

AGENDA

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE

May 16, 2023 – 9:00 A.M.

**George R. Brown Convention Center, 3rd Floor Executive Board Room
1001 Avenida de las Americas
Houston, Texas 77010**

COMMITTEE MEMBERS:

Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, John Johnson, Mayor Pro-Tem Dave Martin, Ryan Martin, David Minberg

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 at either 713.853.8965 or Lisa.Hargrove@houstonfirst.com

- I. Call to Order**
- II. Public Comments**
- III. Minutes** – February 14, 2023
- IV. Presentations, Reports, and Updates**
 - A. Market Report
 - B. Financial Report
- V. Adjourn**

III. Minutes – February 14, 2023

MINUTES

HOUSTON FIRST CORPORATION

**JOINT MEETING OF
HOTEL COMMITTEE AND BENEFITS, COMPENSATION & FINANCE
COMMITTEE February 14, 2023 – 8:00 A.M.
Partnership Tower, 701 Avenida de las Americas,
Suite 200 Houston, Texas 77010
HOUSTON FIRST BOARDROOM**

The Hotel Committee (“Committee”) and the Benefits, Compensation, and Finance 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 joint meeting at Partnership Tower, 701 Avenida de las Americas, Houston, Harris County, Texas 77010 on, Tuesday, February 14, 2023, at 8:00 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 Benefits, Compensation, and Finance Committee Members were present for the meeting: Alex Brennan-Martin (Chair), Jay Zeidman (Vice-Chair), Sofia Adrogué, John Johnson, and Ryan Martin.

The following Hotel Committee Members were present for the meeting: Nicki Keenan (Chair), Ryan Martin (Vice-Chair), George DeMontrond, and Paul Puente.

- I. **Call to Order.** Nicki Keenan called the Hotel Committee meeting to order at 8:04 a.m. with a quorum present.

Alex Brennan-Martin called the Benefits, Compensation, and Finance Committee meeting to order at 8:05 a.m. with a quorum present.

- II. **Public Comments.** None

- III. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes for the November 1, 2022, Hotel Committee Meeting were approved as presented.

Following a motion duly seconded, the minutes for the November 9, 2022, Benefits, Compensation, and Finance Committee Meeting were approved as presented. John Johnson was absent from the vote.

IV. Committee Business

A. Consideration and possible recommendation to acquire a loan from Equitable Financial Life Insurance Company for the Hilton Americas-Houston Hotel secured by a deed of trust lien against the Hilton-Americas Houston Hotel and Avenida South Garage.

Frank Wilson, Chief Financial Officer, stated that management has worked on refinancing a \$125 million loan with AIG to achieve a lower interest rate. According to Mr. Wilson, the Federal Reserve started raising interest rates in March of 2022, totaling a 4.5% increase in rates as of January 2023, and the current loan rate is 7.57%. He explained that Mike Melody, Walker Dunlop, evaluated fifteen insurers/vendors to assist with refinancing. The best refinancing option is with Equitable Financial Life Insurance Company, which offers a seven-year refinancing plan. The financing package includes a fixed seven-year loan with a 6.44% interest rate and would allow for prepayment flexibility.

Stephen Jacobs, Locke Lord LLP, reviewed the loan-related resolutions. He explained that the loan amount would be \$126,500,000 to cover closing costs and that Houston First Holdings LLC would be the borrower. The loan will be secured solely by the Hilton Americas-Houston Hotel and Avenida South Garage and that HFC does not maintain direct liability.

Following a motion duly seconded by Hotel Committee Members, Committee Members unanimously passed a resolution to acquire a loan from Equitable Financial Life Insurance Company for the Hilton Americas-Houston Hotel secured by a deed of trust lien against the Hilton Americas-Houston Hotel and Avenida South Garage.

Following a motion duly seconded by Benefits, Compensation, and Finance Committee Members, Committee Members unanimously passed a resolution to acquire a loan from Equitable Financial Life Insurance Company for the Hilton Americas-Houston Hotel secured by a deed of trust lien against the Hilton-Americas Houston Hotel and Avenida South Garage.

