

Houstonfirst.

STRATEGIC SUMMARY & BUDGET 2022



HOUSTON

POWER OF
TOGETHER

AS THE OFFICIAL Destination Management Organization (DMO) for Houston, Houston First Corporation (HFC) promotes the city's vibrant and diverse culture throughout the world. We create and enhance opportunities for the community and **when we succeed, Houstonians prosper.**

Within the organization, we continue to emphasize the importance of delivering value through our decisions and in our actions so that we maximize visitation to the region, inspire pride among residents, and contribute to a thriving Houston economy.

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.

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.

OPERATIONAL EFFICIENCY

DESTINATION BRAND / IMAGE ENHANCEMENT

Houstonfirst.
VALUE DRIVERS

ORGANIZATIONAL INNOVATION

REVENUE GENERATION

EXCEPTIONAL VISITOR / CUSTOMER EXPERIENCE

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.

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.

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.

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MESSAGE FROM THE

CHAIRMAN OF THE BOARD

THESE PAST 20 MONTHS each of us has experienced a time we won't forget with the onset of COVID-19 in 2020. Because of the pandemic, we have faced innumerable challenges and trials. Fortunately over the last year there have been numerous promising signposts necessary for real economic recovery. COVID-19 vaccines were approved and are widely available in the United States, leading people to comfortably gather again. Airlines created safe environments for passengers, with restrictions on international travel lifted most recently. People have started going back to the office for work, while larger in-person meetings and events have resumed. And, the Astros made it to the World Series for the third time in five years!

While 2021 was a hopeful, but still a difficult year, Houston First has leveraged these and other positive developments and, combined with execution of its business plan, Houston is a leader amongst our travel and leisure industry peers in recovery from this historic challenge.

While the promise of a sharp rebound for the travel and hospitality industry is on the horizon, headwinds persist. Supply chain concerns, inflation, and workforce are a few, but Houston First will continue to address and navigate these and other issues as they arise. What's more important is Houston First's determination to discover, develop, and maximize opportunities in support of the City of Houston, and continue to build long-term resiliency.

As we close out 2021, and on behalf of my colleagues on the Board of Directors, I'd like to recognize the entire team at Houston First who has demonstrated exceptional forethought and perseverance over the last year. Our best assets are truly the people who make up this organization and execute day in and day out.

I look forward to a 2022 that should be full of accomplishments and lifts each of us to even greater heights. I wish you good health and prosperity.

All my best,



David Mincberg

Chairman, Board of Directors



Houston is a leader amongst our travel and leisure industry peers in recovery from this historic challenge.

MESSAGE FROM THE

PRESIDENT & CHIEF EXECUTIVE OFFICER

AS WE LOOK FORWARD to 2022 I am reminded of how much was achieved this past year, which is leading to a true recovery, not only for Houston First but for our destination and the entire hospitality community.

The travel, tourism, and live events industries are being restored with hotels, restaurants, transportation companies and many small businesses noticing measurable improvements. I expect activity to continue to accelerate over the next year and I assure you, we at Houston First have the strategies in place to succeed.

With the worst of the pandemic behind us, market conditions should transition to a more normalized environment in 2022. As a result, we are anticipating and planning for significant performance increases across our business lines, bringing our 2022 projections back to near pre-pandemic levels with full recovery expected in 2023.

However, if we want to maximize results, we must not only seize opportunities but direct our future. Staying competitive with the best cities in the world takes preparation, creativity, innovation and a fearless spirit to try new things. Our strategies for 2022 build upon foundations we established over the last year and incorporate new initiatives and bold ideas that will propel this community forward.

Houston is a diverse, global city with a dynamic and welcoming energy that inspires me every day, as does the exceptional team at Houston First. I am excited for our company and our destination and believe that together we will achieve great things, not only in 2022 but in the years ahead.

Onward,



Michael Heckman

President and Chief Executive Officer



Staying competitive with the best cities in the world takes preparation, creativity, innovation and a fearless spirit to try new things.

COMPANY OVERVIEW

2,650,000

SQ FT OF BUILDING SPACE*

\$1 BILLION

ASSET VALUATION OF BUILDINGS*

11,215

PARKING SPACES*

*BASED ON 2019 DATA



Partnership Tower &
George R. Brown Convention Center

Houston is a global city, with a resilient spirit. The strength, creativity, innovation, and influence the city exudes is driven by our diverse population of ages, races, orientations, and nationalities working together.

