610	\$ (293,811)
Rent, Prop Tax and Insurance	\$	3,184,813	\$ 2,044,621	\$ 1,140,192
Other Non-EBITDA Expense	\$	72,681	\$ 264,728	\$ (192,047)
Net Interest (Income)/Expense	\$	(8,182)	\$ (90,032)	\$ 81,850
	\$	5,118,334	\$ 4,518,094	\$ 600,240
Net Income	\$	43,370,109	\$ 36,054,736	\$ 7,315,373
Occupancy		61.2%	64.3%	-3.1%
Average Rate		\$213.51	\$191.65	\$21.86
RevPAR		\$130.59	\$123.17	\$7.42
Projections are as of August 31, 2022 and are subject to economic climate and changes.				

2023 INDUSTRY FORECASTS

2023 Industry Forecasts	Market	Occ % Recovery to 2019	ADR % Recovery to 2019	RevPAR % Recovery to 2019	Occ YOY %	ADR YOY %	RevPAR YOY %
McCaslin Hotel Consulting (9/14)	Upper Priced Houston	91%	107%	97.6%	6.9%	3.0%	10.1%
McCaslin Hotel Consulting (9/14)	Downtown Houston	88%	108%	95.2%	7.1%	5.0%	12.5%
CBRE Q2 2022 Edition	Upper Priced Houston	93%	107%	99.8%	9.5%	4.1%	14.1%
Houston HOT Forecast (9/7)	Houston			102.7%			11.4%
STR Forecast Q2 2022	Houston, TX				5.2%	4.2%	9.7%
HOUCV 2023 Budget		95%	112%	106.5%	12.9%	0.7%	13.7%

'22: +11.6%
% of '19: 98.8%

BUDGET ASSUMPTIONS: GROUP

- **SMERF** (Social, Military, Educational, Religious, Fraternal) **will be down in room nights to 2019 and 2022, but up in rate by 16% to 2022.** It will continue to be a part of our success by filling shoulder periods and weekends and making up 20% of our 2023 plug.
- **Company Meetings** will continue to drive the recovery through occupancy & rate growth in 2023 due to the continued short-term nature of their booking window. The keys to success will be booking low demand dates and layering small to midsize groups as well as landing the occasional whale.
- **Convention Association** will reach 2019 percentages to contracted levels after making the appropriate adjustments from COVID in 2021/2022. In addition, due to groups right sizing it allows for strategic efforts to book additional groups in and around the association to maximize performance.
- **In The Year For The Year** (groups that book and consume in 2023) **Pace in 2023 for group will continue to be strong due to short term decisions being made similar to 2022, however many groups are hitting the reset button and re-imagining what their meetings could look like, which creates a longer booking cycle.**

BUDGET ASSUMPTIONS: TRANSIENT

Overall, **Transient RevPAR recovery budgeted at 109.3% vs 2019** driven by Average Rate (119.1%), with **growth YOY** stemming from **Occ** & primarily over H1.

Methodology: day by day forecasts (Jan-Sep) due to higher Group peak nights YOY.

- **Occ** – utilized '19/'22 DOW averages for midweek RNs & '22 for weekend RNs (assuming leisure will continue to be strong)
- **ADR** – '22 DOW average rates were utilized, adjusting for sellouts & high demand events (i.e. Final Four in '23 at \$500+).

Business Travel

- **2022 BT is projected to have the highest Occ growth YOY, driven by Consortia & Corporate Negotiated segments.** Assuming production experienced in recent months (Aug-Oct) to continue into Q1 '23 & overall increase in mix closer to 2019.

