

Hilton Austin Airport



Austin-Bergstrom
International Airport



Information for Audit Finance Committee

City of Austin, Department of Aviation
June 16, 2021



Introductions

- Tracy Thompson, Esq. –
Airport Chief Officer, Administrative & External Affairs
Interim Airport Chief Officer, Development
Vice President, Austin-Bergstrom Landhost Enterprises, Inc. (ABLE)
- Rajeev Thomas –
Airport Deputy Chief - Finance
- Jacqueline Yaft –
Airport Chief Executive Officer



AGENDA

- **Hotel Background Information**
 - Property and Facility Information
 - Current Renovation Program
- **ABLE Historical Business and Financial Information**
 - Structure and Operations
 - Financial Performance
- **ABLE Governance**
- **Looking Ahead**





Property and Facility

Hilton Austin Airport – Unique History

- **Former Headquarters of Bergstrom Air Force Base**
 - Opened in 1968
 - Three stories
 - Underground bunker
 - Enclosed courtyard
 - Names:
 - Building 2900
 - The Roundagon
 - The Donut
 - The Little Pentagon
 - Base closed in 1993



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Hilton Austin Airport – Property Information

- **Title to Improvements:** Vested in City of Austin as part of AUS operations
- **Summary of Salient Property Data**
 - Property Name: Hilton Austin Airport (Hilton)
 - Address: 9515 Hotel Drive, Austin, Texas 78719
 - Location: Austin-Bergstrom Intl. Airport (AUS)
 - Occupancy Rights: AUS Ground Lease
- **Land Description**
 - Area: 10.61 acres, or 462,019 square feet
 - Zoning: AV - Aviation Services
 - Assessor's Parcel Number(s): 855896
 - FEMA Flood Zone: Zone X



Hilton Austin Airport – Facility Information

- **Improvements Description**

- Year Opened: 2001
- Property Type: Full-service lodging facility
- Building Area: 206,608 square feet
- Guestrooms: 262
- Number of Stories: Four
- Meeting Space: 17,505 square feet
- Parking Spaces: 278 (Surface)
- Additional Facilities:
 - Outdoor pool, an outdoor whirlpool, fitness center, a lobby workstation, guest laundry room, and vending areas
- Food and Beverage Facilities:
 - Restaurant and lounge, coffee shop



Austin American Statesman
December 17, 2000



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Hilton Austin Airport – 2018/2021 Renovation Program

- **Phase 1: Guestrooms Renovation – \$11.0 million**

- Comprehensive renovations to all guestrooms, including:
 - Renovations to bathrooms
 - Furniture replacement
 - Soft goods replacement
- Completion: **November 2020**

- **Phase 2: Meeting Spaces/Etc. – \$2.3 million**

- Renovations include:
 - Carpet and furniture replacement
 - Refinish of doors and wood trim
 - Replace outdoor brand signage
 - Rehabilitation of outdoor pool
- Completion: **June 2021**





Structure and Operations

Hilton Austin Airport – Structure & Operations

- **Austin-Bergstrom Landhost Enterprises, Inc. (ABLE)**
 - Texas nonprofit public facility corporation created by City of Austin (City) in 1998
 - Authorized under Chapter 303 of Texas Local Government Code
- **ABLE acts on behalf of the City of Austin (City)**
 - Created to be the Issuer of tax exempt bonds (1999 Bonds and 2017 Bonds)
 - Construct/improve public facilities at the Airport - Hilton Austin Airport (Hotel)
- **Department of Aviation (Aviation Department) oversight of ABLE**
 - Staff provide liaison, business, and financial services to ABLE
 - Grant Agreement - Aviation Department supports Bond payments – as required
 - Aviation Department receives Ground Lease/Administrative Fee payments
 - Operations of the Hotel are subject to Federal Aviation Administration regulations

ABLE – Timeline through 2017

- 1998 – City created ABLE
- 1999 – ABLE issued bonds, Series 1999A and 1999B totaling \$42,515,000
- 2001 – Austin Airport Hilton opened
- 2004 – ABLE defaulted on 1999 bonds debt service payments
- 2014 – ABLE began negotiations with 1999 bondholders to restructure debt
- 2015 – Hotel suffered roof damage, HVAC system failure, non-toxic ceiling mold
- 2016 – 1999 Bonds restructure agreement reached
- 2017 – ABLE issues Series 2017 bonds for \$45,600,000



2017 Bonds – Source & Use of Funds

SOURCE OF FUNDS

Series 2017 Bonds (par)	45,600,000
Original Issue Premium	<u>7,498,661</u>
TOTAL Source of Funds	<u><u>53,098,661</u></u>

USE OF FUNDS

Defeasance and discharge of 1999 Bonds	30,000,000 ***
HVAC & Remediation Project, inclds \$3M reimb to Aviation	4,000,000
Capital Projects	13,001,925
Working Capital	750,000
Senior Debt Service Reserve Fund	3,952,692
Cost of Issuance	<u>1,394,045</u>
TOTAL Uses of Funds	<u><u>53,098,661</u></u>

*** Note: Outstanding 1999 debt was \$62 million so ABLE recognized a \$32 million gain on the refinancing of this debt



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2017 Bond Indenture Requirements

- **2017 Bond Program - \$45,600,000**
- **Purpose:**
 - Refund the Series 1999 Bonds
 - Fund mold remediation and replacement of HVAC system
 - Fund additional capital improvements and operating expenses of the Hotel
 - Fund a debt service reserve fund
 - Pay costs of issuance
- **Semiannual payments**
 - April 1 – interest
 - October 1 – principal and interest
- **Mature October 2036**
- **Ratings: A3 (Moody's) / A- (S&P)**