AT HOUSTON FIRST, we strive to be a reflection of our city, fostering an environment that allows everyone to excel. Staff was reduced by one-third in 2020, but we've continued to develop and promote personnel and are gradually rebuilding our workforce, not only in response to an increase in business but in preparation for the company's vision for the future.

We will continue meaningful steps in support of Equity, Diversity, and Inclusion through responsible practices, training, and policies, and an unwavering commitment to diverse hiring, inclusion, and advancement. Furthermore, it has been our priority to support small and diverse businesses since our inception. In 2012, we established an annual goal of 30% eligible diversity spend, which has resulted in \$230 million spent with diverse companies in our city.

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



C. Baldwin Hotel

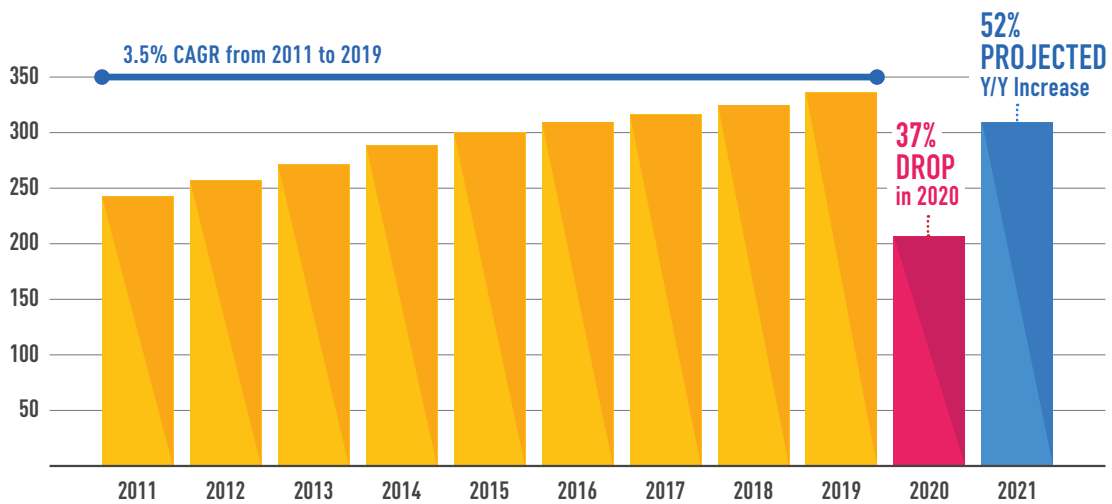


Post Oak Hotel

REVITALIZING HOTEL OCCUPANCY AND JOB GROWTH

At 98,000 rooms among more than 1,000 hotels, the Houston MSA has one of the largest hotel inventories in the United States.

HOUSTON MSA – LEISURE & HOSPITALITY JOBS (IN THOUSANDS)



Source: U.S. Bureau of Labor Statistics

ON AVERAGE, rooms are filled at upwards of 63% hotel occupancy. However, that changed dramatically in 2020. From the start of the pandemic, and well into 2021, in-person conventions and business meetings were largely postponed or conducted virtually; companies imposed travel restrictions, both foreign and domestic, on their employees; and leisure travel was heavily compressed, contributing to a notable reduction in hotel room usage. Occupancy fell to 42% in 2020 and hotels responded with more competitive room rates, which helped lift visitation.

In the second quarter of 2021 vaccines were widely available and the region adopted an aggressive 'Open for Business' posture, which infused a new energy by the summer, but the onset of the delta variant renewed concerns.

As a result, hotel occupancy is expected to average around 50% in 2021 followed by a more normalized projection of 60% in 2022.

The 2021 leisure and hospitality job market in the greater Houston area is outperforming the national average as well as other local segments.

In 2020, leisure and hospitality jobs in the Houston region experienced a sharp decline of 37%, which largely occurred in April as a necessary and immediate response to the pandemic, bringing the job market in line with 2005. Although the rebound since has been measured and steady, the local industry is currently outpacing job growth from any of the previous ten years.

