

Houstonfirst. _____

CITY OF HOUSTON BRIEFING



HFC'S ROLE

- In addition to operating Houston's Convention & Entertainment Facilities, HFC drives economic impact and demand generation as the Destination Marketing Organization.
- These efforts create value for numerous stakeholders across our Community and create jobs through the economic impact of tourists and visitors.

COVID-19 IMPACT ON HOUSTON FIRST

- **\$330 M economic impact lost from cancelled business** resulting in lost room nights
- **Nearly 200 meetings & conventions cancelled or rescheduled**
- **58% reduction in HOT collection;** largest impact on loss of revenues
- **57% reduction in active HFC workforce** through layoffs and furloughs
- **143,000 Hilton Americas group room nights lost,** resulting in \$39.7 M loss of expected gross revenues
- **82% reduction (528 members) in Hilton Americas–Houston workforce**

COVID RESPONSE STRATEGY

Faced with historic dual health and economic crises caused by the pandemic, quarantine, travel bans and stay at home orders, leadership responded with a phased, multifaceted strategic effort.

PHASE I REACTION

- Community support
- Expense contraction
- Marketing pivot
- Strategic Recovery task force

PHASE II RECOVERY

- Preserve viability of HFC enterprise
 - Convention meeting retention, new sales
 - Operational efficiency and cost cutting
 - Facility modification/repurposing
- Value creation for hospitality sector
- Reimagine organization, entrepreneurial focus
- City support: \$51M

PHASE III RESILIENCE

- Longer-term strategic planning
- Establish differentiators for Houston's brand
- Replenish cash reserves
- Reduce debt
- Create unique destination product offerings & experiences
- Forge public/private partnerships

PHASE I REACTION

Houston First pivoted to crisis response and increased support to local businesses and the community.



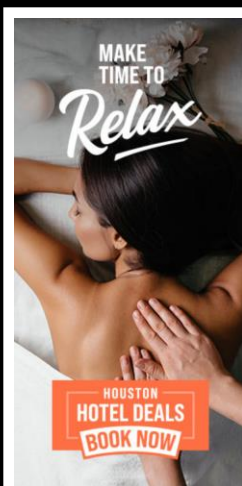
RECOVERY CAMPAIGNS

TIME FOR AN *Escape*

STARTING AT \$99

STAYCATION DEALS

BOOK NOW



25 Discounts and Deals on Summer Travel

FEATURED & ACTIVE: ALEX TOMBLACOR JUN 30, 2020



Hotel Alessandra is a luxurious hotel property in Houston. (photo via Hotel Alessandra)

Hotel Alessandra

Houston's Hotel Alessandra is a luxury space with a deal that so many will love. Valid on bookings until August 31, 2020. Receive 25% on rates at \$165 per room per night. Talk about a Texas deal!



Houston Zoo Yesterday at 10:00 AM

The Houston Zoo is committed to reopening with health and safety as our highest priority. As the city continues to reopen, major venues are working in a unified fashion to restore the community's confidence in safety attending and working events. Read more before planning your next Zoo visit: bit.ly/30W0Ciw

We're in.

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AVENIDA HOUSTON VIRTUAL STUDIO

New Permanent Broadcast Studio Launches

Virtual and Hybrid Events

One-Stop-Shop Experience

HOUSTON VIRTUAL EVENTS GUIDE

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HOUSTON HOTEL DEALS BOOK NOW

STAYCATION DEALS

STARTING AT \$99

PHASE II RECOVERY

Beginning in May 2020, Houston First modified facilities. Its sales team rescheduled lost meetings and booked new business. It contracted expenses, looked for operational efficiencies, focused on value creation for the hospitality community and sought out new revenues and strategies.



Hilton
EventReady
with CleanStay

Hilton
CleanStay

FUTURE CITYWIDE CONVENTIONS

TOTAL ROOM NIGHTS BY YEAR



* 2021 attendee numbers are pre-COVID estimates.
Current expectation is that actual attendance could be 50% of these totals.

2021 STRATEGIC THEME: **VALUE CREATION**

VALUE CREATION will drive the Houston First recovery and long-term resiliency efforts, serving as the foundation for 2021 business planning.

It includes innovation in everything we do and sell, promoting Houston's brand appeal and awareness, lowering costs while improving productivity, generating revenue, and delivering unparalleled experiences. A unified commitment to Value Creation benefits our company, as well as our hospitality community and other stakeholders.



