



A Proposed Convention Center Hotel

Presentation to City of Houston's City Council Budget and Fiscal Affairs Committee
December 6, 2012

HOUSTON *First*
CORPORATION

Process

- Selection Committee
 - Ric Campo (HFC Board Chairman)
 - David Solomon (HFC Board Member)
 - Katy Caldwell (HFC Board Member)
 - Deon Warner (HFC Board Member)
 - Andy Icken (Chief Development Officer, City of Houston)
- Request for Qualifications
 - Local and national advertising
 - Over 100 attended the pre-submittal meeting
 - 11 responses received
 - 6 teams interviewed
- Term Sheet Negotiations
 - Negotiated with 2 firms: Rida Development Corp & Omni/TRT Holdings
 - Detailed term sheets and conceptual design
 - Selection committee recommended contract negotiations with Rida
 - 10 year shorter City rebates/abatements
 - \$12 million lower cash grant



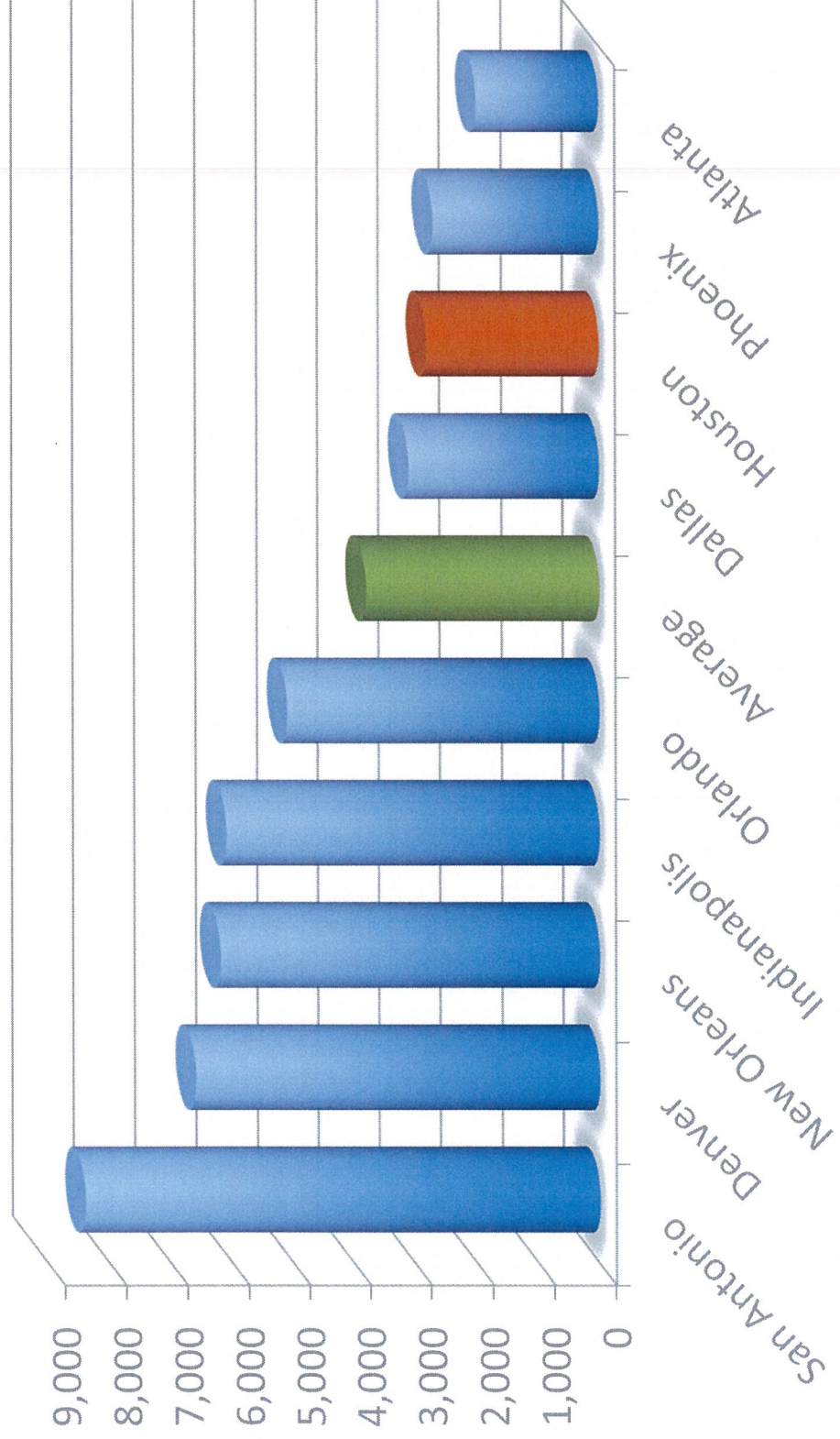