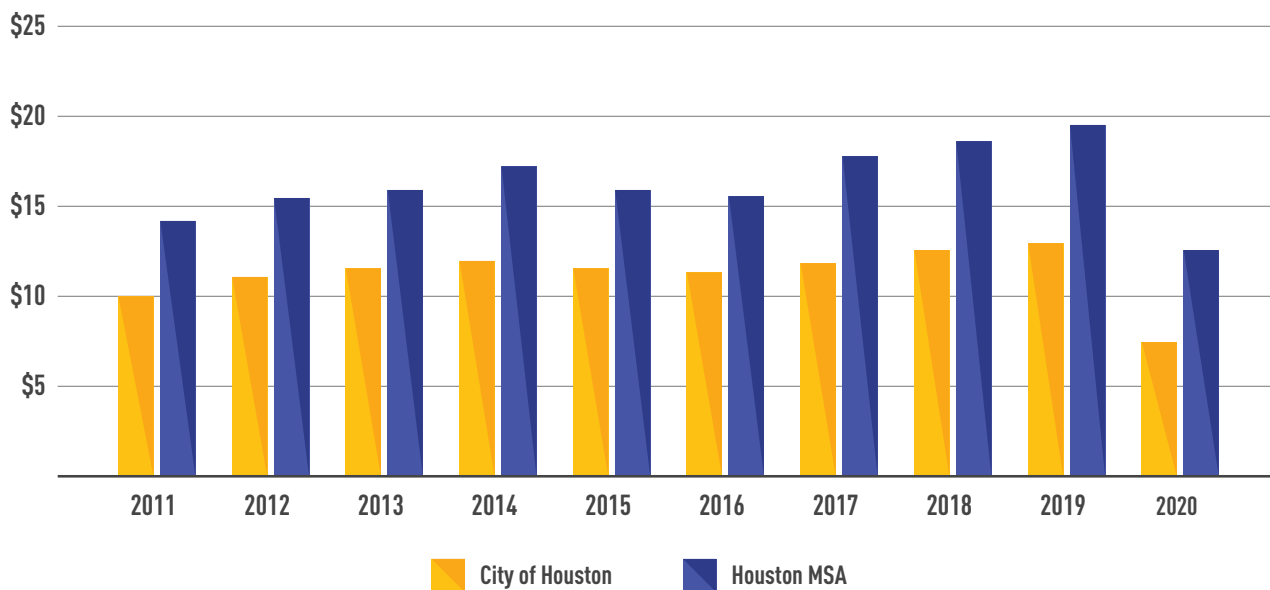
Furthermore, the 2021 leisure and hospitality job market in the greater Houston area is outperforming the national average as well as other local segments. With continued efforts to increase travel to the region, hospitality and leisure jobs could be back to pre-pandemic numbers by early 2022.

FORTIFYING THE LOCAL ECONOMY

Travel provides direct and indirect financial benefits to a region. As a global hub, the impact is substantial to Houston.

DECREASED TRAVEL to Houston meant a lower influx of visitation dollars in 2020, but lifted travel restrictions in 2021 have yielded positive shifts, with substantial growth expected through the coming years.

DIRECT TRAVEL SPEND (IN BILLIONS)



Source: Economic Impacts of Travel & Visitor Volume for Houston, Texas (Travel Texas data 2020 by Dean Runyeon)



"Goldfish" musical performance at Wortham Theater for the 2021 James Beard Awards



Railway Heights Market



Top Chef Season 19 filming





2021 RECOVERY **AND** RESILIENCY

Houston First's primary responsibility is to promote Houston as one of the great cities of the world, and **we are vigorous** in our pursuit.

HFC must accelerate progress and maximize opportunities, while managing our fiduciary responsibilities.

IN 2021 WE:

- **Outperformed** our original budget **by nearly \$28 million**

due to favorable revenue performance, disciplined expense and cash management, as well as relief programs.