B. Consideration and possible recommendation of additional Design Services with Gensler and the issuance of a new job order with Chamberlin Houston, LLC for the Hilton Americas-Houston Hotel Roof Overlay Project and a waterproofing project for the Hilton Americas-Houston Hotel's loading dock.

Jacques D'rovencourt, General Manager of the Hilton Americas-Houston Hotel, reported that the sixth-floor roof overlay work concluded at the end of 2022. However, further work is needed, including installing a roof overlay covering floors 8, 20, 18E, and 25W and resealing the loading dock floors. Mr. D'rovencourt also emphasized the importance of continuing with Gensler and Chamberlin Houston, LLC for continuity and quality. Chamberlin met its 25% diversity goal for last year's project, and there will also be a new 25% diversity goal for this phase. ~~FM Global Properties Insurance~~ provider will inspect the sixth-floor roof overlay soon, and Mr. D'Rovencourt is hopeful for a reduction in property insurance cost after the inspection.

Mr. D'rovencourt further explained that resealing and waterproofing work is needed for six bays of the Hotel's loading dock because the sealant in these bays is weathered

and deteriorated, and the flooring is original. The expected work bays would include four receiving bays, one composting bay, and one compacting bay.

Following a motion duly seconded by Hotel Committee Members, Committee Members unanimously passed a resolution for additional Design Services with Gensler and issued a new job order with Chamberlin Houston, LLC for the Hilton Americas-Houston Hotel Roof Overlay Project and a waterproofing project for the Hotel's loading dock.

Following a motion duly seconded by Benefits, Compensation, and Finance Committee Members, Committee Members unanimously passed a resolution for additional Design Services with Gensler and issued a new job order with Chamberlin Houston, LLC for the Hilton Americas-Houston Hotel Roof Overlay Project and a waterproofing project for the Hotel's loading dock.

V. Presentations, Reports, and Updates

A. Financial Report

Mr. Wilson informed Committee Members that the third PPP loan for Hilton payroll expenses was forgiven in mid-December 2022. He also indicated significant revenue variances, including the Hilton Americas-Houston Hotel's Net Cash of \$1,775,000, which is 47.6% better than expected, and that the GRB Food and Beverage maintained a Net Cash of \$795,895, which is 40.5% better than expected. Theater District Parking was also better than budget by \$59,415.

Mr. Wilson explained that expenses were well-managed, which was illustrated by how GRB Food and Beverage is over budget by \$495,587, a windfall of 36.5% caused by the strength of GRB's F&B revenue and in connection with the hiring of a new Human Resources director for the Levy team.

VI. Adjourn. The Hotel Committee and the Benefits, Compensation, and Finance Committee adjourned at 8:46 a.m.

HOUSTON FIRST CORPORATION

BENEFITS, COMPENSATION, AND FINANCE COMMITTEE MEETING



POST Houston Skylawn
DOWNTOWN

EXECUTIVE BOARD ROOM
George R. Brown Convention Center
Tuesday, May 16, 2023
9:00 a.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 BENEFITS, COMPENSATION, AND
FINANCE COMMITTEE MEETING**