Success of Hilton Americas-Houston

- Since opening, Hotel has generated positive net operating income
- Project has funded annual debt payments and capital reserves
- Positively impacted the competitive set with rising average daily rate and Revenue Per Available Room
- Contributed over \$21 million available for other economic development and/or City related projects.
- Hotel's appreciation has enabled the ability to finance a second convention center hotel
- Helped book marquee events such as Super Bowl XXXVIII, Microsoft, Starbucks, NAACP National Convention, NCAA's Final Four, NBA All Star, Senior Olympic Games, and Helicopter Association International.



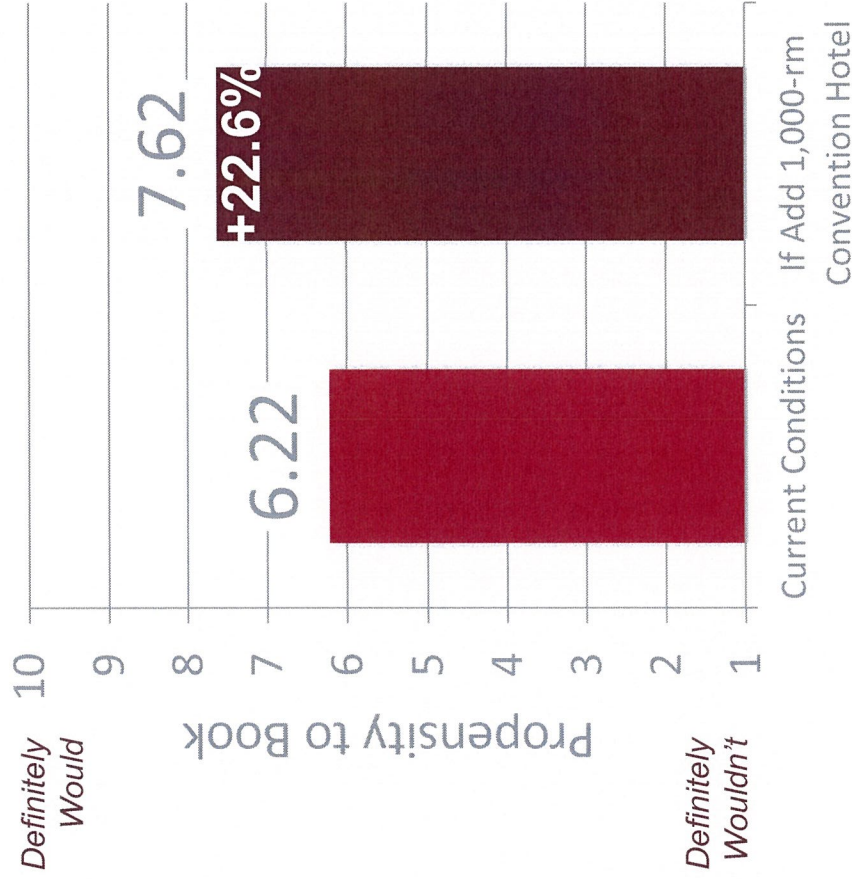
Competition

Hotel Rooms Within 10 Minute Walking Distance



Target Market Survey

What is your likelihood of booking a citywide event in Houston?