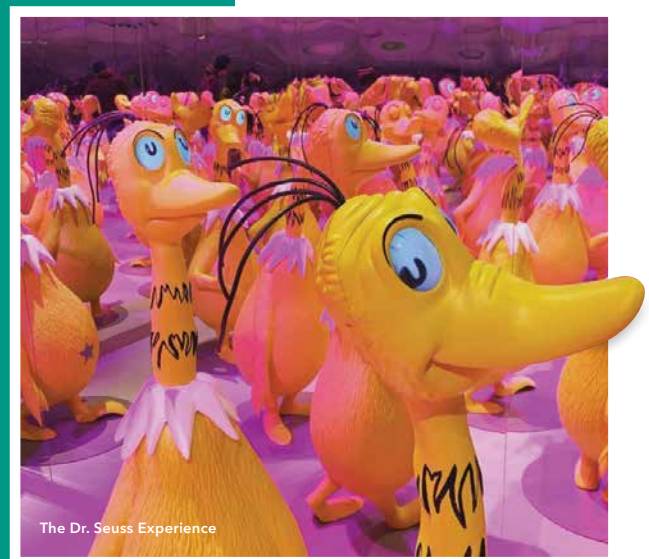
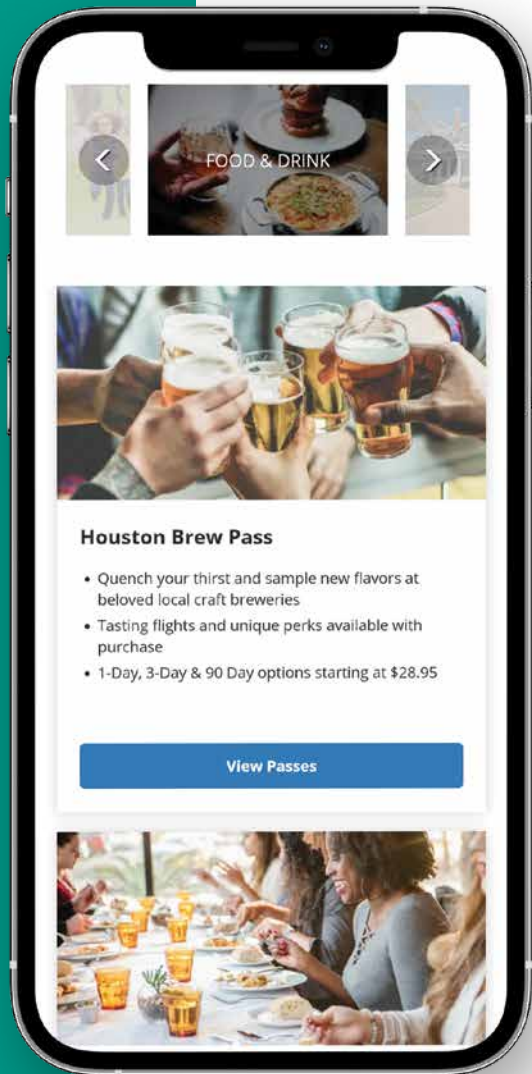
- Partnered with several production studios considering Houston as a location and secured the Emmy-award winning TV series, **Top Chef**, and Samantha Brown's, **Places to Love**, as well as an episode in the prominent reality show, **The Bachelor**. Not only will Houston be featured when these series air in 2022, the extended audience reached through streaming services will increase the exposure for years to come.

- Continued to promote Houston as a destination in key markets, working hand-in-hand with local media, national leisure travel trades, reporters, influencers, and online travel agencies.

The result was more than **140 stories** and more than **2.2 billion** impressions.



- Capitalized on Houston First digital tools like the **Marketplace** and our numerous websites and social media channels to further promote cultural attractions and activities throughout the city, along with our impressive culinary scene.
- Mitigated health risks at HFC facilities by creating safe environments that alleviated some of the operational and financial burden from tenants and provided assurances for attendees.
- Expanded our use of analytics for actionable insight, so we could better respond to the market and more effectively discover new opportunities.
- Held **more than 75 events** in the George R. Brown Convention Center and generated **over 90,000 room nights**.
- Produced the annual pop culture festival, **COMICPALOOZA**, at the George R. Brown Convention Center, welcoming more than 38,000 fans this summer. For the first time, we hosted Mayor Turner's **STATE OF THE CITY** event at Hilton Americas for more than 1,400 government officials and business professionals and we will close out the year with the **23RD WORLD PETROLEUM CONGRESS**, a global energy event returning to the United States for the first time in 30 years, expecting delegates from more than 60 countries.
- Accommodated an immersive **Dr. Seuss** experience with a three-month run in the George R. Brown Convention Center and supplemented other gaps with smaller events.



HOUSTON

IN THE NEWS 2021

The Washington Post

Luminous architecture, fine art and urban gardens are among Houston's new attractions

lonely planet

Houston's Best Neighborhoods

TIME

The World's Greatest Places 2021

TRAVEL+
LEISURE

13 Amazing Asian American-owned Hotels in the U.S.

NATIONAL
GEOGRAPHIC

TRAVELER

Check out a galaxy of new bars
and quirky museums in Houston,
America's Space City

The New York Times

A Crawfish Feast Where the South
Meets Southeast Asia

W WalletHub

2021's Most Diverse Cities in the U.S.

