

Attachments



Convention Center Hotel Financings



CITY OF DALLAS

March 26, 2008

 First Southwest Company

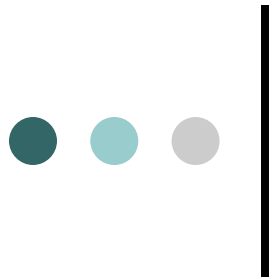


Objective



Summary of Convention Center Hotel Financings given certain financial statements for the following:

- Austin Convention Center Enterprises, Inc.
- Houston Convention Center Hotel Corporation
- Metropolitan Pier and Exposition Authority (Chicago, IL)



Convention Center Hotel Financings

Austin Convention Center Hotel





Austin Convention Center Hotel



Project Description

- 800-room Hotel managed by Hilton Hotels Corporation
- Full service, first class, convention oriented upscale hotel including:
 - 800 Guest Rooms
 - Two full-service restaurants and lobby bar
 - 60,000 gross square feet of meeting space
 - 600-space underground parking garage

Opening Date

- January 2004

Key Participants

- Municipal Sponsor: City of Austin
- Issuer: Austin Convention Enterprises, Inc.
- Sole-Managing Underwriter: Piper Jaffray
- Hotel Manager: Hilton Hotels Corporation

Case Study: Austin Convention Center Hotel – Financing Overview



- The financing structure included:
 - \$109.665 million in senior lien current interest bonds
 - \$134.95 million in subordinate lien bonds insured by ZC Specialty Insurance
 - \$20.50 million in third-tier subordinate manager and developer bonds
- City of Austin’s financial contribution was limited to \$15.0 million
 - No ongoing obligation
- Low reserve fund requirements as a result of non-conventional multi-line guarantor (ZC Specialty)
 - \$6.0 million Senior Debt Service Reserve Fund
 - \$2.0 million Subordinate Senior Debt Service Reserve Fund
 - \$1.25 million Operating Reserve Fund and Working Capital

Case Study: Austin Convention Center Hotel – 2006 Restructuring



- The capital structure included:
 - \$165.0 million in senior lien current interest bonds
 - “AAA” insured by XL Capital
 - Sold at a rate of 4.61% (TIC) and 5.09% (AIC)
 - \$95.2 million in subordinate lien bonds
 - Rated BB/Ba2
 - Sold at a rate of 5.33% (TIC) and 5.58% (AIC)
- The restructuring provided over \$90.0 million in present value benefits:
 - Rebate of \$24.0 million of the 2001 bond insurance premium
 - Elimination of substantial ongoing insurance premiums
 - Restructuring of subordinate obligations and hotel operator agreement
 - Generated substantial profits which are distributed to the City annually by eliminating the multi-line guarantor

Case Study: Austin Convention Center Hotel – Performance

Total Bonds Outstanding:	\$ 268,439,470 (Series 2006 Refunding Bonds and Series 2001 Bonds)	
Other Sources:	City-wide HOT	
Management:	The Corporation entered into a 15 year hotel management agreement with Hilton Hotels Corporation.	
Primary Security Provisions:	1) Pledge of Net Revenues 2) Trust Estate per Indenture 3) Lockbox Fund 4) Debt Service reserve fund / surety	
Performance:	2006	2005
OPERATING REVENUE	\$ 56,069,784	\$ 49,862,413
OPERATING EXPENSES	51,443,743	45,154,199
Operating Income	\$ 4,626,041	\$ 4,708,214
NON-OPERATING REVENUE (EXPENSES)	(7,832,904)	(17,410,910)
Change in Net Assets	\$ (3,206,863)	\$ (12,702,696)
Fund equity (deficit) at beginning of period	(26,811,943)	(14,109,247)
FUND DEFICIT AT END OF PERIOD	\$ (30,018,806)	\$ (26,811,943)
Debt Structure:	Series 2006A Fixed Rate, Semi-annual interest ranging from 4.00 to 5.25% Revenue Refunding Bonds Series 2006B Fixed Rate, Semi-annual interest ranging from 5.75 to 6.00% 2nd Tier Revenue Refunding Bonds Series 2001C-1 Fixed Rate, Semi-annual interest at 9.75% 3rd Tier Revenue Bonds Series 2001C-2 Fixed Rate, Semi-annual interest at 9.75% 3rd Tier Revenue Bonds	
2006 Debt Service Coverage Ratio:	Cannot be determined.	



