AGENDA
Irving Convention and Visitors Bureau Board of Directors
Destination Development Committee
Irving Convention Center
First Floor Boardroom
Tuesday, November 9, 2021, at 11:30 AM

1. Citizen Comments on Items Listed on the Agenda
2. Williams Square Plaza Project Update
3. Heritage Park Update
4. R-AB Ordinance Update
5. Restaurant Update
6. Irving Hotel Development Update
7. ICVB/ICC Sales Pipeline / COVID Cancellations Update
8. Approval of August 10 and September 9, 2021, Committee Meeting Minutes
9. Committee Chair Report
10. Next Meeting – TBD

CERTIFICATION

I, the undersigned authority, do hereby certify that this notice of meeting was posted on the kiosk at City Hall of the City of Irving, Texas, a place readily accessible to the general public at all times, and said notice was posted by the following date and time:

____________________ at __________ and remained so posted at least 72 hours before said meeting convened.

____
Deputy Clerk, City Secretary's Office

This meeting can be adjourned and reconvened, if necessary, the following regular business day.

Any item on this posted agenda could be discussed in executive session as long as it is within one of the permitted categories under sections 551.071 through 551.076 and section 551.087 of the Texas Government Code.

A member of the public may address the governing body regarding an item on the agenda either before or during the body's consideration of the item, upon being recognized by the presiding officer or the consent of the body.

This facility is physically accessible and parking spaces for the disabled are available. Accommodations for people with disabilities are available upon request. Requests for accommodations must be made 48 hours prior to the meeting. Contact the City Secretary's Office at 972-721-2493 or Relay Texas at 7-1-1 or 1-800-735-2988.

IRVING CONVENTION AND VISITORS BUREAU
MINUTES – DESTINATION DEVELOPMENT COMMITTEE MEETING
IRVING CONVENTION CENTER – FIRST FLOOR CONFERENCE ROOM
TUESDAY, AUGUST 10, 2021

Those in attendance were: Greg Malcolm – Committee Chair, David Cole – Board Vice Chair, Nydia Hoskins, Julia Kang, Clem Lear, Bill Mahoney, and Joe Philipp - Committee Members; Bob Bourgeois, Stephanie Fenley-Garcia, and Sam Reed – Board Members; Mayor Pro Tem Kyle Taylor – Council Liaison; Carol Boyer, Lori Fojtasek, and Maura Gast – ICVB Staff; Guests – Treasury Manager Brad Duff, Assistant Director Planning Department Jocelyn Murphy, and Planning and Community Development Director Steve Reed – City of Irving; Executive Director Arts & Culture Todd Hawkins.

Committee Chair Greg Malcolm called the meeting to order at 11:30 a.m. There were no citizen comments. He thanked everyone for attending the meeting.

Executive Director Maura Gast introduced the guests from City of Irving staff and Arts and Culture Department who were in attendance.

R-AB DISCUSSION AND RECOMMENDATIONS
Gast gave an overview of the City of Irving R-AB Ordinance:

- Ordinance was originally created in 1981 at a 60:40 ratio, reported on a quarterly basis.
- Amended in 2013 to 50:50 ratio citywide, except 30:70 in the Urban Business Overlay District (Water Street and Toyota Music Factory).
- The process requires approval through zoning, which is unique to Irving.
- The process takes a minimum of three months and several thousand dollars.

She further reviewed:

- Requirements and process for opening a beer/wine/liquor store in Irving.
- Irving R-AB reporting requirements and revocation process.
- R-AB restrictions.
- The TABC role.

Discussion was held on what would be accomplished by considering changes to the R-AB Ordinance and the Committee recommendations. The two items discussed were:

- Change the current ratios in the R-AB Ordinance.
- Eliminate the R-AB zoning category and process.

Board member Joe Philipp added that a third option should be included to make no changes, even though that may not be the preference. He suggested making a recommendation to City Council based on data available and one that is good for both citizens and businesses. The effects of the pandemic on the restaurant industry have increased the competitiveness. It was noted the 50:50 ratio further restricts a restaurant's ability to make a profit.

Simplification and streamlining ideas to the process were discussed, including floor plan changes, outdoor seating flexibility, noting the language for changes to the Ordinance itself that would allow the R-AB to still exist, but would refine it and make it more efficient. Mayor Pro Tem Kyle Taylor added the zoning process in Irving is very different than other surrounding cities and will be a challenge.

ACTION ITEM: Gast will work with City staff on options and specific wording to build a solid recommendation.