Forbes

Spring Welcomes 69 Notable Hotel
Openings Around The Globe

Condé Nast Traveler

The Weekend Guide: Barbecue, Rothko,
and Space History in Houston

EL HERALDO DE MÉXICO

Es hora de volver a planear un viaje a Houston
It is time to start planning a trip to Houston

2022

ORGANIZATIONAL PRIORITIES

While we stay committed to our core responsibilities, Houston First will continuously monitor the global landscape so we can adjust to emerging market conditions and uncover new possibilities for the company.

WE WILL LEAN ON innovative solutions to enhance visitor and guest experiences and improve the way HFC works with the travel and tourism trade. We will commit to our 2022 organizational priorities, which are intended to support our near- and long-term vision, and remain agile and open to unexpected opportunities.

Illuminate Houston's Character

In 2021, Houston First completed the initial phases of a brand unification strategy intended to galvanize and amplify the Houston image across all sectors. The initial public rollout

is planned for 2022, attracting leisure and business travelers as well as appealing to new talent needed for a growing job market.

The brand will exemplify the inspirational character of Houston, serving as a celebration of the city's warm hospitality, cultural tapestry, innovative spirit, and the power of together.

Amplify Visibility

Houston First will promote Houston as a leisure destination through an integrated, omni-channel marketing approach that influences and identifies travel intention with targeted campaigns yielding high conversions. HFC will continue to work with DMOs surrounding Houston for co-op marketing opportunities that benefit the region. Furthermore, we will supplement *Top Chef* exposure with additional media outreach and create culinary experiences.

Resume Our Status as a Global Destination

For years, Houston First has promoted international travel to Houston. However, in 2020, international visitation decreased 70%, with travel from Mexico—the top international market to Houston—retracting 66%. As an



international hub with an array of world-renowned culinary, cultural, and entertainment choices, and due to our close proximity, **we will make Houston the top destination for Mexican visitors by 2023.**

In 2022, Houston First will entice international travel by launching an aggressive promotional campaign in Mexico and reigniting partnerships with travel agencies and other global partners. By the second half of 2022, HFC will expand our focus towards a rapid and sustained recovery from Europe as well as Asia.

Strengthen Partnerships and Accelerate Opportunities

Houston First will continue to seek alignment among convention campus stakeholders while our sales force employs intelligent analytics to identify high-value prospects so HFC can efficiently replenish the sales pipeline with large, city-wide conventions as well as short-term, single-hotel meetings. We currently have more than 30 major conventions booked in the city of Houston for 2022, an increase over 2019.

Create Gathering Points

Throughout the year, Houston First will produce robust and inclusive programming at Avenida Houston and will extend the cultural allure of the Theater District with the opening of Lynn Wyatt Square for the Performing Arts.

Produce Notable Events

We will complement our local character with new, large-scale annual events that showcase Houston, while serving as a draw for visitation and exposure.

Expand Interest for TV and Film Productions

Houston First will continue to promote Houston as an attractive location for television and film projects, building on the growing popularity of the region among filmmakers and production companies.

While we welcome and anticipate an accelerated uptick in 2022 business, Houston First will remain mindful of new challenges; will be open to new opportunities; and, will continue to achieve great things for Houston in the years to come.