- 650 national, CVB targeted meeting planners surveyed
- 106 responses
- With added hotel, 74% indicated 7+
- Equates to 60,000 new citywide room nights annually
- Plus approximately 200,000 in incremental in-house group room nights

Rida Development Corp

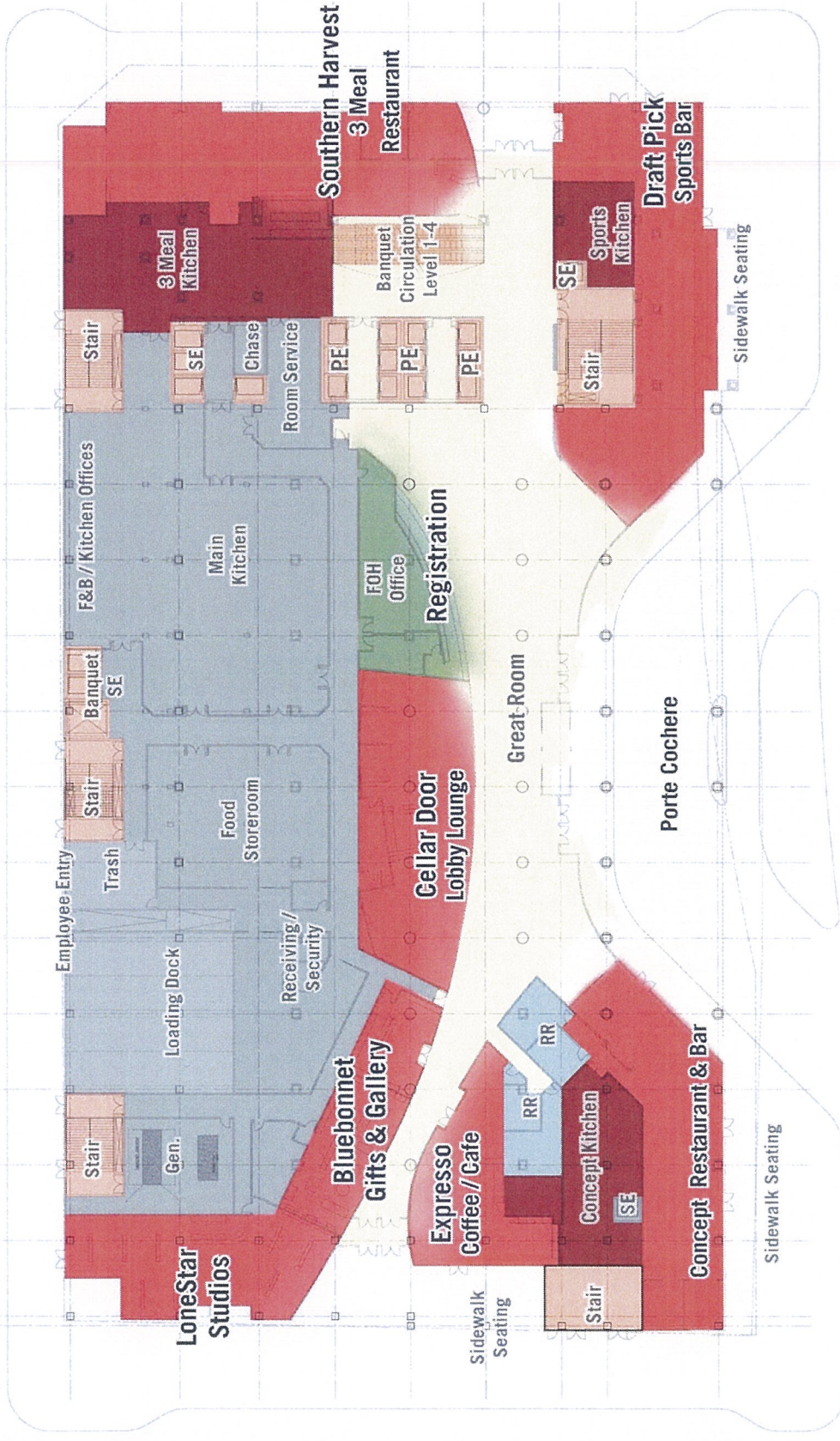
- Founded in 1972
- Houston based – U.S. and European assets
- Managing partner of 14 million sf of real estate
- \$5 billion under management and development
- Core hotel assets:
 - 1,400-rm Hilton Orlando
 - 1,200-rm Hyatt New Orleans
 - 720-rm Omni Champion's Gate
 - 465-rm Doubletree Pittsburgh
 - 440-rm Sheraton Lake Buena Vista





