

# Hilton Austin Airport



Austin-Bergstrom  
International Airport



## Information for Airport Advisory Commission

City of Austin, Department of Aviation  
May 10, 2022



# 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



# 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*





# 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
  - Ground Lease - Aviation Department receives Ground Rent/Administrative Fees
  - Operations of the Hotel are subject to Federal Aviation Administration regulations

# Briefings to AAC Regarding Hotel

- **AAC Hotel briefings since the emergence of COVID-19**

- 11/10/2020 – Hotel Property/Facility, Structure and Operations and Financial Information
- 03/09/2021 – Update including COVID Impact, Loan Development, and Grant Pledge
- 04/13/2021 - Update including ABLE Governance, Loan Agreement and Grant Payments
- 12/14/2021 - Update on Loan Draws and Spending, 2021 Financial Performance
- 04/11/2022 – AAC Finance Working Group – General Update on 2022 Financials
- 05/10/2022 – Briefing on Report to Council Audit Finance Committee

- **Up Next**

06/14/2022 – RCA for Amendment to Management Agreement



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## Information for Audit Finance Committee

City of Austin, Department of Aviation  
April 27, 2022



# 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



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# 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 <sup>before</sup> 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 <sup>before</sup> 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



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# 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



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# 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
- Radisson Hotel Austin – previously Crowne Plaza

### 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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#### Acronyms

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# Loan Agreement – Through 2022 Q1



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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: \$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



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# 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

# 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: *[updated for AAC]*
  - April 27, 2022 – Audit & Finance Committee briefing
  - May 23, 2022 – ABLE's Board to review draft Amendment to Management Agreement
  - June 14, 2022 – AAC – RCA – Amendment to Management Agreement
  - June 16, 2022 – ABLE Council Briefing for 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  
Austin Bergstrom International Airport



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