HOUSTON FIRST: A NEW DAY FOR CONVENTIONS AND ENTERTAINMENT

Presentation to Fiscal Affairs Committee
May 9, 2011

Ric Campo
Chair, Houston Convention Center Hotel Corporation

Andy Icken
Chief Development Officer, City of Houston
Proposed consolidation of:

- City Convention & Entertainment Facilities Department
- Houston Convention Center Hotel Corporation
BACKGROUND

- Possible reorganization studied for more than 10 years

- Mayor’s Committee on Marketing Efficiency spent much of 2009 finding new ways to maximize effectiveness of efforts to attract conventions and tourism via a possible consolidation of Convention, Entertainment & Facilities Department (CEFD), Greater Houston Convention and Visitors Bureau (GHCVB) and the Houston Convention Center Hotel Corp (HCCHC)

- Conversations continued into the Parker Administration specifically regarding a proposal to combine CEFD and HCCHC.
An economic generator for conventions and tourism

Manages 2.6 million square feet of world-class venues, plazas and green space:

- George R. Brown Convention Center
- Wortham Theater Center
- Jones Hall for the Performing Arts
- Miller Outdoor Theatre
- Theater District parks and plazas
- Talento Bilingue de Houston
- Houston Center for the Arts
- About 5,800 parking spaces

115 employees and 457 contract workers
Houston Convention Center Hotel Corporation

- A non-profit, local government corporation (LGC) created in 2000 by City Council
- Formed to envision, fund, develop, build, operate and maintain a flagship convention headquarters hotel next to GRB, which was expanded at the same time
- Hilton Americas-Houston opened in 2003 at a cost of $316 million.
- The Hotel supports GRB efforts to increase convention business and has been a catalyst for economic redevelopment on the east side of downtown.
- Governed by 9 member board, chaired by Ric Campo
- Subject to MWBE open meetings and open records acts
- Includes a requirement for good faith efforts to utilize City certified MWBE’s.
- Can’t issue debt or sell Hotel without City approval
Over 60% of hotel business is group based, bringing in convention attendees from all parts of the United States.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) for 2011 is forecasted at $29.4 million, or 3.3% higher than 2010.

Total revenues from Hotel Operations for March 2011 was a record for any single month since opening.

Departmental profits for the month of March 2011 are 6.9% higher than March 2010.

Forecasted occupancy for 2011 is up 5.3% over 2010 and booking pace in 2012 for group revenues is up 10% over last year.

Renovating all 1200 guest rooms in 2011, funded from capital reserves.
CONSOLIDATION GOAL

- Develop and implement a long-term strategic vision for the City’s convention and theater products
- Ensure maintenance of all facilities for long-term
- General cost savings in a variety of means, such as accounting, audit and legal services
- Potentially improve the financial strength of the enterprise
- Create a single entity focused on long-term sustainability of the operation as a whole
Similar to action with Houston Zoo in 2002 except that in this case, HCCHC will pay rent to the City.

City will assign CEFD obligations and responsibilities (including debt) to HCCHC.

HCCHC will manage all CEFD assets.

City will enter into a 15-year lease agreement for all CEFD facilities with HCCHC, with a 15-year renewal option.
### Value to City:

#### FY 2011

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Miller Outdoor Theatre Operational Costs</td>
<td>$1,200,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,200,000</strong></td>
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#### FY 2012

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<th>Item</th>
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<tr>
<td>Inducement Fee</td>
<td>$8,620,000</td>
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<tr>
<td>Rent</td>
<td>$1,380,000</td>
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<tr>
<td>Miller Outdoor Theatre Operational Costs</td>
<td>$1,200,000</td>
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<tr>
<td>City Dates (in-kind contribution)</td>
<td>$330,000</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$11,530,000</strong></td>
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#### FY 2013-2026 (each year)

<table>
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<td><strong>TOTAL</strong></td>
<td><strong>$2,910,000</strong></td>
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* Annually adjusted for CPI increases
City will assign all current CEFD financial resources to support this work, except:

- 19.3% of HOT gross receipts remain with City to fund arts contracts (unchanged from current situation)
- $420,000 for protocol services
- $425,000 to fund Greater Houston Partnership and Bay Area-Houston Economic Partnership
- $231,000 for event traffic control in the Convention District and miscellaneous administrative costs

- CEFD’s role in regards to GHCVB will remain unchanged.
- Fee and lease payments will be funded by Hotel operations.
PROPOSED GOVERNANCE & EMPLOYEE STRUCTURE

- Governance:
  - Mayor & City Council must approve the following:
    - Annual budget of HCCHC with regard to leased assets
    - Any new issuance of debt
    - Sale of any leased asset or the Hotel
  - Mayor will continue to appoint all 9 board members with City Council confirmation
  - HCCHC role will be broadened to form primary governing entity
  - HCCHC will be renamed Houston First Corporation
  - Employees of CEFD will be transferred to HCCHC
CITY EMPLOYEE IMPACTS

- Consolidation into the Corporation (LGC) will not result in layoffs or pay cuts to CEFD employees.
- HOPE Union has been advised and issues will be discussed at the planned May 16 “Meet and Confer”.
- Expect CEFD employees will be leased to the Corporation at the Corporation expense until such time as a benefit package is prepared and all employees are fully briefed (target date: October 1, 2011).
- Expect a benefit package built from current city benefits and comparable to the Zoo will be made available and paid by the Corporation.
- Expect that Corporation employees will be offered a defined contribution pension plan similar to that used by the zoo.
  - Transition processes similar to the Zoo will be put into place.
NEXT STEPS

- Council consideration of an ordinance that:
  - Amends HCCHC articles to change its name and reflect new role
  - Approves an interlocal agreement detailing financial, personnel and reporting requirements and amendment to Chapter 12
  - Approves a lease of facilities to HCCHC

- Consolidation would be effective on July 1, 2011
TIMELINE

- May 9 – Fiscal Affairs Meeting
- May 18 – Council