NEXT STEPS: Call a special Committee meeting to discuss a less complicated process and preserve the City's needs. Consider recommendation for a 30:70 ratio, recognizing grandfathered properties in the Ordinance. The Committee will work with the City's Legal Department to maintain the integrity of the original Ordinance. The plan is to move the pieces along quickly to formulate a recommendation to City Council as soon as possible. Taylor indicated the Council would like to see this all completed by the end of the calendar year.

IRVING GROUP COVID IMPACT

Assistant Executive Director Lori Fojtasek reported:

- Hotel Occupancy had been increasing slightly.
- Room Nights Cancelled totals 100,921 and attendees lost totals 134,475.
- ICC numbers follow the same flow for lost business by month.
- Inquiries are being received with major COVID concerns.
- Irving business is booked short-term historically, which makes it hard to predict any further impact.
- Room night leads for 2020-21 through 2026-27 were reviewed.
    - Picking up some pace and watching the new COVID variant numbers carefully.
- ICC Event Leads for 2020-21 through 2026-27 were also reviewed.

Malcolm reported Marriott Hotels have issued mask requirements and Hilton is considering the same. Irving hotels have been affected slightly with decreased bookings down 10% in transient business and 30% down in group business. Texas no mask mandate reports in the press are having a bad effect and is concerning. General Manager Omni Las Colinas Nydia Hoskins reported the Omni is down 50% in Occupancy this month from previous month. The Omni is following the local mask mandate. It was noted the Four Seasons Resort Dallas is requiring employees to wear masks.

RESTAURANT UPDATE

Board Vice Chair David Cole reported there is a service decline in all restaurants and menu options are minimal due to supply and staff issues. Prices will increase and customers will be unhappy but important to remember the current situation and everyone is struggling. Taylor noted that Irving Cares is also having trouble getting people to take the work that is offered.

IRVING HOTEL DEVELOPMENT

A list of all hotel development in Irving was distributed and reviewed. Gast noted the Indigo Hotel groundbreaking ceremony was held the morning of the meeting and the Element Hotel is scheduled to open this month but could be postponed due to staffing and product/supply issues. Malcolm noted his management has two hotels in construction and both are on hold due to increased steel prices and labor issues. Board member Joe Philipp stated hotel over-development can be a detriment to Irving's future and quality properties are important for encouraging visitors and local staycations in Irving. Gast noted that driving rate and quality products will keep rate where it should be. Discussion was held on the Texas Stadium site and the challenge for development and the importance of quality properties and businesses.

Malcolm asked for a motion to approve the Destination Development Committee meeting minutes from May 4, 2021. Board member Bill Mahoney made a motion to approve, with a second from Board member Julia Kang. The May 4, 2021, Committee minutes were approved unanimously.

COMMITTEE CHAIR REPORT

The next Committee meeting is scheduled for November 9 at the Irving Convention Center. The special Committee meeting for further discussion on the R-AB Ordinance will be scheduled and communicated.

Malcolm adjourned the meeting at 12:43 p.m.

Respectfully submitted,

Maura Allen Gast

Maura Allen Gast, FCDME
Executive Director

IRVING CONVENTION AND VISITORS BUREAU
MINUTES – DESTINATION DEVELOPMENT COMMITTEE SPECIAL MEETING
IRVING CONVENTION CENTER – FIRST FLOOR CONFERENCE ROOM
THURSDAY, SEPTEMBER 9, 2021

Those in attendance were: Greg Malcolm – Committee Chair, Karen Cooperstein – Board chair, David Cole – Board Vice Chair, Julia Kang, Clem Lear, and Joe Philipp - Committee Members; Bob Bourgeois – Board Members; Mayor Pro Tem Kyle Taylor – Council Liaison; Carol Boyer and Maura Gast – ICVB Staff; Director of Sales Matt Tungett - ICC; Guests –Assistant Director Planning Department Jocelyn Murphy, and Planning and Community Development Director Steve Reed – City of Irving; Councilman Oscar Ward – City Council.

Committee Chair Greg Malcolm called the meeting to order at 9:00 a.m. There were no citizen comments. He thanked everyone for attending the meeting.

Executive Director Maura Gast gave a recap of the current City of Irving R-AB Ordinance process and reporting requirements. Discussion was held on the Board's best position to keep recommendations at a high level to avoid "getting into the weeds" with the nuances of the existing Ordinance and make recommendations that are best for the hospitality and tourism industry. Further discussion was held on ways to protect neighborhoods and communities throughout the City, enhancing and growing the restaurant community and the offerings they represent to visitors, residents, and companies, especially in the redevelopment areas such as the Heritage District. It will be necessary to eliminate barriers for non-restaurant venues to accommodate special event revenue opportunities (i.e., Irving Archives & Museum can hold a wide-range of special events) and involve the local restaurant industry as the process evolves. It was noted the importance of leaving the compliance reporting and enforcement in the hands of TABC (Texas Alcoholic Beverage Commission).