Convention Center Hotel Financings

Houston Convention Center Hotel





Houston Convention Center Hotel



Project Description

- Expansion of the City's existing convention facility to add 700,000 square feet
- 1,200 room convention center hotel with two-level sky-bridge
- 1,600 car parking garage to service the facilities
- Refunding of all outstanding fixed rate bonds and commercial paper

Key Participants

- Municipal Sponsor: City of Houston
- Issuer: Convention and Entertainment Facilities Department
- Senior Managing Underwriter: UBS
- Hotel Manager: Hilton Hotels Corporation

Case Study: Houston Convention Center Hotel – Financing Overview



- The financing structure included:
 - Total Bond Issuance: \$626,539,594
 - \$150.335 million Series 2001A Fixed Rate Bonds
 - \$326.205 million Series 2001B Fixed Rate Bonds
 - \$150.0 million Series 2001C Variable Rate Bonds – Auction Rate Securities
 - Moody's: "Aaa" (Underlying "A3")
 - S&P: "AAA" (Underlying "A-")
 - AMBAC insured (33.7 bps insurance premium)
- City of Houston provided general obligation pledge to the Hotel Bonds
- Occupancy level ranges from 60 – 68% annually.
- Currently, the City is considering an asset sale of the Hotel to private investors and adding an additional 800 rooms to the Hotel.

Case Study: Houston Convention Center Hotel – Sources of Debt Service Payment



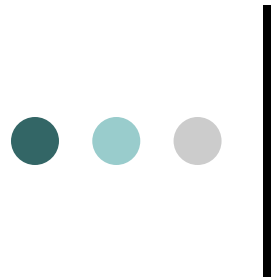
- 5.65% of the City of 7% Houston's Hotel Occupancy Tax
- Parking revenues of seven large parking facilities owned/operated by the City in the central business district.
- Several tax rebates generated in the hotel based on state law. This pledge is limited to the first 10 years of operation.
- Estimated Coverage: 1.40x except for construction period which has at least 2.0x
- Included as one of the revenue streams is a rebate of taxes generated by the Hotel. This rebate results from the Texas Legislature's passage of a law which permits a taxing unit to enter into an agreement with the owner of a qualified hotel project to refund, rebate, or pay certain taxes that are generated, paid or collected by that hotel during the first 10 years of its operation.
- It appears the Houston Convention Center Hotel is meeting its debt service coverage.

Case Study: Houston Convention Center Hotel – Performance

Total Bonds Outstanding:	\$ 296,315,000 (Series 2001 HOT Bonds)	
Other Sources:	Bank of America line of credit.	
Management:	The Corporation entered into a 20 year hotel management agreement with Hilton Hotels Corporation. Ace Parking Management manages the parking garage.	
Primary Security Provisions:	1) Pledge of Net Revenues 2) City-wide HOT 3) General Obligation Pledge 4) Debt Service reserve fund / surety	
Performance:	2006	2005*
OPERATING REVENUE	\$ 73,738,205	\$ 62,507,210
OPERATING EXPENSES	<u>52,601,762</u>	<u>48,805,122</u>
Operating Income	\$ 21,136,443	\$ 13,702,088
NON-OPERATING REVENUE (EXPENSES)	<u>(4,270,835)</u>	<u>(4,836,017)</u>
Change in Net Assets	\$ 16,865,608	\$ 8,866,071
Distribution to the City under agreement	(6,760,484)	(6,760,484)
INCREASE IN NET DEFICIT	10,105,124	2,105,587
Fund equity (deficit) at beginning of period	<u>(11,544,214)</u>	<u>(13,649,801)</u>
FUND DEFICIT AT END OF PERIOD	<u>\$ (1,439,090)</u>	<u>\$ (11,544,214)</u>
Debt Structure:		
Series 2001B	Fixed Rate, Semi-annual interest ranging from 5.00 to 5.75%	HOT & Special Revenue Bonds
Series 2001C-1	Auction Rate Certificates, 7-day reset mode	HOT & Special Revenue Bonds
Series 2001C-2	Auction Rate Certificates, 7-day reset mode	HOT & Special Revenue Bonds
2006 Debt Service Coverage Ratio:		
Net Revenues	\$ 16,865,608	
Debt Service	14,092,891	
Coverage Ratio (x)	1.20x	

* Unaudited.





