

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
April 23, 2020– 3:00 P.M.
Live Video and Audio Conference Meeting

The Board of Directors (“Board”) 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 via Live Video and Audio Conference on Thursday, April 23, 2020, commencing at 3:00 p.m.

In accordance with the modified Texas Open Meetings Act provisions announced by Texas Governor Greg Abbott on March 16, 2020, this Agenda was posted for public information, at all times, for at least 72 hours preceding the scheduled time of the meeting online at <https://www.houstonfirst.com>.

The following Board members participated in the meeting: David Mincberg (Chair), Desrye Morgan (Co-Chair), Nicki Keenan, Sofia Adrogué, Elizabeth Brock, Alex Brennan-Martin, Reginald Martin, Ryan Martin, Paul Puente, Tom Segesta, Bobby Singh, Gerald Womack, Jay Zeidman, and Council Member David Robinson, Ex-Officio.

The Vice Chair called the meeting to order at 3:02 p.m. and a quorum was established.

1. **Public Comments.** None.
2. **Review and approval of minutes from prior meeting.**

Following a motion duly seconded, the meeting minutes of March 26, 2020 were approved as presented.

3. **Presentations and Reports.**

- A. **Report by Houston First Chairman.** Chairman Mincberg stated he hopes everyone is well. He added that, as he reflects on the challenges Houston First and the City faced during Hurricane Harvey compared to the global pandemic, it is apparent that the pandemic has affected everyone personally; however, the Board has a mission to take care of tourism, travel, and hospitality in order to revitalize the City of Houston.

Chairman Mincberg informed the Board that he and the Vice Chair meet every other day with senior staff at HFC, with an additional conference call held on Fridays with stakeholders in the Theater District, Museum District, hotel industry, and convention facilities. He also informed the Board that he participates in regular meetings with City Hall and legal representatives for the City. Chairman Mincberg

extended an invitation to any and all Board Members that wish to participate. He further stated that he welcomes all phone calls from Board Members and advised them as employees contact Board Members directly, they should reach out to him or Brenda Bazan directly.

The Chairman stated HFC's revenues have been decimated and discussed some of the challenges that lay ahead. He stated that he has had numerous discussions with the Executive Team about how business will change going forward and charged the staff with reporting back to the Board. The Chairman explained while conversations may occasionally be painful, it's important for everyone to work together.

Finally, Chairman Minberg announced that he has been asked to serve in the Mayor's recovery efforts as a representative of the the hospitality, travel, and leisure industries and will reach out to all Board Members for additional guidance.

The Chairman also requested that staff organize future meetings via Zoom.

- B. HFC President & CEO Update. Brenda Bazan began her report by recognizing the IT Department for a great job in supporting staff now that everyone is working remotely. She noted that IT has curated a number of virtual training opportunities for cyber security as well as hosting semi-weekly webinars.

Ms. Bazan said that Marketing has been working as a conduit between local businesses and the Houston community and created a new webpage called "A New Way to HOU" with virtual tours and attractions, curbside food and beverage options, and ways to give back to the community. Additionally, she said, Marketing has started a new social media campaign called #MissingHOU to encourage Houstonians to support local restaurants, with participants entered into a contest to win a \$100 gift certificate. She noted that HFC will partner with KHOU for a virtual Party on the Plaza Benefit Concert to aid the Houston Food Bank and that other HFC departments are working to create virtual programming to promote National Travel and Tourism Week.

Ms. Bazan said that Tourism has postponed all promotional campaigns in late March to shift their focus to local communication and engagement; the contract with a local agency in Mexico has been temporary suspended and remaining work is being completed in-house. She added that Expedia is seeing a significant increase in individual bookings beginning in September and that the State of Texas will unveil a state-wide advertising campaign beginning July 1 to further promote travel.

The guestroom renovation at the Hilton Hotel resumed in April, according to Ms. Bazan; the project is expected to be completed in late August.

Ms. Bazan completed her report by reiterating the severe impact that the global pandemic has had on HFC. She stated that staff will continue to evaluate business and anticipates that the organization will look very different going forward.

- C. Sales Report. John Solis provided a report on activities through first quarter and business, noting that definite meetings, bookings, lead activity, and room nights are all down. Mr. Solis stated that lost opportunities or groups that have chosen other meeting destinations have increased and the number of group cancellations specifically due to COVID-19 is forty-eight for the month of March. For the first quarter, he added, total bookings were down 30% and the decrease in lead activity significantly decreased the number of room nights, with similar trends expected to continue through second quarter.

Mr. Solis outlined the number of city-wide events that have been cancelled or postponed. He stated that beginning in September, there are definite meetings scheduled, but groups have expressed an expectation of up to a 50% decrease in attendance with little to no international attendees. He added that the majority of groups are looking to incorporate a virtual component, but they have not addressed social gathering guidelines and logistical concerns, and that groups are looking for assurances from local government that stay-at-home orders will be lifted in the fall. Meeting associations are conducting surveys of its members regarding their personal comfort level with travel, according to Mr. Solis, so as new data becomes available, groups will make decisions about hosting future meetings.