Board member Joe Phillip commented the Ordinance should be a priority vehicle and was well-intended when Council first implemented it, but the world has changed, and alcohol sales are now commonplace. The goal as a Committee should be to respect the history but achieve compliance and simplicity without going above the TABC. Councilman Oscar Ward added the future of Irving has changed. The Heritage Square developer (Lafferty Development) is interested in an alcohol sale R-AB Ordinance change and is anxious to move this along quickly. Ward appreciates the effort to put together recommendations for City Council. Mayor Pro Tem Kyle Taylor noted the City has changed and the city staff spends time and dollars chasing restaurants to fulfill their compliance. Irving doesn't need to be the only city in a competitive development area requiring alcohol ratios and licensing restrictions, along with an outdated reporting process. He noted he appreciates Ward's support on the issue.

It was confirmed the Urban Center is the only area in the City that is a 30:70 alcohol/food ratio and all properties in the Toyota Music Factory report sales as one unit. Board Chair Karen Cooperstein suggested getting local restaurants and the business community involved and making the process as simple as possible to eliminate any confusion on ratios and licensing. Planning and Community Development Director Steve Reed suggested allowing City staff to work out details into something Council can support, but the main push will be support from the community to help restaurants and businesses be successful. Malcolm suggested acquiring something in writing from the Restaurant Association, Irving-Las Colinas Chamber of Commerce, Hotel Association, etc. to show support. Ward suggested including benchmarking on other competitive cities to show how far behind Irving is on this item.

Discussion was held on protecting neighborhoods and community integrity. Changes to the Ordinance can make Irving competitive, but the current reporting requirements and restrictions are the challenge. Revising the Ordinance to make the process much easier will put Irving in the competitive market. Assistant Director Planning Department Jocelyn Murphy noted the City's Legal Department is reviewing what was passed in the latest legislative session and the effects it has on the issue.

ACTION ITEM: Gast and David Cole will reach out to engage the Texas Restaurant Association, National Restaurant Association, Irving-Las Colinas Chamber of Commerce, and Irving restauranteurs for their support and attendance as needed as hearings are conducted.

ACTION ITEM: Gast will rework the language into a Resolution format to present at the September Board meeting.

NEXT STEP: Bring the Committee's recommendations as a Resolution to the full Board for action on September 27 for approval and forward the approved Resolution item to City Staff and Council for discussion and action.

Malcolm thanked everyone for their support and discussion. He adjourned the meeting at 9:45 a.m.

