

Hilton Austin Airport

Information for
Audit and Finance Committee

City of Austin, Department of Aviation
July 25, 2023



Austin-Bergstrom
International Airport



Introductions

- **Tracy Thompson, Esq.**

- Airport Chief Officer, Administrative & External Affairs
- Vice President, Austin-Bergstrom Landhost Enterprises, Inc. (ABLE)

- **Rajeev Thomas**

- Airport Deputy Chief – Finance



Agenda

- **Overview**
- **Financial Update**
 - Operating Results
 - Loan Agreement with the City of Austin
 - Grant Agreement with the City of Austin
- **Other Highlights**
 - Renovations Program
 - Labor Union
 - Management Agreement



Overview

Hilton Austin Airport – Unique Facility

- **Former Bergstrom Air Force Base Headquarters**

- Opened in 1968
- Three stories
- Underground bunker
- Enclosed courtyard
- Base closed in 1993



*Austin American Statesman
December 17, 2000*

- **Hilton Austin Airport**

- Opened in 2001
- Four stories
- Full-service lodging facility
- 262 guestrooms, restaurant, lounge, meeting spaces



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Hilton Austin Airport – Structure & Operations

- **Austin-Bergstrom Landhost Enterprises, Inc. (ABLE)**
 - Texas nonprofit public facility corporation created by the City of Austin (City) in 1998
 - Authorized under Chapter 303 of Texas Local Government Code
- **ABLE acts on behalf of the Department of Aviation – subject to FAA Regulations**
 - Created to be the Issuer of tax exempt bonds
 - Construct/improve public facilities at the Airport – Hilton Austin Airport (Hotel)
 - Original 1999 bonds were refinanced in 2017
- **Department of Aviation (Department) oversight of ABLE**
 - Department staff provide liaison, business and financial services to ABLE
 - Grant Agreement – Department supports bond payments, as required
 - Ground Lease – Department receives ground rent and administrative fees
- **ABLE primary contracts for Hotel operations**
 - Franchise Agreement – Hilton Franchise Holdings, LLC
 - Hotel Management Agreement – Boykin Prospera, LLC

Operating Results



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Hilton Austin Airport – Performance Trend

2019 – 2022

Metric	2019	2020	2021	2022	2023 Budget
Occupancy	80%	33%	62%	82%	82%
ADR	\$142	\$124	\$136	\$164	\$175
RevPAR	\$114	\$40	\$84	\$135	\$144
Operating Revenues	\$14.6m	\$5.3m	\$9.9m	\$16.3m	\$17.6m
EBITDA <small>before Grant & PPP</small>	\$4.0m	(\$1.5m)	\$1.8m	\$5.1m	\$4.8m

Acronyms

ADR: Average Daily Rate
 EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization
 PPP: Paycheck Protection Program
 RevPAR: Revenue per Available Room



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Hilton Austin Airport – Year to Date Results

2023 through May 31, 2023

Metric	May 2023 YTD	Budget YTD	Variance to Budget	% Variance	May 2022 YTD	YOY Change	% Change
Occupancy	88%	84%	4 pts	4%	81%	7 pts	8%
ADR	\$165	\$172	(\$7)	-4%	\$166	(\$2)	-1%
RevPAR	\$145	\$145	\$0	0%	\$136	\$10	7%
Operating Revenues	\$7.3m	\$7.4m	(\$97k)	-1%	\$6.7m	\$572k	9%
EBITDA before PPP	\$2.1m	\$2.0m	\$73k	4%	\$2.2m	(\$39k)	-2%

Acronyms

ADR:	Average Daily Rate
EBITDA:	Earnings Before Interest, Taxes, Depreciation and Amortization
PPP:	Paycheck Protection Program
RevPAR:	Revenue per Available Room



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Hilton Austin Airport – Prior Year STAR

Year Ended December 31, 2022

2022	Occupancy	ADR	RevPAR
Hilton Austin Airport	82.4%	\$163.63	\$134.89
Austin Market	68.0%	\$167.65	\$114.07
Competitive Set	52.6%	\$145.65	\$76.57

Competitive Set:

- Austin Southpark Hotel – to become Tribute by Marriott in the future, currently marketed on all Marriott platforms
- Radisson Hotel Austin – previously Crowne Plaza
- DoubleTree @ 290 – TX Dept. of Emergency Mgmt. contract expired Nov. 2022
- Marriott South