Mr. Solis concluded his report with a status update on groups currently re-negotiating contracts for future meetings.

Nicki Keenan asked for a breakdown of market segmentation. Mr. Solis stated that most leads were from third-parties, though he could follow-up and provide more information to her.

Chairman Mincberg commented on the economic distress that groups are dealing with as a result of COVID-19.

Paul Puente asked about a decrease in fees and Mr. Solis stated that many of the challenges faced by organizations at this time are related to safety and navigating stay-at-home orders.

Tom Segesta asked about large companies restricting employees from attending meetings. Mr. Solis confirmed corporate business will have a negative impact on HFC because of the flexibility they have over meeting associations.

- D. Hilton Americas-Houston Hotel Report. [Item taken out of order and discussed after item 3F]. Jacques D’Rovencourt stated the 2020 hotel revenues are difficult to project as things change daily. He further explained that the hotel prepares a contingency plan annually to address declines in revenue and it was revised after the cancellation of CERA Week. As stay-at-home orders took effect, he said, the

contingency plan was enacted and remains in effect until further notice. He added that the hotel is working closely with Hilton corporate on a recovery plan to gradually resume services when demand improves.

Mr. D'Rovencourt stated that occupancy has been in the single digits since the second week in March, but the Texas Army National Guard has booked 230 rooms for approximately one month at the government per diem rate. He noted that the hotel is providing laundry service and continental breakfast for the soldiers and, as a result, the hotel has been able to bring back twenty team members that were furloughed.

Mr. D'Rovencourt informed the Board that Hilton and American Express have partnered to provide one million complementary rooms to frontline medical workers across the U.S. He noted that the Hilton Americas-Houston is participating and hotel expenses will be reimbursed by American Express.

Lastly, Mr. D'Rovencourt concluded his update by informing the Board that the hotel partnered with Sysco to provide food for furloughed hotel employees.

- E. Facilities Report. Luther Villagomez stated the only restaurant open on Avenida for to-go service is the Rustic. He stated that the first activity on the calendar at the convention center is scheduled for June 14-18, 2020, pending travel bans, and noted that the State Republican Party has an event scheduled for July 16, 2020. He mentioned that the facilities team is working with meeting planners and organizers to address social distancing guidelines.

According to Mr. Villagomez, the Houston Symphony hopes to host an event in July, but is still waiting on guidance from local officials. He also said that the Hobby Center, while not an HFC-managed facility, plans to run the play "Hamilton" beginning June 30, 2020.

Mr. Villagomez stated virtual meetings and creative solutions for hybrid activities at facilities is key moving forward, and that HFC will begin hurricane preparation next week along with the City of Houston to prepare for any potential weather-related disasters.

Nicki Keenan asked what HFC was seeing in the public show sector. Mr. Villagomez responded that organizers are waiting on guidance from local officials as the city re-opens to better understand what is permissible for large gatherings.

Sofia Adrogué asked about the status of Talento Bilingue and if there is any information she could share with the Mayor's Hispanic Advisory Board. Mr. Villagomez stated he does not have any information at this time, but would be happy to discuss things further as necessary.

Elizabeth Brock asked if there were any safety plans that HFC staff could share with Board Members. Chairman Minberg stated staff has been asked to create those documents and will share that information as soon as possible.

Nicki Keenan explained that a lot of valuable information can be found in the hospitality and restaurant industries. She also discussed the importance of proper training on new safety protocols.

- F. Chief Financial Officer Update. Frank Wilson explained with the rapid on-set of COVID-19, there has been a substantial decline in HFC revenues from virtually all of its important sources. Mr. Wilson said that some of the decline in revenues will be off-set by a reduction in expenses, but the overall net loss to HFC is substantial. He added that the federal government has enacted a number of stimulus and liquidity programs that may assist certain businesses and municipal governments. He also noted that the City of Houston received \$400 million of COVID-19 relief funding and that language in the guidelines on business interruption. Mr. Wilson said CCSI was approved for a loan through the Small Business Administration Paycheck Protection Program for \$4.2 million.

Through first quarter, according to Mr. Wilson, total revenues were just short of the revised budget amount due to a strong January and February. Mr. Wilson shared the impact of COVID-19 on hotels with decreases in occupancy, RevPar, and demand. He said that Hotel Occupancy Taxes (“HOT”) are the largest revenue source for HFC, and he anticipates \$46 million in HOT collections for 2020 due to COVID-19. For the first quarter, he noted HOT collections were only slightly below budget, due in part to Airbnb collections, but this will not be the case through the remainder of the year.