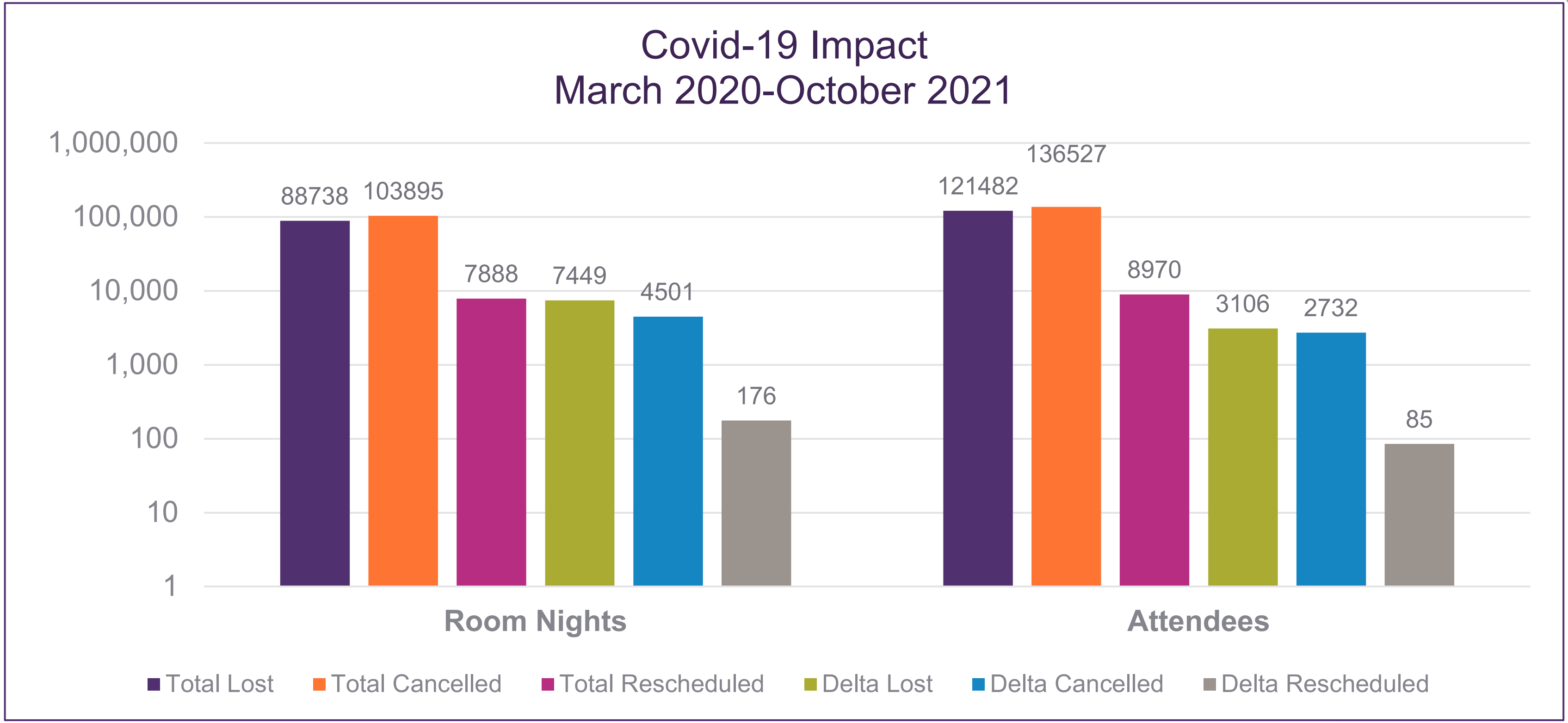
Respectfully submitted,

Maura Allen Gast

Maura Allen Gast, FCDME
Executive Director

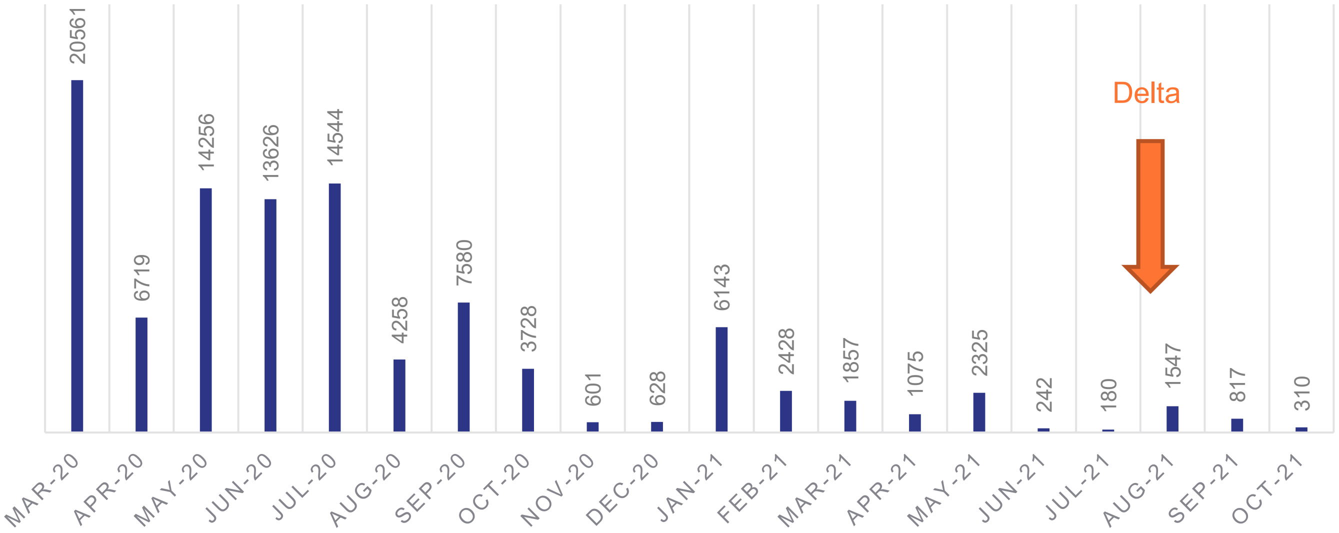