Convention Center Hotel Financings

Hyatt Regency at
McCormick Place
(Chicago, IL)



McCormick Place Convention Center Hotel (Chicago, IL)



Project Description

- 800-room convention center hotel managed by Hyatt Hotel Corporation

Key Participants

- Municipal Sponsor: City of Chicago
- Issuer: Metropolitan Pier and Exposition Authority
- Senior Managing Underwriter: Citi
- Hotel Manager: Hyatt Hotel Corporation

Case Study: McCormick Place Convention Center Hotel – Financing Overview



- McCormick Place Expansion Project financing structure included:
 - Total Debt Service Outstanding: \$2.584 billion
 - \$222.139 million Series 1992A Fixed Rate Bonds*
 - \$115.266 million Series 1994A, B Fixed Rate Bonds*
 - \$486.979 million Series 1996A Fixed Rate Refunding Bonds*
 - \$131.155 million Series 1998A, B Fixed Rate Refunding Bonds
 - \$431.565 million Series 1999A, B, C, D Fixed Rate Bonds
 - \$1.162 billion Series 2002A, B, C Fixed Rate Bonds
 - \$35.145 million Series 2004A Fixed Rate Bonds
 - Moody's Underlying Rating "A1" with a Stable Outlook
- Metropolitan Pier and Exposition Authority owns Hyatt Regency McCormick Place.

* A portion of these Bond issues are related to the Hotel Project.

Case Study: McCormick Place Convention Center Hotel – Sources of Debt Service Payment



- The Project Bonds are serviced with the proceeds of four taxes collectively referred to as Authority taxes:
 - Restaurant Tax
 - Car Rental Tax
 - Hotel Tax
 - Airport Departure Tax
- The Authority is also authorized to receive certain surplus funds, if any, generated by the Illinois Sports Facilities Authority.
- In addition, the state of Illinois established and holds a reserve escrow account – \$2.293 million balance as of June 30, 2006 – to offset any shortfalls in the receipt of Authority taxes used to make debt service payments on the Expansion Project Bonds.
- An allocated portion of the state of Illinois sales tax is also available to service the Project Bonds in the event of shortfalls in Authority taxes.



