

Hilton Austin Airport

Information for Audit Finance Committee

City of Austin, Department of Aviation
April 27, 2022



Austin-Bergstrom
International Airport



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
- Guest Speaker: Willy Gonzalez
Secretary/Treasurer UniteHere Local 23



Agenda

- Financial Update
 - Operating Results: 2021 Q4 and 2022 Q1
 - Loan Agreement with City of Austin
 - Grant Agreement with City of Austin
- Resolution for City Rules
- Living Wage Implementation
- Labor Peace Agreement
- Upcoming RCA: Amendment to Hotel Management Agreement



Operating Results



Austin-Bergstrom
International Airport



Hilton Austin Airport Performance

2021 Q4 and 2022 YTD through March 31, 2022

2021	Oct 2021	Nov 2021	Dec 2021	Q4 2021	2021 Full Year
Occupancy	87.7%	84.6%	77.0%	83.1%	62.0%
ADR	\$175.29	\$145.05	\$137.40	\$153.41	\$136.06
Operating Revenues	\$1.4m	\$1.2m	\$1.1m	\$3.8m	\$9.9m
EBITDA before Grant and PPP	\$512k	\$402k	\$297k	\$1.2m	\$1.8m

2022	Jan 2022	Feb 2022	Mar 2022	2022 YTD
Occupancy	61.4%	79.8%	88.8%	76.6%
ADR	\$136.49	\$160.68	\$180.76	\$162.03
Operating Revenues	\$824k	\$1.2m	\$1.6m	\$3.6m
EBITDA before Grant and PPP	\$70k	\$346k	\$605k	\$1.0m

Acronyms

ADR: Average Daily Rate
EBITDA: Earnings Before Interest, Depreciation and Amortization
PPP: Paycheck Protection Program

Hilton Austin Airport 2021 Performance Trend

Actuals through December 31, 2021

2021	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD unaudited
Occupancy	22.1%	34.8%	51.3%	52.1%	53.1%	67.9%	73.9%	66.0%	71.8%	87.7%	84.6%	77.0%	62.0%
ADR	\$106	\$110	\$110	\$122	\$127	\$131	\$130	\$133	\$146	\$175	\$145	\$137	\$136
Operating Revenues	\$236k	\$347k	\$571k	\$641k	\$706k	\$856k	\$902k	\$890k	\$1.0m	\$1.4m	\$1.2m	\$1.1m	\$9.9m
EBITDA ^{before} Grant & PPP	(\$209k)	(\$120k)	\$4k	\$86k	\$55k	\$194k	\$163k	\$166k	\$248k	\$512k	\$402k	\$297k	\$1.8m

- 2021 Operating Revenues of \$9.9m exceeded Budgeted Revenues of \$7.7m by \$2.2m
- 2021 EBITDA ^{before} Grant & PPP of \$1.8m exceeded Budget of \$100k by \$1.7m

Acronyms

ADR:	Average Daily Rate
EBITDA:	Earnings Before Interest, Depreciation and Amortization
PPP:	Paycheck Protection Program

STAR Performance: Competitive Set Hotels (Austin)

2021 YTD through December 31, 2021

2021	Occupancy Dec YTD	ADR Dec YTD	RevPAR Dec YTD
Hilton Austin Airport	62.1%	\$135.77	\$84.35
Market: Austin	62.6%	\$127.12	\$79.63
Primary Competitive Set	49.8%	\$121.98	\$60.79

- Primary Competitive Set – DoubleTree @ 290, Marriott South, Austin Southpark Hotel, Radisson Hotel Austin
- DoubleTree – TX Dept. of Emergency Management winding down at hotel – in market since start of pandemic
- Austin Southpark Hotel – Omni was sold and rebranded in August, in future will become Tribute by Marriott
- Radisson Hotel Austin – previously Crowne Plaza

Acronyms

ADR: Average Daily Rate
RevPAR: Revenue per Available Room

STAR Performance: Airport Hotels Comparison

2021 YTD through December 31, 2021

2021	Occupancy Dec YTD	ADR Dec YTD	RevPAR Dec YTD
Hilton Austin Airport	62.1%	\$135.77	\$84.35
Airport Hotel Comparative Set	53.8%	\$107.46	\$57.86

Airport Hotel Comp Set – full-service hotels in non-hub airports with enplanements similar to AUS

- DoubleTree by Hilton - New Orleans Airport (MSY) **
- Hilton - New Orleans Airport (MSY)
- Marriott - St Louis Airport (STL)
- Crowne Plaza - St Louis Airport (STL)
- Sheraton Hotel - Portland Airport (PDX)
- Marriott - Pittsburgh Airport (PIT)

** Temporarily closed portion of
2021 due to Hurricane Ida.

Acronyms

ADR: Average Daily Rate
RevPAR: Revenue per Available Room



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STAR Performance: Competitive Set Hotels (Austin)

2022 YTD through March 31, 2022

	Occupancy Mar YTD	ADR Mar YTD	RevPAR Mar YTD
Hilton Austin Airport	76.7%	\$161.74	\$124.02
Market: Austin	62.8%	\$157.83	\$99.04
Primary Competitive Set	48.8%	\$136.79	\$66.80