ICVB Hotel Bookings – COVID Impacts

Economic Impact of Lost/Cancelled Room Nights: $60,941,047.00



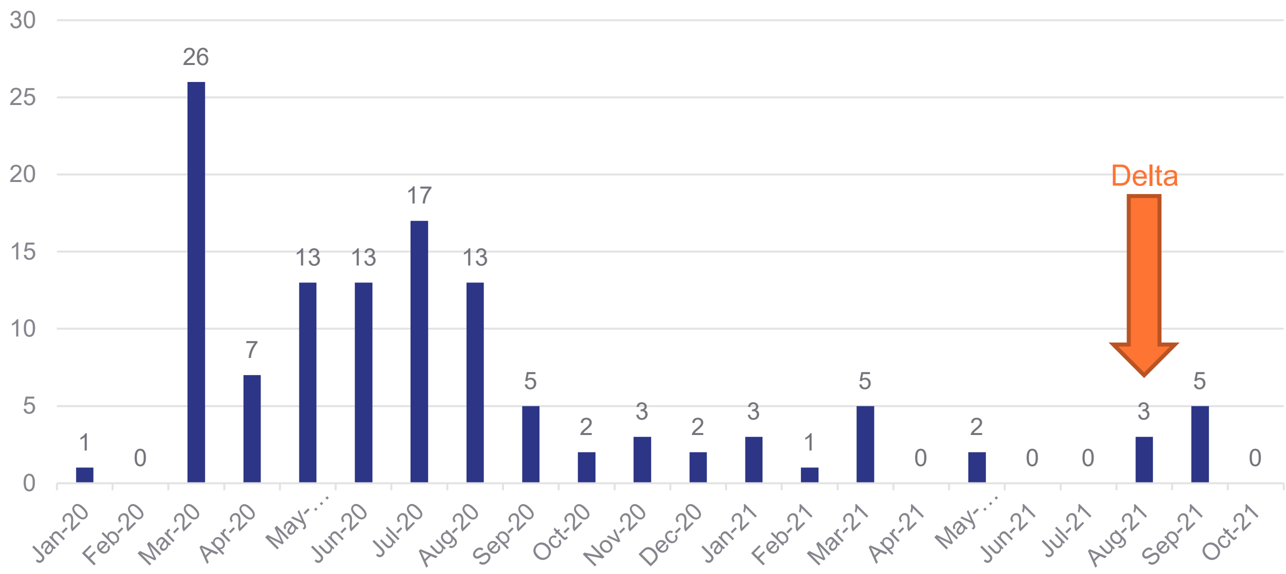
ICVB COVID Impacts by Month