Case Study: McCormick Place Convention Center Hotel – Performance

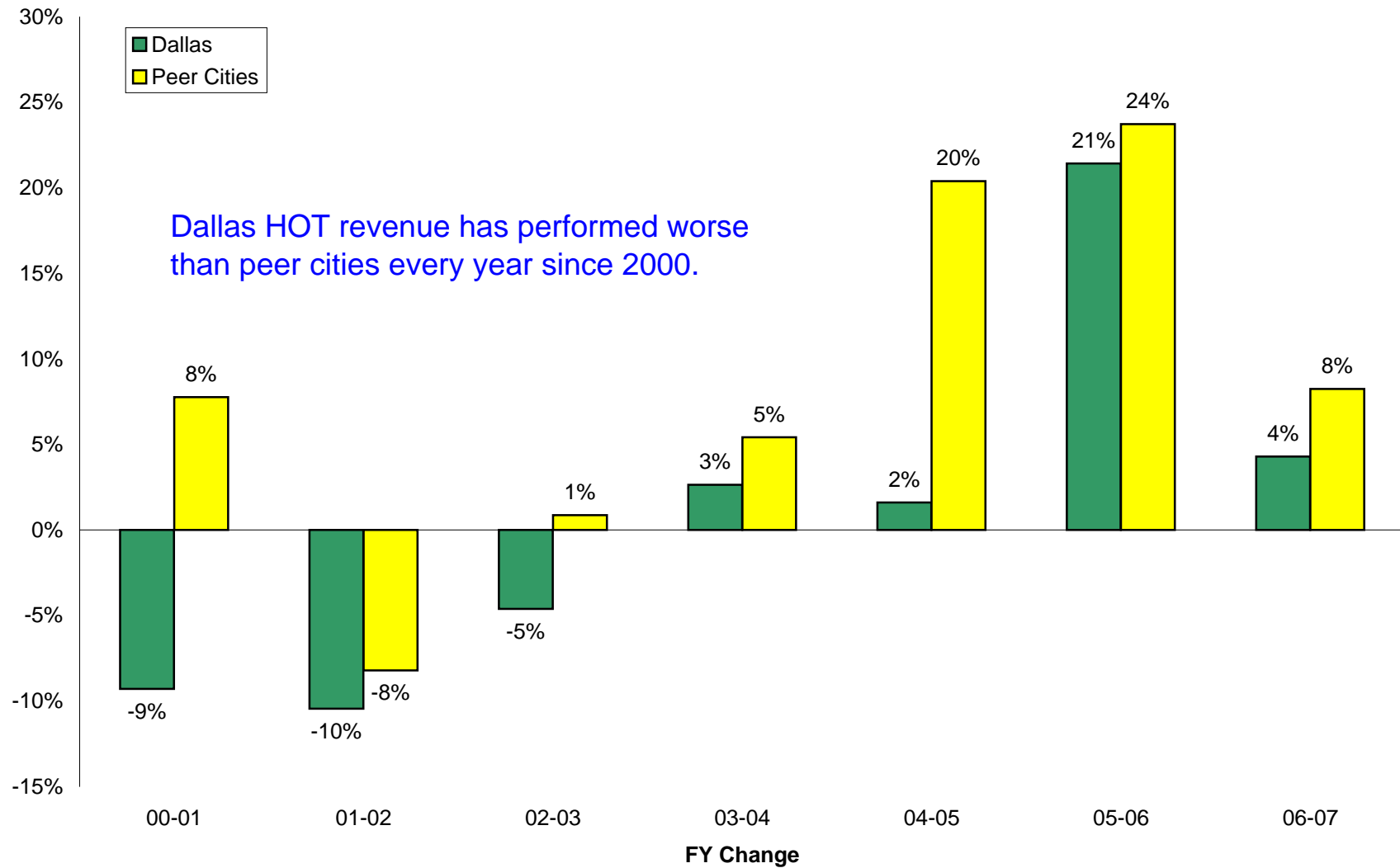


Due to the fact that the Financial Statement that was provided contains consolidated balance sheets and statements of revenue and expenses, it is not possible to determine the operational performance of the Convention Center Hotel.