According to Mr. Wilson, there are decreases in Hilton net cash, GRB rentals, food and beverage revenues, and parking revenues. However, he stated, trends in parking revenues suggest there will be an increase over time, but at a slightly lower pace. He further noted that all major expenses are at or below budget due to closure of HFC facilities and temporary suspension of service contracts.

Mr. Wilson went on to say that, after revising the 2020 budget, HFC conducted a 2020 Budget Stress Test that could reflect a deficit of \$46 million. He stated that HFC has not adjusted the budget at this time, but wanted to outline what HFC might anticipate later in the year.

Alex-Brennan Martin thanked the staff for their efforts and the Chairman concurred.

Nicki Keenan asked how staff is handling force majeure. Mr. Wilson stated HFC is providing some refunds, but has tried to move groups to later years. Under the stress test, Mr. Wilson noted, HFC assumes there will be no revenues from facility rentals or food and beverage through October.

Gerald Womack asked if HFC has received the \$4.2 million loan. Mr. Wilson clarified that HFC has been approved but has not yet received the funds.

Mr. Wilson then introduced Tim Moyer to provide a Human Resources (“HR”) update.

Mr. Moyer discussed some of the virtual events being held by staff to continue to keep team members engaged. He stated that employees are encouraged to complete on-line training related to cyber security, ethics, harassment prevention, and understanding bias. He added that HR continues to recognize employees through virtual birthday celebrations, service anniversaries, and the team member of the quarter program. Mr. Moyer stated that staff has produced a podcast and the first episode featured himself and Rob Jackson discussing the CARES Act and FSCR Act. In conclusion, Mr. Moyer stated that communication and engagement efforts are going into overdrive and HR is working on a plan for employees to safely return to work when appropriate.

Bobby Singh asked if HFC was doing anything to address employees return to work who may have been on sick leave due to COVID-19. Mr. Moyer stated at this time, HFC has not had any employees out with COVID-19, but they will address those concerns. Brenda Bazan added that company policy requires employees out sick three days or more to provide a doctor’s note upon returning to work.

Paul Puente asked about requirements for employees re-entering the building, such as temperature checks and stated he would be happy to share some of the protocols created for other organizations. Ms. Bazan replied that re-entry requirements were being developed and she would appreciate any information Mr. Puente could share.

The Chairman asked about attendance at virtual events. Mr. Moyer stated approximately 50% of employees viewed the podcast, but they hope to have increased viewership on future podcasts.

4. **Board Business-Consent Agenda.** The Chairman stated items 4A and 4B will be discussed separately rather than by Consent Agenda.

- A. Consideration and possible approval for extension financing with AIG Asset Management, LLC for the Hilton Americas-Houston Hotel. Frank Wilson asked for Board approval of a one-year extension of the AIG loan at a competitive rate.

Gerald Womack asked if staff has reviewed the legal documents associated with the loan agreement and the Chairman confirmed that Lisa Hargrove and Stephen Jacobs have been heavily involved.

Bobby Singh asked for further remarks from members of the sub-committee that previously reviewed this item. Alex-Brennan Martin confirmed that the Benefits,

Compensation, and Finance Committee has reviewed the item thoroughly and it was approved unanimously.

Following a motion duly seconded, approval for extension financing with AIG Asset Management, LLC for the Hilton Americas-Houston Hotel was approved unanimously.

- B. Consideration and possible approval of a First Amendment to an Agreement with Walker & Dunlop, LLC for brokerage services related to a refinancing for the Hilton Americas-Houston Hotel. Frank Wilson discussed the current contract with Walker & Dunlop, LLC for brokerage services. He noted that the firm has agreed to reduce the original brokerage fee amount from \$200,000 to \$100,000 and that they request, and staff recommends that the Board approve, a contract extension with a brokerage fee of \$200,000. He added that, even with the addition, the total fee is below market and less than any of the other proposals offered originally.

Gerald Womack asked for additional clarification on the terms of the extension and related fee. Mr. Wilson discussed the original fee, reduction, extension and total.

Chairman Mincberg provided additional clarification, noting that the firm is entitled by contract and industry standard to their full \$200,000 fee at closing, and that HFC is unlikely to receive better terms if it went out to market. He went on to state that the firm offered to reduce their fee to \$100,000 and take the assignment again in six months for the original \$200,000 fee, well below market.

Mr. Womack expressed concerns and questioned the new fee, as the changes are prompted by market conditions and the requirements of the lender.

Paul Puente asked for additional clarification on the number of transactions and related fees. Mr. Mincberg responded.

Reginald Martin asked for clarification that the original fee had been approved; Mr. Wilson responded in the affirmative. Mr. Martin asked for clarification on what was being voted on; Rob Jackson explained that the new fee and second transaction were before the Board.

Following a motion duly seconded, a First Amendment to an Agreement with Walker & Dunlop, LLC for brokerage services related to a refinancing for the Hilton Americas-Houston Hotel was approved. Gerald Womack voted against the item.

5. **Adjournment.** The meeting was adjourned at 5:05 p.m.