2022 BUDGET SUMMARY

	2019 ACTUAL	2021 BUDGET	2021 FORECAST	2022 BUDGET	2021 PROJ. VS. 2022 BUDGET VARIANCE
TOTAL					
Venue Revenue	\$73,055,432	\$27,010,048	\$32,319,238	\$67,979,890	\$35,660,652
Parking	\$19,282,150	\$10,844,860	\$11,357,124	\$17,013,729	\$5,656,605
Miscellaneous	\$1,053,336	\$2,505,765	\$1,839,026	\$3,065,850	\$1,226,824
OPERATING REVENUES	\$93,390,918	\$40,360,673	\$45,515,388	\$88,059,469	\$42,544,081
Personnel	\$26,227,584	\$20,108,920	\$16,352,120	\$25,493,968	\$9,141,848
Advertising & Promotion	\$7,691,486	\$3,689,300	\$3,503,547	\$7,784,547	\$4,281,000
Travel, Promotion, and Events	\$5,177,047	\$1,834,356	\$1,472,853	\$5,460,432	\$3,987,579
Facility Maintenance	\$8,715,495	\$4,865,918	\$4,929,638	\$8,519,550	\$3,589,912
Food and Beverage	\$16,716,532	\$8,243,199	\$5,795,006	\$15,746,824	\$9,951,818
Security	\$4,141,859	\$4,350,066	\$3,349,996	\$3,431,473	\$81,477
Utilities	\$4,737,098	\$4,699,719	\$4,384,331	\$5,169,980	\$785,649
Parking	\$3,465,167	\$2,078,246	\$1,512,505	\$2,190,859	\$678,354
Janitorial	\$6,318,350	\$3,270,880	\$2,411,443	\$4,169,912	\$1,758,469
Insurance	\$4,286,186	\$5,798,035	\$4,752,653	\$5,679,229	\$926,576
Lease Expense	\$1,470,164	\$2,250,950	\$2,249,058	\$1,526,450	\$(722,608)
Consulting	\$3,600,081	\$1,860,448	\$1,648,973	\$2,382,200	\$733,227
Supplies	\$1,412,423	\$873,579	\$387,729	\$1,173,300	\$785,571
Fees & Services	\$962,823	\$568,400	\$630,100	\$848,725	\$218,625
Computer Services	\$1,102,990	\$1,181,939	\$1,410,169	\$1,078,486	\$(331,683)
Legal Expense	\$349,821	\$750,000	\$474,871	\$600,000	\$125,129
Other	\$1,041,501	\$461,390	\$468,389	\$790,659	\$322,270
OPERATING EXPENSES	\$97,416,608	\$66,885,345	\$55,733,382	\$92,046,594	\$36,313,212
NET INCOME FROM OPERATIONS	\$(4,025,690)	\$(26,524,672)	\$(10,217,994)	\$(3,987,125)	\$6,230,868

TOTAL	2019 ACTUAL	2021 BUDGET	2021 FORECAST	2022 BUDGET	2021 PROJ. VS. 2022 BUDGET VARIANCE
Hotel Occupancy Tax (Current & Delinquent)	\$87,494,966	\$56,800,000	\$56,057,975	\$83,640,000	\$27,582,025
Contributions	\$1,260,000	\$11,560,000	\$7,200,000	\$11,335,000	\$4,135,000
Net Available Pledged Rev. Transfer	\$103,714,538	\$0	\$4,204,418	\$-	\$(4,204,418)
Interest Income	\$2,165,186	\$250,000	\$176,633	\$215,382	\$38,749
NON-OPERATING REVENUE	\$194,634,690	\$68,610,000	\$67,639,026	\$95,190,382	\$27,551,356
Sponsorship Expenses	\$1,009,299	\$552,500	\$439,239	\$1,033,950	\$594,711
Non-COH Contractual Obligations	\$3,344,318	\$3,420,000	\$3,000,267	\$3,836,573	\$836,306
Programming & Events	\$1,435,598	\$785,000	\$799,321	\$1,800,000	\$1,000,679
Contingency		\$1,000,000		\$1,400,000	\$1,400,000
Capital Spending	\$2,981,357	\$15,689,048	\$10,051,509	\$11,471,000	\$1,419,491
Debt Service	\$60,488,148	\$62,323,498	\$57,268,130	\$66,778,851	\$9,510,721
COH Contractual Obligations	\$18,328,516	\$12,616,525	\$12,333,892	\$17,130,454	\$4,796,562
Hotel Tax Refunds	\$2,451,343	\$1,000,000	\$904,519	\$1,050,000	\$145,481
NON-OPERATING EXPENSES	\$90,035,974	\$97,386,571	\$84,796,876	\$104,500,828	\$19,703,952
TOTAL REVENUE LESS EXPENSES	\$100,573,026	\$(55,301,243)	\$(27,375,844)	\$(13,297,571)	\$14,078,273
CAPITAL – PRIOR YEAR CARRY FORWARD		\$1,067,000		\$1,976,629	\$1,976,629
CAPITAL – FINANCED PROJECTS	\$32,475,366	\$75,000	\$304,995	\$14,921,915	\$14,616,920
DISASTER EXPENSES	\$26,382,885	\$2,061,420	\$1,751,003	\$263,000	\$(1,488,003)

Houstonfirst

BRANDS



Houston Film Commission



FACILITY OPERATIONS





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