2017 Bond Indenture Requirements

- Bonds are obligations of ABLE to be paid from Hotel revenues
- Grant Agreement - security for Bonds/Debt Service Reserve Fund
- Ground Lease – right to occupy AUS land; rental revenues to AUS
- ABLE primary contracts for Hotel operations
 - Franchise Agreement - Hilton Franchise Holdings, LLC.
 - Agreement expiration – December 31, 2032
 - Branding and corporate standards
 - Hotel Management Agreement – Boykin Prospera, LLC.
 - Agreement expiration – September 30, 2022 with two, one year options to renew
 - Operational and financial programs for Hotel
 - Renewals/extensions and future new Hotel management agreements are subject to City Council approval



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Financial Performance - 2017 to 2021

Hilton Austin Airport - Five Year Trend

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Budget
Revenue Occupancy	83.3%	83.6%	80.2%	32.6%	52.8%
Average Daily Rate	\$139.91	\$134.51	\$142.36	\$123.48	\$122.11
RevPar (revenue per available room)	\$116.50	\$112.43	\$114.11	\$40.20	\$64.48
Revenues (000's)	\$15,012	\$15,106	\$14,595	\$5,303	\$7,718
Gross Operating Profit (000's)	\$5,692	\$5,717	\$5,141	(\$20)	\$1,441
EBITDA (000's) - w/o extraordinary items	\$3,329	\$4,451	\$4,013	(\$1,519)	(\$634)

- Before the covid-19 pandemic, the hotel operated profitably and was EBITDA positive since 2017 bond restructuring.
- Even though the 2021 Budget is forecasting a recovery, estimated revenues are still just 50% of pre-pandemic levels with supply exceeding demand for hotel rooms.
- Above numbers exclude Airport's Grant payments for debt and PPP loans.

Hilton Airport vs. Mid-Priced Hotels Performance

• Hilton Airport

Year	Occupancy	Avg. Daily Rate	RevPar
2017	83.3%	\$139.91	\$116.50
2018	83.6%	\$134.51	\$112.43
2019	80.2%	\$142.36	\$114.11
2020A	32.6%	\$123.51	\$40.20
2021B	52.8%	\$122.11	\$64.48

• CBRE Mid-Priced Hotels

Year	Occupancy	Avg. Daily Rate	RevPar
2017	71.5%	\$131.16	\$93.72
2018	69.7%	\$130.35	\$90.84
2019	72.1%	\$133.68	\$96.38
2020F	43.8%	\$108.24	\$47.38
2021F	59.6%	\$105.16	\$62.67

- Pre-pandemic – The Hilton Austin Airport enjoyed premiums in all three major performance metrics of Occupancy, Average Daily Rate and RevPAR
- Occupancy and RevPAR exceeded competitive set before pandemic
- Since the pandemic, the Hilton Austin Airport Hotel experienced a deeper decline in occupancy due to reliance on Airport related business (transient business and airline crew)

Hilton Austin Airport – FY21 Performance Trend

2021	Jan Actual	Feb Actual	Mar Actual	Apr Actual
Revenue Occupancy	22.1%	34.8%	51.3%	52.1%
Average Daily Rate	\$106.46	\$109.74	\$110.30	\$122.22
RevPar (revenue per available room)	\$23.49	\$38.22	\$56.60	\$63.67
Revenues	\$236k	\$347k	\$571k	\$641k
Gross Operating Profit	(\$134k)	(\$67k)	\$109k	\$197k
EBITDA (w/o extraordinary items)	(\$212k)	(\$119.6k)	\$4.4k	\$86k

- Starting with March, the travel recovery has increased occupancy rates and revenues.
- The Hotel is now again outperforming its competitive sets in ADR and Revpar.



ABLE Governance - 2021

ABLE - Articles of Incorporation and Bylaws

- **Articles of Incorporation**

- December 10, 1998 – Original Articles of Incorporation for ABLE were filed
- April 22, 2021 - Council approved the Amended and Restated Articles of Incorporation
 - Updated Registered Agent and corporate address
 - Updated the authorized number of ABLE Board members

- **Bylaws**

- Simultaneously with the formation of ABLE, the Original Bylaws of ABLE were approved by Council allowing for three directors to constitute the Board of Directors
- February 22, 2001 – Amendment to Bylaws to increase the number of directors from three to five
- June 3, 2021 – Amended and Restated Bylaws were approved by Council allowing:
 - No fewer than three and no more than seven directors
 - Designating specific positions at the Aviation Department serve as directors
 - The Board of Directors to hire an full or part time President of the corporation



Board of Directors and ABLE Officers

- **Historical Board of Directors included:**

- City of Austin - Treasurer, ACM, CFO
- Department of Aviation - CEO, CFO, Sr. Staff (liaison)
- 2014 – 2020 – Mr. Greg Milligan, EVP of Harney Partners (Restructure Professional)

- **January 27, 2021 – Council approved the following directors**

- Tracy Thompson, Esq. – Airport Chief Officer – Administrative and External Affairs (VP of ABLE)
- Mukesh "Mookie" Patel – Airport Chief Officer – Business and Finance (Treas. of ABLE)
- Leslie Thorne, Esq. – HaynesBoone law firm
- Jennifer Williams – Project Management Supervisor, Department of Aviation (Secy. of ABLE)
- Angelo DeCaro – Quadrus Consulting

- **President of ABLE – Greg Milligan, EVP Harney Partners**



Looking Ahead

Looking Ahead

- Aviation Department will provide Council Quarterly Updates on the status of Council-approved Loan and Hotel financial results.
- ABLE is looking forward to the overall recovery of the hotel industry, the increase of air travel at AUS, and welcoming more guests to experience the beautifully renovated guestrooms and meeting spaces at Hilton Airport Austin.



Thank You
City of Austin, Department of Aviation
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