- Primary Competitive Set – DoubleTree @ 290, Marriott South, Austin Southpark Hotel, Radisson Hotel Austin
- DoubleTree – TX Dept. of Emergency Management winding down at hotel – in market since start of pandemic
- Austin Southpark Hotel – Omni was sold and rebranded in August, in future will become Tribute by Marriott
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Acronyms

ADR: Average Daily Rate
RevPAR: Revenue per Available Room

STAR Performance: Airport Hotels Comparison

2022 YTD through March 31, 2022

2022	Occupancy Dec YTD	ADR Dec YTD	RevPAR Dec YTD
Hilton Austin Airport	76.7%	\$161.74	\$124.02
Airport Hotel Comparative Set	61.6%	\$119.81	\$73.80

Airport Hotel Comp Set – full-service hotels in non-hub airports with enplanements similar to AUS

- DoubleTree by Hilton - New Orleans Airport (MSY) **
- Hilton - New Orleans Airport (MSY)
- Marriott - St Louis Airport (STL)
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Loan Agreement – Through 2022 Q1

Loan Overview

- Purpose:
To cover hotel operating expense shortfalls and certain required administrative expenses under the 2017 Bond Indenture for 2020 through 2022, resulting from the impact of COVID-19
- Loan Amount: \$2,600,000
 - Base Loan – set amount to fund after closing: \$1,350,000
 - Contingency line of credit – available if needed: \$1,250,000
- City Council approval:
June 3, 2021



Loan Draws and Spending

Through March 31, 2022

Base Loan – funded August 9, 2021	\$1,350,000
Total Draw Amount	<u>\$824,599</u>
Loan Proceeds Returned to Dept. of Aviation	<u>\$525,401</u>

- Due to better than anticipated recovery of hotel occupancy, full Base Loan was not needed
- Unused loan proceeds of \$525,401 were transferred to Department of Aviation on March 11, 2022



Grant Agreement Update

Grant Update

2017 Grant Agreement to support ABLE's bond payments

Requires Dept. of Aviation to replenish to Debt Service Reserve Fund if Hotel proceeds are insufficient

- Grant Agreement Payments
 - October 1, 2020 payment amount of \$1,561,041 to DSRF
 - April 1, 2021 payment amount of \$1,084,391 to DSRF
 - October 1, 2021 payment in the amount of \$2,188,609 to DSRF
- Future Grant Agreement Payments
 - No future payments are anticipated
 - Grant Agreement remains as an obligation in the Bond Indenture
- Total Payments to Date: \$4,834,041



Credit Rating Upgrade by S&P

- In connection with rating Airport's revenue bonds, S&P also updated its rating of ABLE's bonds.
- Upgrade from 'A-' to 'A'
- ABLE's bond ratings benefit from surplus net airport revenues pledge under the Grant Agreement



ABLE Board Resolution

ABLE Board Resolution

- On February 22, 2022, ABLE's Board of Directors passed a resolution regarding ABLE's commitment:
 - To comply with all applicable rules of the City of Austin
 - Applicable rules currently in effect, promulgated in the future, and as may be amended from time to time
- Examples include, but are not limited to, the City's rules on:
 - Living Wage
 - Better Builder Program (third party development)



Living Wage Implementation



Living Wage and Hilton Austin Airport

- Current City Living Wage: \$15/hr
- ABLE approved an Amended 2022 Operating Budget that implemented wage changes at the Hotel
- Effective February 18, 2022, wages for non-tipped employees were increased to the City's \$15 living wage



Labor Peace Agreement

Labor Peace Agreement

- In Fall 2021, UNITEHERE contacted Dept. of Aviation to discuss options related to a Labor Peace Agreement (LPA)
- Dept. of Aviation facilitated the negotiations between:
 - Boykin Prospera LLC
 - UNITE HERE Local 23
- LPA executed April 4, 2022
 - Parties agree to waive certain rights under federal law regarding union organizing activities
 - Union - refrain from strikes; Employer - remain neutral on organizing activities
- LPA achieved in advance of the requirements of Resolution No. 20210603-075
- ABLE corporation supports the LPA between Prospera and UNITEHERE



Upcoming RCA: Amendment to Hotel Management Agreement



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Amendment to Hotel Management Agreement

- Current Hotel Management Agreement expiration – October 31, 2022
- Proposed Amendment to Hotel Management Agreement:
 - Extend Term to October 31, 2024
 - Includes labor peace objectives established in Resolution No. 20210603-075
 - Includes the City of Austin Living Wage requirements
- Schedule:
 - April 27, 2022 – Audit & Finance Committee briefing today
 - May 23, 2022 – ABLE's Board to approve draft Amendment to Management Agreement
 - June 14, 2022 – Airport Advisory Commission - recommendation for RCA
 - June 16, 2022 – RCA for Council approval of Amendment to Management Agreement



Comments

Willy Gonzalez – Secretary/Treasurer Unite Here Local 23



Thank you,
City of Austin, Department of Aviation
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