Convention Center Hotel Research

City	State	Center	Years Open	Goals of the Facility	CBD/Local Development Activity 5 Years Before Open	CBD/Local Development Activity 5 Years After Open	Physical Growth Potential Proximate to the Site Before Open	Change in HOT 5 Years Before Open	Change in HOT 5 Years After Open	Center Owner/Operator	Basic Description of Center	Convention Center Hotel	Hotel Rooms	Hotel Opening	Hotel Location	Hotel Details	Hotel Ownership
Comparable Cities																	
AUSTIN	TX	Austin Convention Center	4.3	Expanded cc at same time as hilton was built - losing conventions; complaints of no adjacent hotel	The area around the cc/hotel were developed prior to hotel	Restaurant, etc. business increased and several new successful restaurants opened a couple blocks away	large for convention center and minimal for ancillary development	9/11 and Katrina had negative impact on HOT (relevant before and after hotel opening)	* See table below	City of Austin	881,400 gross sq. ft. and 374,255 total sq. ft. of exhibit and meeting space 5 Exhibit Halls: 246,097 sq. ft. Upper Level Ballroom (North): 43,300 sq. ft. Lower Level Ballroom (South): 23,418 sq. ft. 54 Meeting Rooms & Show Offices: 61,440 sq. ft. 10-story, 1,000-space garage located 2 blocks west of facility	Hilton Austin	800	Opened December 2003	Adjacent to the facility's north side	31-story 27,000 sq. ft. main ballroom, a 15,000 sq. ft. junior ballroom, and over 10,000 sq. ft. of meeting space. Other amenities include two restaurants, a coffee shop and wine bar, health club, business center, outdoor swimming pool and spa Included in the hotel is the 5,000 sq. ft. health club	PUBLIC: Austin Convention Enterprises, Inc.,
ATLANTA	GA	Georgia World Congress Center	32.5	Nov 2003 expansion increased rooms from 450 to 1100. Always been top tier convention city.	Olympics and other downtown growth makes it hard to pinpoint what hotel expands did to econ impact.	Aquarium would not have opened without hotel expansion			04 up 12% over '03; '05 up 14.6% over '05; '06 up 13.3% over '05 (includes 20,000 rooms of which 10,000 w/in walking distance of cc.	Georgia World Congress Center Authority (created by the state)	1.4 mil sq. ft. of exhibit space that can be divided into 12 exhibit halls 106 meeting rooms Two ballrooms totaling 58,700 sq. ft. 1,740 seat Sidney Marcus Auditorium, plus two additional fixed-seat auditoriums	Omni Hotel @ CNN Center	1,067	Opened October 1975	A plaza was built over rail road tracks to join to CC	120,000 sq. ft. of meeting space 45 meeting rooms Largest meeting room is 19,864 sq. ft. Theater capacity: 2,212 Banquet capacity: 1,660	PRIVATE
CHICAGO	IL	McCormick Place	6.6	Hotel built to help fund pay down the cc expansion bonds. Currently net income = \$20 M (\$60 M revenue - \$40 M expenses) Considering expanding another 600 rooms to support operations of the cc.	Hotel not located in CBD. The cc was rebuilt in 1986 & expanded in 1998 and 2001. Navy Pier w/8.6 M visitors a year built in 1995.	Recently announced - new \$450 M hotel towers (and possible casino) w/ 1,500 rooms, 100,000 sf meeting & ballroom space. Possible Olympic games in 2016.	Minimal ancillary development. Growth possible only by buying & demolishing existing building stock.			Owned and operated by the Metropolitan Pier and Exposition Authority (MPEA), a municipal corporation created by the state	2.7 mil sq. ft. of exhibit halls 1.2 mil sq. ft. all on one level 175 meeting rooms totaling 700,000 sq. ft. 3 ballrooms, 2 of which are the largest in the city Assembly seating for 18,000 people 4,249 seat theater 3 theaters seating 300 each Access to 5,000 parking spaces	Hyatt Regency McCormick Place Hotel	800	Opened August 2001	Connected directly to the Convention Center via two enclosed sky bridges	43,500 sq. ft. of function space and 6,600 sq. ft. of pre-function space Meeting and banquet facilities include the 12,000 sq. ft. ballroom, two 750 sq. ft. boardrooms, four 700 to 1,000 sq. ft. meeting suites Hyatt Conference Center provides 25,011 sq. ft. of flexible meeting space	PUBLIC: Metropolitan Pier and Exposition Authority (MPEA)
DENVER	CO	Colorado Convention Center	2.3							Operated by SMG (in partnership with Hyatt Hotel Company and ARAMARK) on behalf of the City/County of Denver	584,000 sq. ft. of contiguous exhibit hall space that can be divided into 6 halls 63 meeting rooms totaling 100,000 sq. ft. 85,000 sq. ft. of hotel quality ballroom space 5,000 seat theatre is designed to be multi-functional Light Rail Train Station 1,000 space parking garage includes a bridge walkway	Hyatt Denver Convention Center Hotel	1,100	Opened December 20, 2005	Adjacent to the CC	60,000 sq. ft. of meeting space, including a 15,000 and 30,000 sq. ft. ballroom and 17,000 sq. ft. of meeting space 35 total meeting rooms 60,600 sq. ft. of function space, including a 30,000 sq. ft. ballroom on the third level, and 15,000 sq. ft. ballroom on the fourth level 6,700 sq. ft. health club	PUBLIC: Denver Convention Center Hotel Authority
HOUSTON	TX	George R. Brown Convention Center	4.3	Built in conjunction with cc expansion. Goal was to attract more conventions. And to provide rooms for visitors to Toyota Center and Minute Maid Park. Opened for Superbowl XXXVIII	2 hotels totaling 411 luxury rooms; 2 office towers totaling 1.4 M s.f. office & 52,000 s.f. retail (\$267M); 500,000-gallon aquarium w/ retail & entertainment; 19,000 seat, 750,000 s.f Toyota Center; 42,000 seat baseball stadium - Minute Maid park	Hdquater hotel for NFL Superbowl and MLB All-Star games; 3 hotels totaling 608 luxury rooms; 705,000 sf. Calpine Center office tower; Mixed-use project w/ 240 res. units & House of Blues (\$200M)	City received 6 of the needed 11 blocks for the cc. City purchased additional land for retail & restaurant development.			Houston Convention Center Hotel Corporation (a component unit of the City of Houston, TX)	1.2 million square feet of flexible exhibit, meeting and registration space 7 exhibit halls; 862,000 square feet of exhibit hall space An arena with telescopic seating for 6,000, suitable for large scale presentations, concerts, corporate meetings, and sporting events George Bush Grand Ballroom	Hilton Americas-Houston	1,200	Opened December 2003	Connected to the CC by two skywalks	24-story 91,500 square feet of meeting space 40,000 square foot Grand Ballroom, divisible into 12 rooms; accommodates 3,000 guests banquet style or 3,500 guests theater style 26,000 square foot Ballroom of the Americas, divisible in to six independent meeting	PUBLIC: Houston Convention Center Hotel Corporation (City of Houston)

Dallas and Peer Cities HOT Revenue Growth



Pre and Post Average Hotel HOT Revenue Growth