2021 PRIORITIES

- Forecast (quarterly), manage cash burn, closely monitor revenues
- Deploy multifaceted sales approach to maximize hotel room nights for 2021 and future years
- Position Houston as a safe place for both leisure and business travel leveraging Houston Clean
- Expand flexible, digital strategy and focus on targeted leisure travel market
- Focus International efforts on Mexico

PROPOSED CY 2021 BUDGET HIGHLIGHTS

(\$ in millions)

	2020 Forecast Budget	2021 Proposed Budget	CHANGE
Operating Revenue	\$38.6	\$40.3	4.4%
Non-Operating Revenue	96.4	68.4	-29.0%
TOTAL REVENUE	\$135.0	\$108.8	-19.4%
Operating Expense	\$57.2	\$66.9	16.9%
Non-Operating Expense*	82.6	97.4	17.9%
TOTAL EXPENSE	\$139.8	\$164.3	17.5%
REVENUE IN EXCESS OF EXPENSE	-\$4.8	-\$55.5	

*Includes \$62.3 M in debt service, \$10.8 M to City arts contracts, \$15.6 M of capital, \$1 M Hotel Tax Refunds, \$3.4 M contributions to City and other stakeholders.

PROPOSED CY 2021 BUDGET

HOW WE ADDRESS BUDGET DEFICIT

- \$11.3 M FEMA reimbursement from City (TDEM)
- \$20 M Loan from City
- \$10 M of reserves
- \$15 M subordinated note program loan
- Goal: finish 2021 with \$20 M in emergency cash reserves
- After \$15 M use of sub note program, \$89 M should be available if needed

HFC CONTRIBUTIONS TO CITY

ANNUAL GENERAL FUND CONTRIBUTIONS – \$3.8 M

\$2.2 M Lease Payment

\$425 K Promotion

\$470 K Protocol

\$242 K Downtown Traffic Administration

\$450 K MATCH

ARTS CONTRACT & OTHER INITIATIVES – HOT

\$10.8 M in 2021

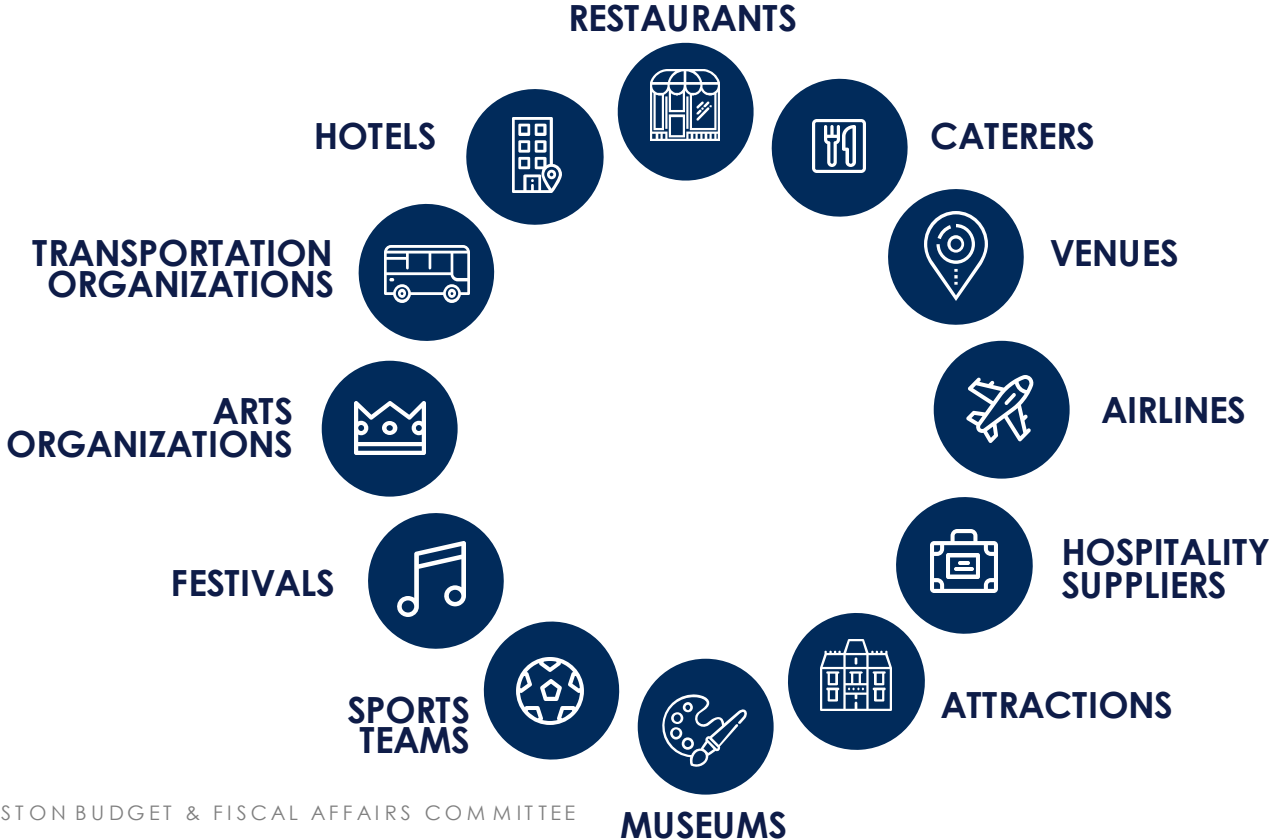
ANNUAL CONTRIBUTIONS TO CITY ASSETS (not managed by HFC) – \$2.8 M