Street Level

Rusk Avenue



Crawford Street

Walker Avenue

McKinney Street

Discovery Green

Avenida De Las Americas

CONVENTION CENTER HOTEL - HOUSTON
TOWER DIAGRAM

MORRIS
ARCHITECTS



Texas Sky River





Hotel Development Cost



Total Hotel Cost \$324,200,000

Funded by:

Rida Development Corporation * \$265,500,000

Direct Investment by HFC – Land 31,700,000

Direct Investment by HFC – Cash Grant 27,000,000

Total Sources of Funds \$324,200,000

- City rebates partially offset by garage easement payments from Rida totaling \$31 million over 50 years.
- City rebates/abatements reduced for Net Operating Income in excess of a 12% cash-on-cost return; a mechanism to share the benefits of a windfall.

* Supported by the following rebates:

- State Hotel Occupancy and Sales Taxes – 10 years
- HFC/City Hotel Occupancy Taxes – 20 years
- City Sales, Mixed Beverage and Ad Valorem Taxes – 20 years

Public Investment



- **Components**

– HFC: Land for Hotel Site and Cash Grant	\$58,700,000
– HFC: Parking Garage (self supporting)	31,000,000
– HFC: ADLA Improvements / Retail Development	<u>25,300,000</u>
Total	<u>\$115,000,000</u>

- **Structure**

- Houston First Corporation debt - mortgage on Hilton Americas-Houston
- Repayment from Houston First resources
- No use of City general funds: does not impact City's general obligation debt model

Economic Impact



	Construction	Annual Operations
Spending		
Direct <i>(excluding land)</i>	\$293m	\$119m
Indirect and Induced	<u>253m</u>	<u>85m</u>
Total Spending Impact	<u>\$546m</u>	<u>\$204m</u>
Direct Jobs	1,880	700
Indirect & Induced Jobs		
<hr/>		
Taxes Over 30 Years	Total	NPV
City/HFC*	\$103m	\$34m
Other Local	84m	39m
Metro	19m	8m
County	79m	35m
State*	<u>298m</u>	<u>121m</u>
Total Tax Impact	<u>\$583m</u>	<u>\$237m</u>

- **City Role**

- Approval of Economic Development Ordinance

- **Public ROI**

- 18%

* Taxes related to annual operation are net of 10 year state and 20 year city rebates.

Target Dates

May 2014

Construction

Commences

May 2016

Opening



Council Action



- Approve Program Administration Agreement between City and HFC
 - HFC Program Administration
 - Rebate/Abatement Agreement
 - Skybridge Agreement
 - Hilton Americas Lien Release
 - Neutrality Covenant
 - Diversity Covenant
- Approve Amending HFC Articles to Enable Transaction
 - Financing, Development, ect.
- Will Return to Council for:
 - Parking Garage Land Conveyance & Abandonments
 - Hotel Site Abandonments
- Mayor’s Confirmation
 - Council approved structure is incorporated in all agreements
 - Development, Financing, Neutrality, Diversity, Room Block, etc.