Acronyms

ADR: Average Daily Rate

RevPAR: Revenue per Available Room



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Hilton Austin Airport – Current Year STAR

2023 YTD through May 31, 2023

May 2023 YTD	Occupancy	ADR	RevPAR
Hilton Austin Airport	88.1%	\$164.52	\$145.00
Austin Market	69.8%	\$178.97	\$124.84
Competitive Set	62.8%	\$156.00	\$97.92

Competitive Set:

- Austin Southpark Hotel – to become Tribute by Marriott in the future, currently marketed on all Marriott platforms
- Radisson Hotel Austin – previously Crowne Plaza
- DoubleTree @ 290
- Marriott South

Acronyms

ADR: Average Daily Rate

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Loan Agreement



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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

- Base Loan – set amount funded after closing: \$1,350,000
- Contingency line of credit – available if needed: + 1,250,000
- Maximum loan amount: \$2,600,000

City Council approval

June 3, 2021



Loan Paid in Full

Loan Activity

Base Loan funded – Aug. 2021	\$ 1,350,000
Less: Proceeds returned – Mar. 2022 *	(525,401)
Principal Balance	824,599
Plus: Accrued Interest at 2% interest	27,120
Principal & Interest	851,719
Less: Loan payment – Apr. 2023 ✓	(851,719)
Loan Balance	\$ -

* Due to better than anticipated recovery of hotel occupancy, full Base Loan was not needed. ABLE transferred unused loan proceeds to Dept. of Aviation.

✓ Due to strength of its 2022 results, in April 2023 ABLE paid the loan in full.

Grant Agreement Update

Grant Agreement

- 2017 Grant Agreement is to support ABLE's 2017 bonds.
- Requires Dept. of Aviation to replenish deficiency in ABLE's Debt Service Reserve Fund (DSRF), if airport funds are available.

- Grant Payments to Date:

10/1/2020	\$ 1,561,041
4/1/2020	1,084,391
10/1/2021	2,188,609
Total	\$ 4,834,041

- Future Grant Payments:
 - No additional payments are anticipated.
 - Grant Agreement remains as an obligation in the Bond Indenture.

Other Highlights



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Hilton Austin Airport – Renovation Program

Completed Renovations

Phase 1: Guestrooms Renovation – \$11.0 million

Comprehensive guestrooms renovations, including:

- Renovations to bathrooms
- Furniture and soft goods replacement

Completed: Oct. 2020

Phase 2: Meeting Spaces, Other – \$2.1 million

Renovation of meeting spaces and other items:

- Carpet and furniture replacement
- Refinish of doors and wood trim
- Replace outdoor brand signage
- Rehabilitation of outdoor pool

Completed: Dec. 2020 (meeting spaces) and Jul. 2021 (other)

Future Renovations

Phase 3: Public Spaces

To include lobby, check-in desk, restaurant and lounge

- Will be implemented in separate projects based on funding availability
- Conceptual design is underway; will be used in prioritizing the use of funds



Labor Union Activity

- **Labor Peace Agreement**

- Effective April 2022
- Negotiated by and executed between Boykin Prospera LLC (“Prospera”) and UNITEHERE Local 23 (“Unite Here”).



- **Exclusive Bargaining Representative**

- Effective November 2022
- Unite Here was authorized by a majority of the hotel employees to be their exclusive bargaining representative.

- **Collective Bargaining**

- Negotiations are underway between Prospera and Unite Here representatives
- Parties held first in-person meeting June 13, 2023
- Tentative agreement ready for ratification vote in August, 2023



Management Agreement Update

- **Living Wage**

- ABLE Board of Directors approved City of Austin Living Wage requirements for Hotel employees effective February 18, 2022
- September 9, 2022, ABLE and Prospera executed an amendment to the management agreement, which formally included the of City of Austin living wage requirements
- Effective October 1, 2022, wages for non-tipped employees increased to \$20

- **New Management Agreement**

- Current agreement ends October 31, 2024
- ABLE and Prospera intend to enter into a new management agreement
- In accordance with Resolution No. 20210603-075, the new agreement will be brought to Council for approval prior to its execution

Thank you,
City of Austin, Department of Aviation
Austin Bergstrom International Airport