\$1.1 M Hobby Center Foundation

\$1.2 M Discovery Green

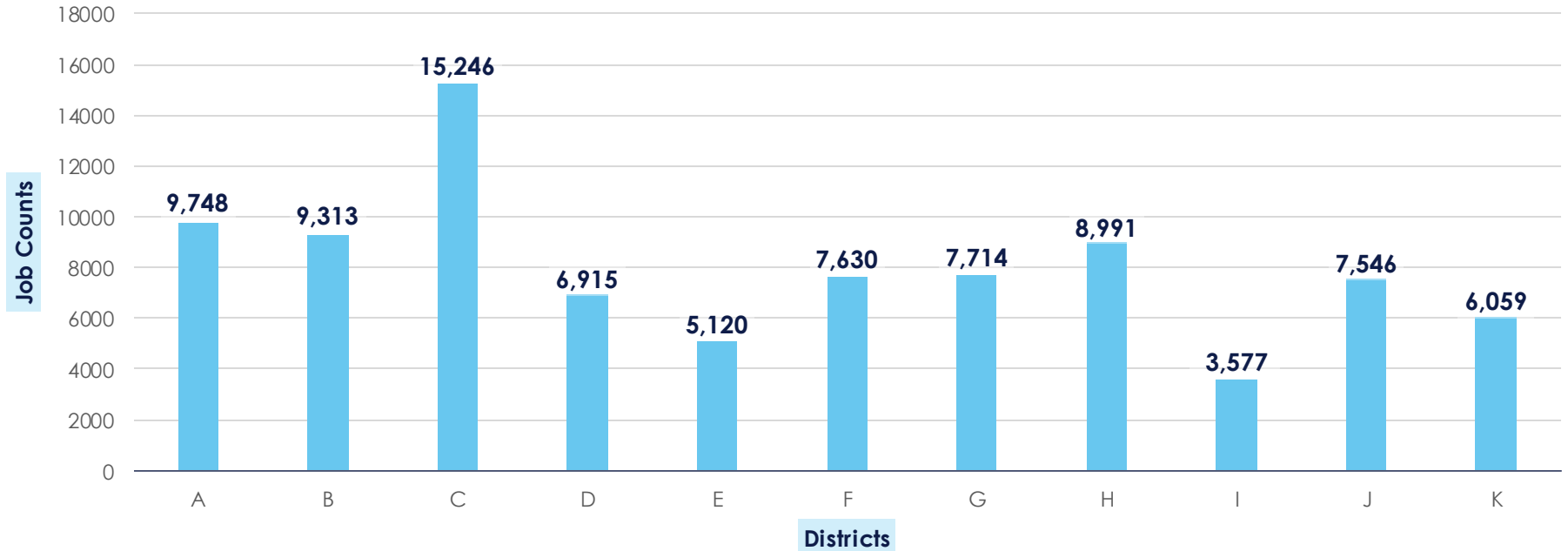
\$505 K Buffalo Bayou Maintenance

OUR STAKEHOLDERS



TRAVEL & TOURISM ECONOMIC IMPACT

ESTIMATES OF RESIDENTS OF HOSPITALITY AND TOURISM EMPLOYEES BY HOUSTON CITY COUNCIL DISTRICTS



Source: Report created by Jason Draper, Ph.D., May 2016

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www.HoustonFirst.com