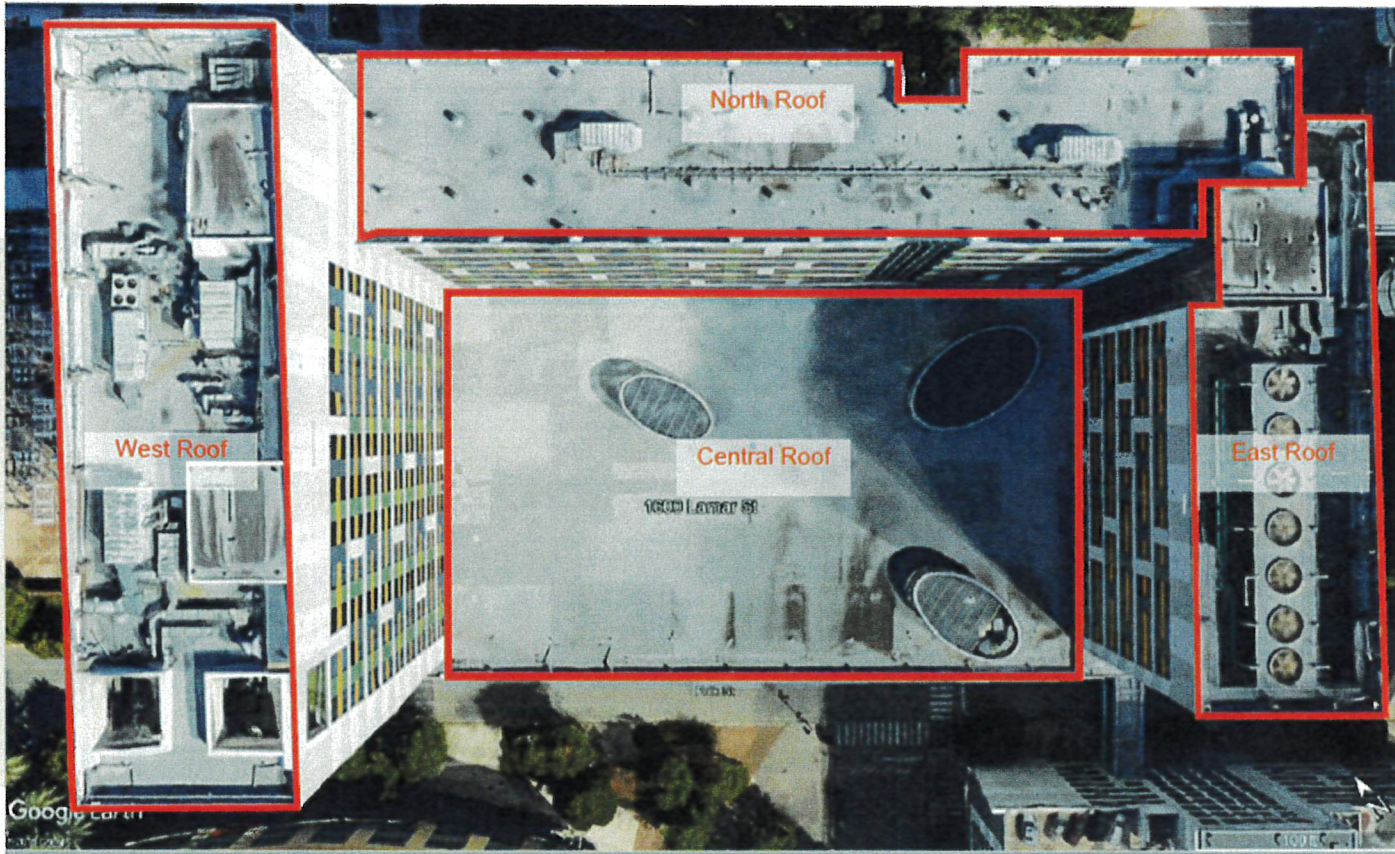
LEISURE TRANSIENT

- **2022 Leisure is projected to grow in both Occ & ADR YOY**, with a focus on more production on shoulder/non-sellout nights.
- **ADR stability will be driven by both pricing and mix** as leisure and retail travel have normalized.

2023 CAPITAL BUDGET

- Roof Replacement
- Hotel / Meeting Room Internet Refresh
- Hotel Public Spaces Sounds System Upgrade
- Waterproof / Seal Loading Dock
- Mechanical Upgrades
- Department Operational Equipment

AERIAL VIEW HOTEL ROOFS



Houstonfirst™

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