May 16, 2023



MINUTES

February 14, 2023

**HFC BENEFITS, COMPENSATION, AND
FINANCE COMMITTEE MEETING**

May 16, 2023



COMMITTEE UPDATE

A. Market Report.

**HFC BENEFITS, COMPENSATION, AND
FINANCE COMMITTEE MEETING**

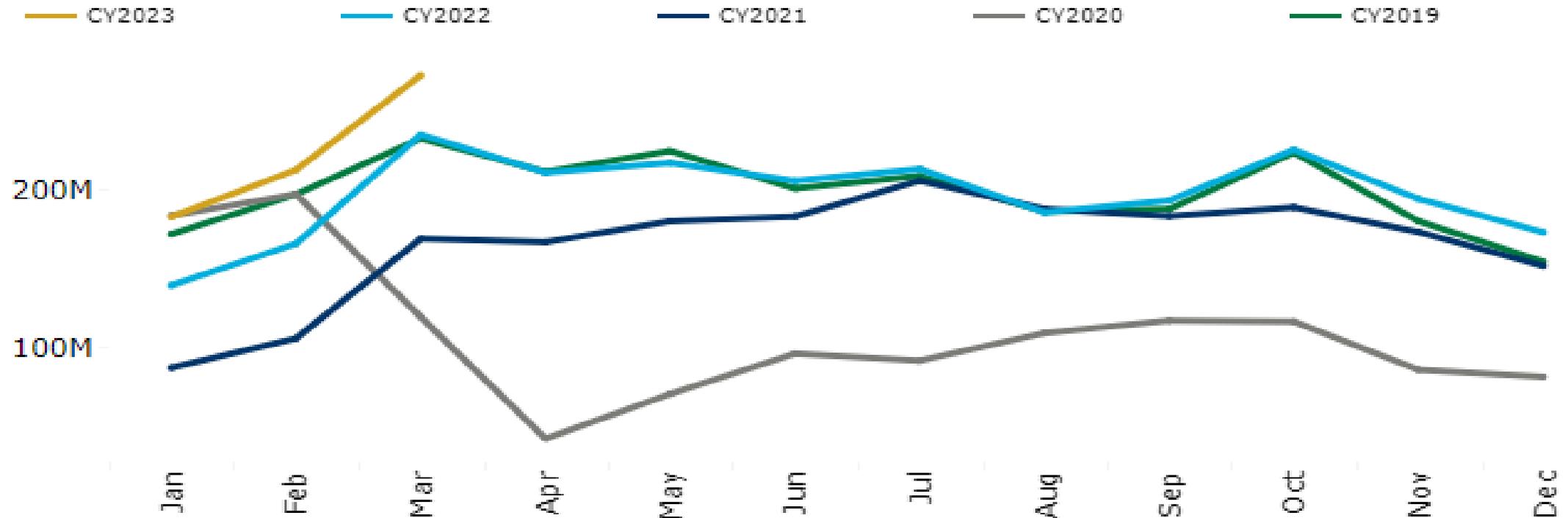
May 16, 2023

HOUSTON ROOM REVENUE COMPARISON

Room Revenue YOY Comparison

Room Revenue ▼

Years:



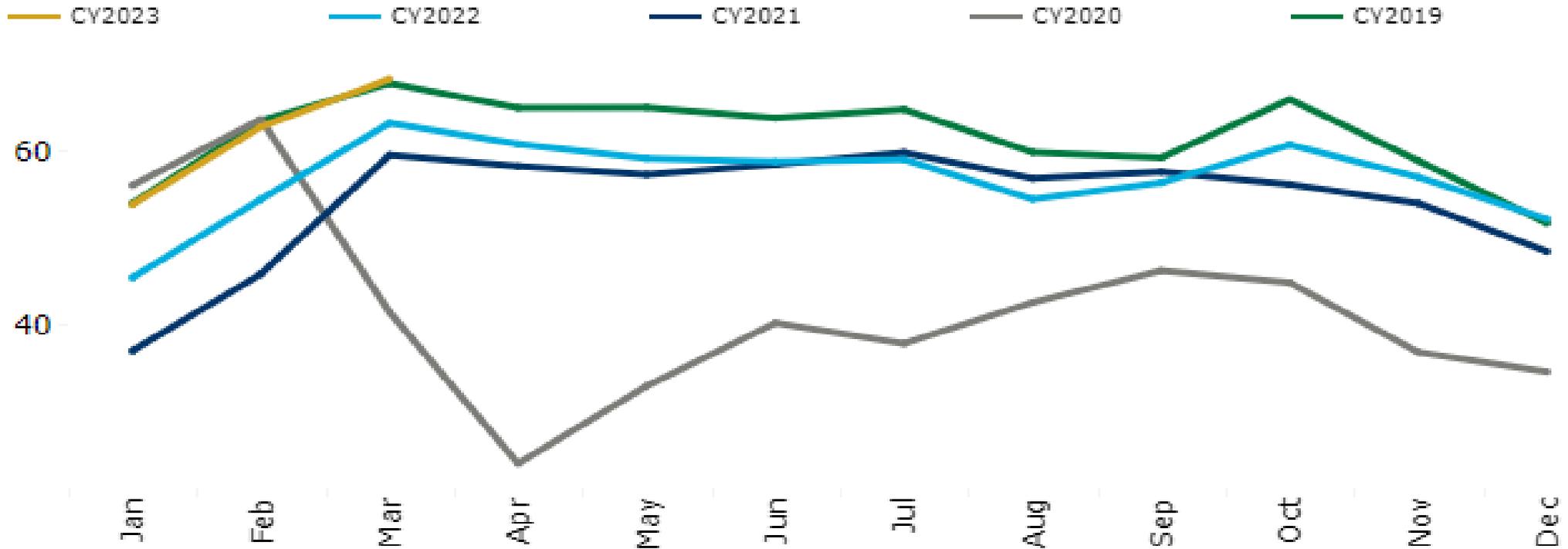
Source: STR, Inc

HOUSTON OCCUPANCY COMPARISON

Occupancy YOY Comparison

Occupancy ▾

Years:



Source:STR, Inc

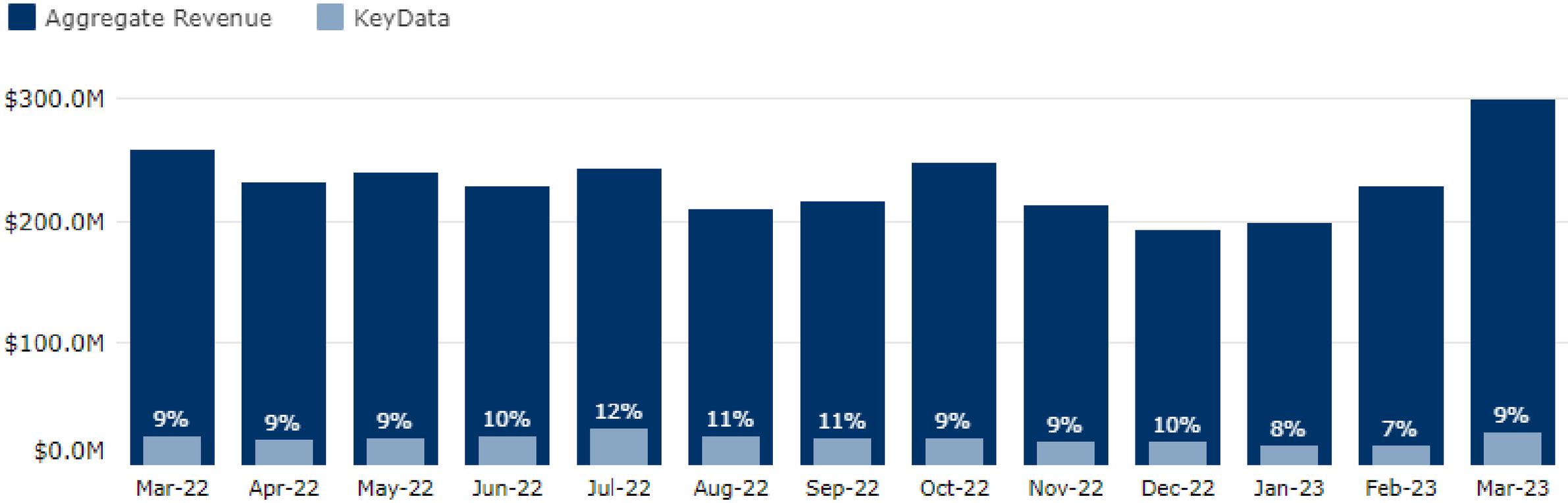
HOUSTON MARKET COMPSET

Segment Name	Occ	Var 2019
Dallas CBD/Market Center, TX	67.2	-3.1%
Nashville CBD/Downtown, TN	71.3	-3.1%
Orlando International Drive, FL	78.5	-6.7%
Houston CBD, TX	60.8	-8.5%
San Antonio CBD, TX	66.7	-9.3%
Austin CBD, TX	71.7	-9.6%
Disneyland, CA	71.4	-10.6%
Chicago CBD, IL	47.6	-15.2%
New Orleans CBD/French Quarter, LA	64.7	-17.3%
Atlanta CBD, GA	64.1	-17.5%

