



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 12/8/2020

ALL

Item Creation Date: 11/24/2020

Houston First Corporation Calendar Year 2021 Budget

Agenda Item#: 13.

Summary:

Recommendation from the acting director of the Convention & Entertainment Facilities Department for approval of Houston First Corporation's CY2021 budget.

Background:

As a result of the COVID-19 pandemic, Houston First has been forced to pivot away from measuring success based on metrics like room nights and major events towards a measure based upon creating value for the wide range of stakeholders in Houston's hospitality, travel, and tourism industry. As a result of this pivot, value creation is the primary lens through which HFC will view both the opportunities and challenges 2021 will provide.

In addition to value creation, 2021 will also include a renewed focus on innovation permeating everything we do and sell, promoting Houston's brand appeal and awareness, lowering costs while improving productivity, generating revenue, and delivering unparalleled experiences.

The ramifications of Hurricane Harvey, the downturn in the oil & gas industry, and the economic shockwaves created by the COVID-19 pandemic all inform the budget outlook for HFC going into 2021. Though the major recovery work from Hurricane Harvey was completed in 2018 and 2019, 2020 was designed to be a year focused on financial recovery from the over \$150 million spent to restore the Wortham Theater Center and Theater District parking garages. Unfortunately, the economic impact of COVID-19 caused HFC to shift its focus away from Harvey related financial restoration to taking all possible steps to provide as many opportunities to our industry as possible, while also protecting the long-term viability of the Corporation.

Included below is a snapshot of some of the major metrics HFC tracks that serve to quantify the impacts COVID-19 had on HFC in 2020. The negative impacts ripple throughout the hospitality, travel, and tourism industry, which employed nearly 90,000 of our friends and neighbors prior to COVID-19.

- 36% reduction in HFC workforce
- \$41 million reduction in local hotel occupancy tax collection (48% decrease from approved 2020 budget)
- \$13.8 million reduction in parking revenue (63% decrease from approved 2020 budget)
- \$251 million in economic impact lost from cancelled business resulting in lost room nights
- Loss of 27 city-wide conventions and events
- \$52 million reduction in venue revenue (68% decrease from approved 2020 budget)

The HFC Board directed staff to actively monitor revenue and expenses at the outset of the pandemic, which helped to mitigate the negative impact to the organization. The HFC board took the additional step of adopting a revised budget in July of 2020, and this nimbleness will remain with the organization for the foreseeable future.

Despite these impacts and challenges, HFC's 2021 budget includes the following contributions paid directly to, or on behalf of, the City of Houston:

- \$10.808 million of current hotel occupancy tax revenue to fund the City's arts-related contracts
- \$2.246 million lease payment to the City
- \$470,000 to the City for protocol services
- \$425,000 to the City for the promotion of business travel and hotel occupancy, as the City determines appropriate
- \$242,500 to the City for traffic control services within the Central Business District and around Avenida Houston
- Payment on the City's behalf of \$1.210 million to Discovery Green and \$1.1 million to the Hobby Center for the Performing Arts

This item was presented at the December 8, 2020 meeting of the Budget & Fiscal Affairs Committee.

The Convention and Entertainment Facilities Department recommends approval of HFC's calendar year 2021 budget.

DocuSigned by:

Michael Heckman

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Michael Heckman, Acting Director, Convention & Entertainment Facilities Department
Acting President & CEO, Houston First Corporation

City Council Action

Prior Council Action:

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ATTACHMENTS:

Description

HFC CY21 Budget

Type

Financial Information