Cancelled Room Nights

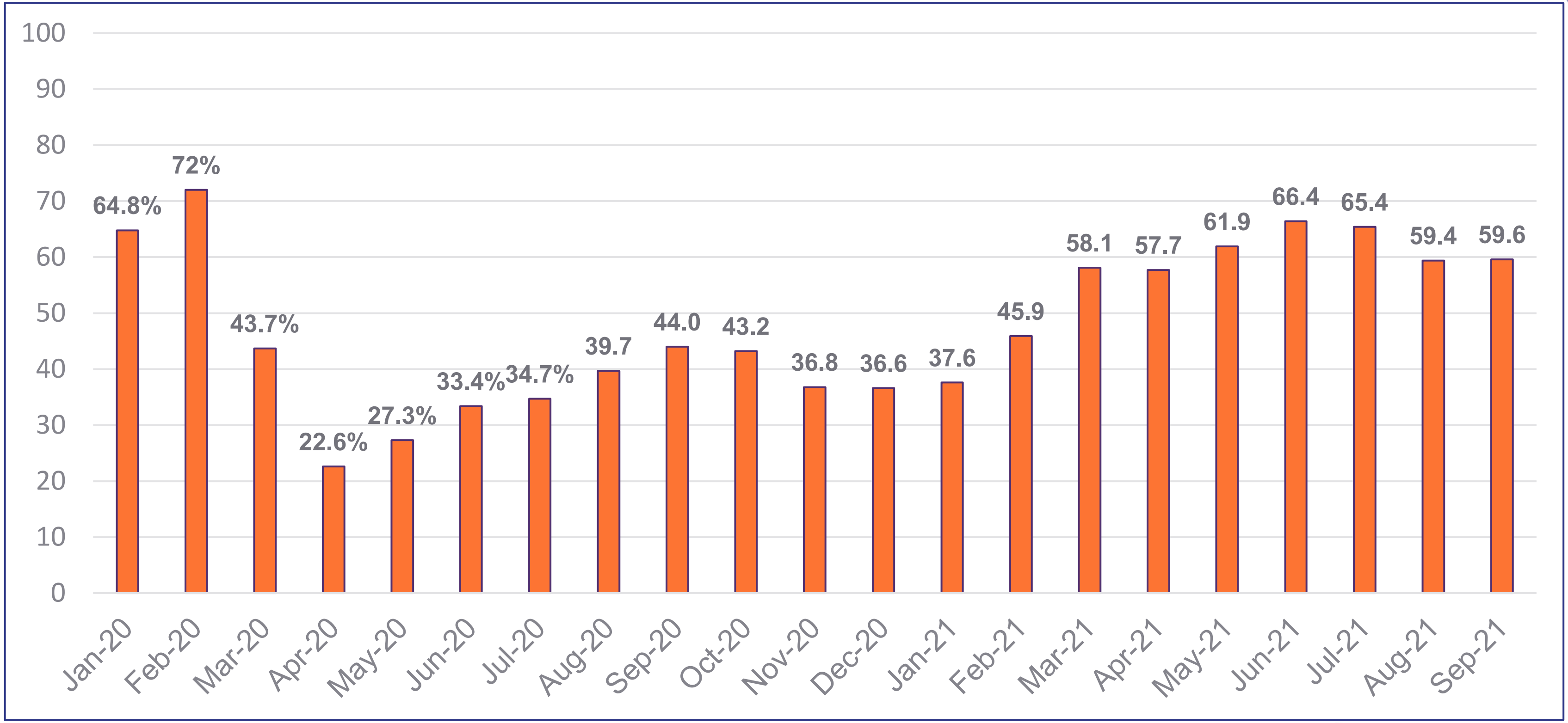


ICC COVID Impacts by Month

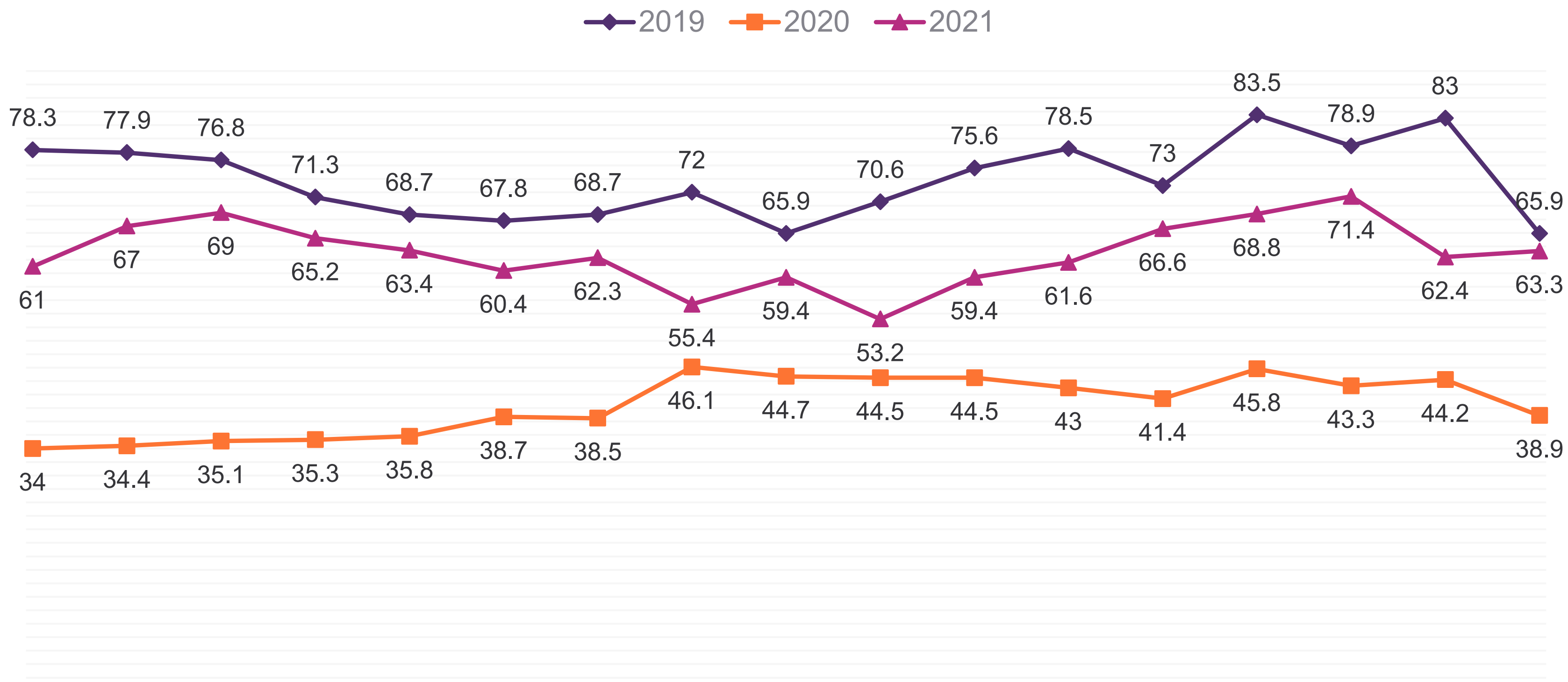
Event Cancellations by Month/As They Happened