Segment Name	ADR	Var 2019
Atlanta CBD, GA	\$251	-1.4%
Austin CBD, TX	\$241	9.2%
Chicago CBD, IL	\$229	16.4%
Dallas CBD/Market Center, TX	\$217	18.7%
Disneyland, CA	\$209	27.0%
Houston CBD, TX	\$206	11.4%
Nashville CBD/Downtown, TN	\$202	26.6%
New Orleans CBD/French Quarter, LA	\$181	12.0%
Orlando International Drive, FL	\$166	14.0%
San Antonio CBD, TX	\$146	18.6%

LODGING SUMMARY

Houston, TX Lodging Revenue & Contribution



NCAA COMPARISON

Houston Market

	<u>2016</u>	<u>2023</u>	<u>% Var</u>
Market Occ %:	78.3%	73.7%	-4.6%
Market RevPAR:	\$116.97	\$115.71	-1.1%
Market ADR:	\$149.45	\$157.02	5.1%
Market Revenue:	\$38,060,572	\$49,175,740	29.2%

% Change	Fri	Sat	Sun	Mon
Occ %	0.1%	-0.2%	-8.3%	-15.4%
Demand	30.8%	30.3%	19.8%	10.5%
RevPAR	11.0%	13.7%	-10.6%	-17.5%
ADR	10.8%	14.0%	-2.5%	-2.6%
Revenue	44.9%	48.6%	16.8%	7.7%

- Houston finished ahead in overall demand for the same weekend by **23%** and ADR up **5.1%**
- Houston CBD saw a **34%** increase in overall demand for the same weekend from 2016 with a **8%** increase in ADR
- The Galleria finished ahead in demand by **13.8%** with ADR down **3%** from the same weekend in 2016

BIGGEST IMPACT WEEKEND

FIRST Robotics & Taylor Swift

Houston Market

	<u>2019</u>	<u>2023</u>	<u>% Var</u>	Houston CBD	Galleria	Med Center/NRG
Market Occ %:	58.2%	77.7%	33.5%	42.1%	38.3%	76.1%
Market RevPAR:	\$51.96	\$106.58	105.1%	102.5%	124.2%	226.9%
Market ADR:	\$89.26	\$137.21	53.7%	42.5%	62.1%	85.7%
Market Revenue:	\$14,349,879	\$33,898,668	136.2%	114.5%	152.0%	284.5%

- The weekend ended with occupancy at **78%**, four points higher than NCAA weekend
- Houston Medical Center/NRG market achieved occupancy of **91%** through Sunday with ADR at **\$215**



