Hilton Austin Airport

Information for
Austin City Council - Audit and Finance Committee

City of Austin, Department of Aviation
May 26, 2021
Introductions and Agenda

- **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

**Agenda** –
Hilton Hotel Resiliency Program Summary

- RCA – City Council Meeting - June 3, 2021
  - Approve amendment to ABLE’s Bylaws
  - Authorize negotiation and execution of Loan Agreement

- Future Discussions - Audit Finance Committee
Hilton Austin Airport – Structure & Operations

• Austin-Bergstrom Landhost Enterprises, Inc. (ABLE)
  • Texas nonprofit public facility corporation created by City of Austin in 1998
  • Created to be the Issuer of tax exempt bonds to construct Hotel facility at AUS

• ABLE corporation operates the Hilton Austin Airport Hotel

• ABLE primary contracts for Hotel operations
  • Franchise Agreement - Hilton Franchise Holdings, LLC.
  • Hotel Management Agreement – Boykin Prospera, LLC.
  • Ground Lease – City of Austin Dept. of Aviation
  • Grant Agreement – City of Austin Dept. of Aviation
  • 2017 Bond Indenture – Trustee usbank
Hilton Austin Airport – COVID 19 Impact

AUS passengers dropped 63% in 2020

Hilton Hotel occupancy dropped 60% in 2020
Hilton Austin Airport Hotel Resiliency Program
Hilton Austin Airport – Resiliency Program

- ABLE/Prospera reduced Corporate and Operating Expenses by 44%
  - Reductions in staffing – to match demand
  - Renegotiation of contracts – reductions in scope
  - Postponed certain services and capital program
  - Waiver of certain fees by Prospera
  - Deferral of fees to Hilton (franchisor) and large vendors

- ABLE received PPP1 loan under CARES Act = $907,555
  - Due to low demand, hotel created project list in order to bring back associates
    - Re-hired 75 associates out of 123 FTE per loan application
    - Identified 46 projects totaling 22,440 work hours
  - 83% used for payroll
  - Expectation - entire $907,555 will be forgiven in FY21

- ABLE Received PPP2 loan = $1,270,573
Hilton Austin Airport – Resiliency Program

Department of Aviation instituted actions consistent with Bond Indenture

- Ground Lease - Deferred Ground Lease payments
- Grant Agreement - Debt Service Reserve Fund
  - October 1, 2020 - $1,561,101 – Paid
  - April 1, 2021 - $1,084,500 - Pending Payment
  - October 1, 2021 - $2,224,500 - Anticipated
  - April 1, 2022 - $1,056,000 – Anticipated
- ABLE Corporate Reports – Requested extensions
- Business Continuity Planning
  - Governance - ABLE Amended Bylaws (pending approval)
  - Financial - New Loan Agreement (pending approval)
Hilton Austin Airport – Resiliency Program

Business Continuity Planning – Pending Actions

• ABLE Amended Bylaws
  • City Council approval for new Management Agreement and any extensions
  • Approved by ABLE Board of Directors – May 17, 2021

• Loan Agreement between Dept. of Aviation and ABLE
  • Purposes
    • Assurances to Bond Trustee and external auditor that ABLE remains a going concern
    • Funding for 2020 deferred payments obligations
      • Operating budget - vendors/suppliers
      • Corporate budget – professional services, Bond Indenture reports (audit, engineering)
    • Augment PPP loan proceeds - insure ability to re-hire and hire new associates at market wages
    • Bridge “recovery profile” period – (return to 2019 occupancy and revenue levels)
  • Structure
    • Initial Draw – cover 2020 deferred payment obligations
    • Line of Credit – to be drawn “with demonstrated need” during recovery profile period
Hilton Austin Airport – Resiliency Program

Loan Agreement – Basic Terms

• Draw Period:
  • Start: Date of loan closing, anticipated to be 7/1/2021
  • End: 12/31/2022
• Initial Draw – July, 2021
  • Calendar Year 2020 - COVID-19 Deferred Payments Obligation
  • Initial Draw Amount - $1,350,000
• Subsequent Draws – Based on demonstrated need
  • Available through December 31, 2022
  • Subsequent Draw(s) Amount – not to exceed $1,250,000
• Loan Interest Rate: 2%
• Payments
  • Interest Only Payment - April 1, 2024
  • Principal/Interest Payments - Equal annual payments - April 1, 2025 to March 31, 2028
Thank You
City of Austin, Department of Aviation
Austin-Bergstrom International Airport