Hotel Occupancy Trends



Hotel Occupancy Rates
Trends in Recent Weeks



US Travel Recovery Tracker

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Predictive DMO/CVB Indicators

September 2021

U.S. TRAVEL ASSOCIATION

Insights

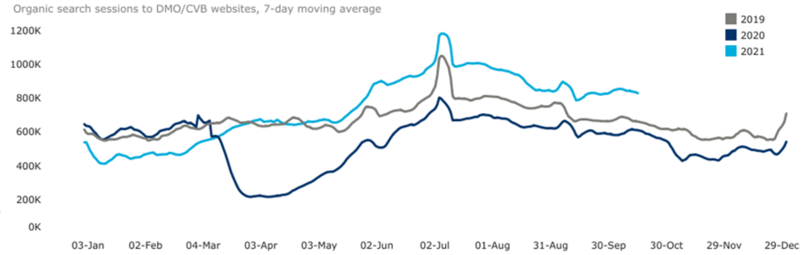
Organic search sessions on destination marketing organization (DMO/CVB) websites rose 21% above 2019 levels in September and are up 26% relative to 2019 through mid-October.

DMO/CVB group room night pace indicates gradual improvement through the end of the year, followed by weakness in January and February 2022 – months that are historically dependent on business travel.

DMO/CVB pace for room nights on the books slipped in October, with the pace for 2021 Q4 dropping two percentage points to 30% below 2019 levels.

Website Traffic

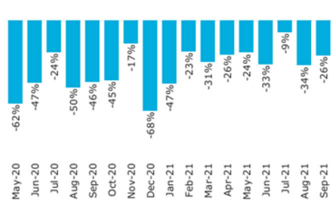
Organic search sessions to DMO/CVB websites, 7-day moving average



Source: Simpleview & Tempest (300+ U.S. DMOs)

DMO/CVB Group Bookings

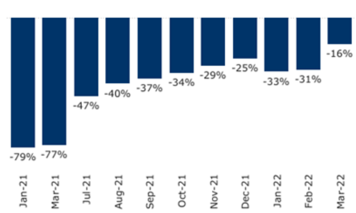
Hotel room nights contracted during most recent months
% change from 2019



Source: Simpleview CRM (250+ U.S. DMOs)

DMO/CVB Room Nights on the Books

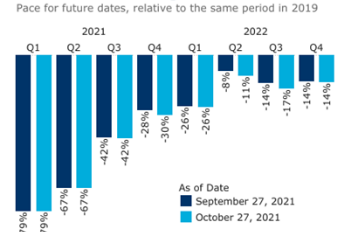
Pace for future dates, relative to the same period in 2019



Source: Simpleview CRM (250+ U.S. DMOs)

DMO/CVB Room Nights on the Books

Pace for future dates, relative to the same period in 2019



Source: Simpleview CRM (250+ U.S. DMOs)

SYMPHONY TOURISM ECONOMICS

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U.S. Travel Impact Summary
September 2021

U.S. TRAVEL ASSOCIATION

- Data Sources & Partners
- Impact Summary
- Travel Indicators
- Int'l Arrivals to the U.S.
- Economic Conditions
- Employment
- Workforce
- Travel Sentiment
- Covid-19 Vaccination
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- Predictive Industry Indicators
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- International Travel Forecast
- U.S. Hotel Forecast

Destination (filter impacts entire page)
Texas

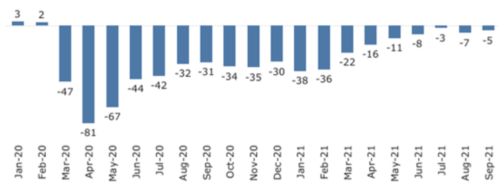
Cumulative Losses Since January 2020
Texas, through September 2021

	Texas
Travel Spending (differ..	($39.3B)
Federal Taxes	($3,026M)
State Taxes	($1,165M)
Local Taxes	($654M)