COMMITTEE UPDATE

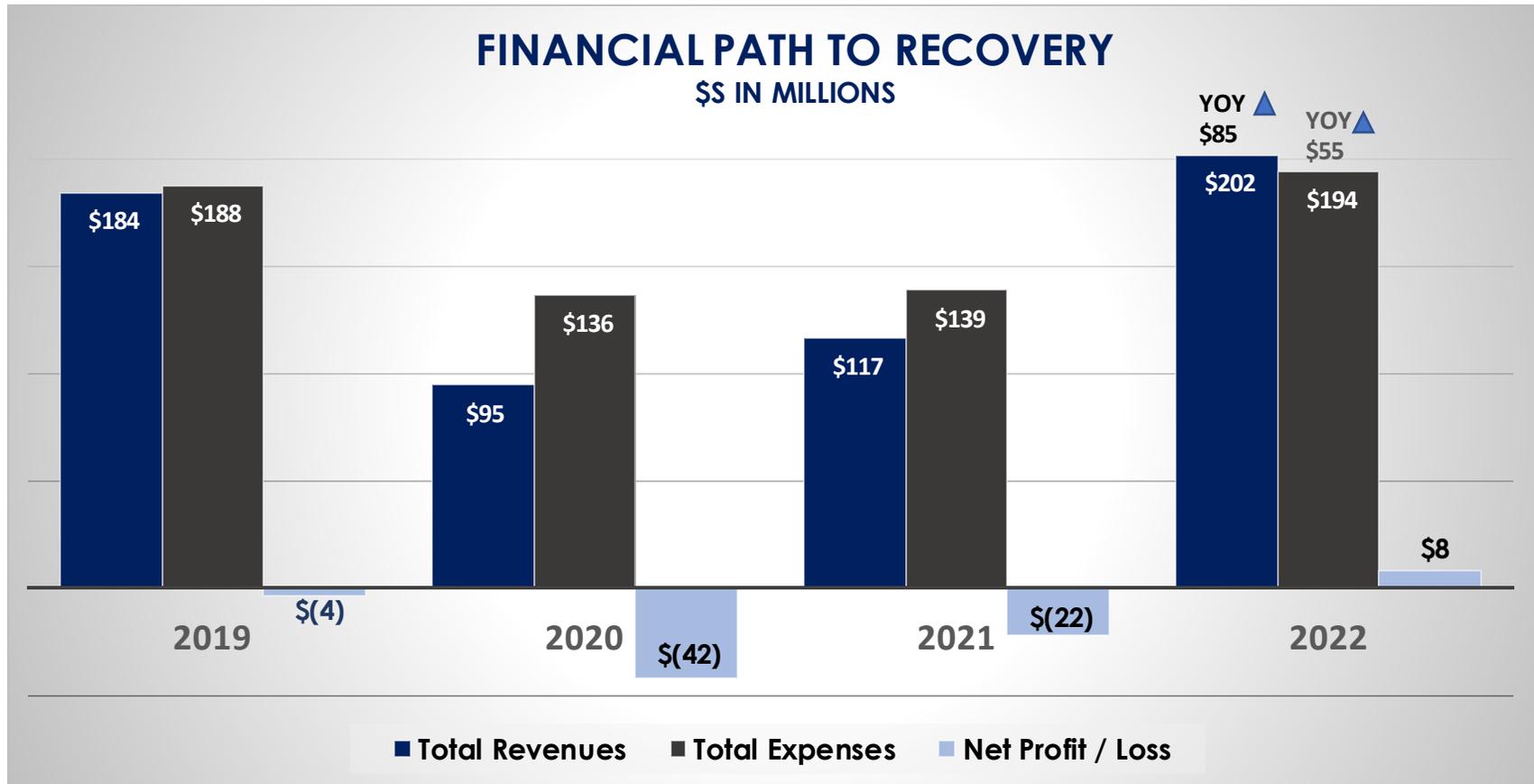
B. Financial Report.

**HFC BENEFITS, COMPENSATION, AND
FINANCE COMMITTEE MEETING**

May 16, 2023

FINANCIAL PERFORMANCE

2019 THROUGH 2022



Notes:

2019 Total Revenues do *not* include \$81.9 M of FEMA reimbursement, \$12.9 M of insurance proceeds or \$8.5 M City loan.

2020 Total Revenues do *not* include \$41.3 M in FEMA reimbursement.

2021 Total Revenues do *not* include \$4.2 M in FEMA reimbursement.

2022 Total Expenses include \$5.3 M of capital projects originally budgeted as financed, but were funded from operations – not through borrowing.

FINANCIAL PERFORMANCE

DEC 31, 2022

	2022 BUDGET	2022 ACTUALS	VARIANCE
REVENUES			
Operating Revenues	\$88,059,469	\$107,146,570	\$19,087,101
Non-Operating Revenues	\$95,190,382	\$94,898,654	(\$291,728)
TOTAL REVENUES	\$183,249,851	\$202,045,224	\$18,795,373
EXPENSES			
Operating Expenses	\$92,046,594	\$ 85,897,849	\$(6,148,745)
Non-Operating Expenses	\$104,500,828	\$108,078,729	\$3,577,901
TOTAL EXPENSES*	\$196,547,422	\$193,976,578	(\$2,570,844)
TOTAL REVENUES LESS EXPENSES	\$(13,297,571)	\$8,068,646	\$21,366,217

* 2022 Total Expenses include \$5.3 M of capital projects originally budgeted as financed, but were funded from operations – not through borrowing.

FINANCIAL PERFORMANCE

DEC 31, 2022

REVENUE	VARIANCE	BUDGET TO ACTUALS
Hilton Net Cash to HFC	+\$11 M	From \$30 M to \$41 M
Venue	+\$3.7 M	From \$37.9 M to \$41.6 M
Parking	+\$4.4 M	From \$17.0 M to \$21.4 M
Hotel Occupancy Tax	+ \$727 K	From \$83.6 M to \$84.3 M

EXPENSE	VARIANCE	BUDGET TO ACTUALS
Personnel	+\$3.8 M	From \$25.5 M to \$21.6 M
Food & Beverage	+\$1.0 M	From \$15.7 M to \$14.7 M
Facility Maintenance	+\$786 K	From \$ 8.5 M to \$7.7 M
Travel, Promo. & Events	+\$700 K	From \$ 5.46 M to \$4.76 M
Advertising & Promotion	+\$767 K	From \$ 7.78 M to \$7.0 M

FINANCIAL PERFORMANCE

IN 2022, MEETINGS WERE BACK

Major Meetings	Date	Attendees
NCBA Cattlecon 2022	1/28 – 2/4	6,217
Wal-Mart Stores, Inc	2/28 – 3/3	4,829
Whatabrands LLC	3/26 – 28	2,600
First Championship	4/20 – 23	35,000
Natl. Teaching Institute & Critical Care Nurses	5/15 – 19	3,500
NRA Annual Meeting	5/27 – 29	61,251
Rotary International	6/4 – 8	11,181
LCMS National Youth Gathering	7/9 – 13	19,960
National Baptist Convention USA	9/6 – 8	2,700
National Association for College Admission Counseling	9/22 – 24	6,753
Society of Petroleum Engineers	9/28 – 10/7	5,500
American Dental Association	10/13 – 17	9,897
Society of Women Engineers	10/20 – 22	14,189
Quilts, Inc.	11/8 – 10	30,000

MAJOR REVENUES & EXPENSES

YTD AS OF MAR 31, 2023

MAJOR REVENUES	2023 Budget	2023 Actuals	Over (Under) Budget (\$)	Over (Under) Budget (%)
Hotel Occupancy Tax Collections	\$21,000,000	\$22,720,062	\$1,720,062	8.2%
Hilton Americas Net Cash	\$11,175,000	\$14,747,892	\$3,572,892	32.0%
GRB Facility Rental	\$2,200,840	\$2,301,509	\$100,669	4.6%
GRB Food and Beverage	\$7,918,588	\$10,805,171	\$2,886,583	36.5%
Parking Revenue-Avenida	\$2,683,596	\$2,451,089	(\$232,507)	(8.7%)
Parking Revenue-Theater District	\$1,542,743	\$2,067,414	\$524,671	34.0%
MAJOR EXPENSES	2023 Budget	2023 Actuals	Over (Under) Budget (\$)	Over (Under) Budget (%)
Personnel	\$6,706,587	\$5,997,350	(\$544,566)	(10.6%)
Security Contract	\$1,355,566	\$1,086,495	(\$269,071)	(19.8%)
Bldg. Maintenance Contract	\$1,555,636	\$1,247,935	(\$307,701)	(19.8%)
Parking Contract	\$585,963	\$590,123	\$4,160	0.7%
Janitorial Contract	\$1,652,080	\$1,640,128	(\$11,952)	(0.7%)
GRB Food and Beverage	\$5,023,858	\$6,274,642	\$1,250,784	24.9%

FINANCIAL PERFORMANCE

YTD AS OF MAR 31, 2023

	2023 Budget	2023 Actuals	Variance
TOTAL REVENUES	\$50,590,558	\$61,374,692	\$ 10,784,135
TOTAL EXPENSES	\$50,588,647	\$47,452,724	(\$3,135,923)
TOTAL REVENUES LESS EXPENSES	\$1,910	\$13,921,968	\$13,920,058

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