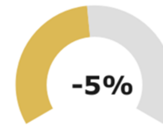
Travel Spending Losses
Texas

	Travel Spending	Travel Spending (difference)	% Change vs 2019
Jan-20	$6.3B	$0.2B	3%
Feb-20	$6.2B	$0.1B	2%
Mar-20	$3.7B	($3.2B)	-47%
Apr-20	$1.3B	($5.4B)	-81%
May-20	$2.3B	($4.7B)	-67%
Jun-20	$3.9B	($3.1B)	-44%
Jul-20	$4.2B	($3.0B)	-42%
Aug-20	$4.8B	($2.3B)	-32%
Sep-20	$4.6B	($2.0B)	-31%
Oct-20	$4.5B	($2.4B)	-34%
Nov-20	$4.2B	($2.2B)	-35%
Dec-20	$4.5B	($1.9B)	-30%
Jan-21	$3.8B	($2.3B)	-38%
Feb-21	$3.8B	($2.2B)	-36%
Mar-21	$5.3B	($1.5B)	-22%
Apr-21	$5.6B	($1.1B)	-16%
May-21	$6.2B	($0.7B)	-11%
Jun-21	$6.6B	($0.5B)	-8%
Jul-21	$7.0B	($0.2B)	-3%
Aug-21	$6.6B	($0.5B)	-7%
Sep-21	$6.3B	($0.3B)	-5%

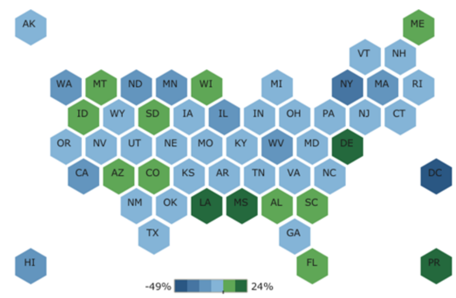
Travel Spending (% change vs. 2019)
Texas



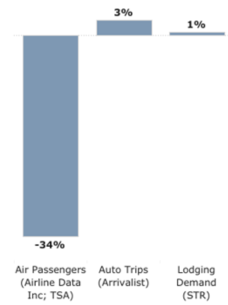
Travel Spending
Texas
September 2021, % change vs. 2019



U.S. Travel Spending by State
September 2021, % change vs. 2019



Travel & Tourism Recovery
Texas
September 2021, % change vs. 2019



Source: Tourism Economics (travel spending)

SYMPHONY TOURISM ECONOMICS

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U.S. Domestic Travel Forecast
Released June 2021 (updated bi-annually)

U.S. TRAVEL ASSOCIATION

- Data Sources & Partners
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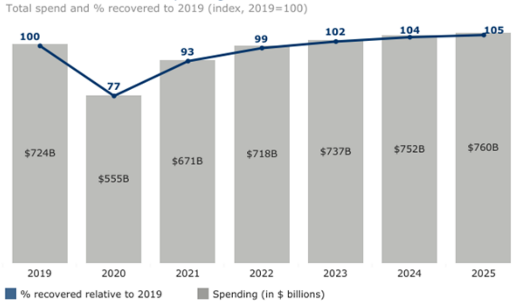
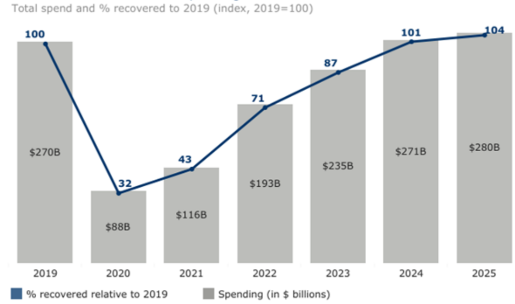
- U.S. Hotel Forecast

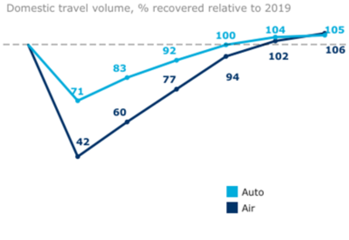
Domestic Leisure Travel Spending
Total spend and % recovered to 2019 (index, 2019=100)



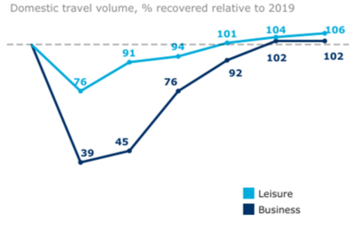
Domestic Business Travel Spending
Total spend and % recovered to 2019 (index, 2019=100)



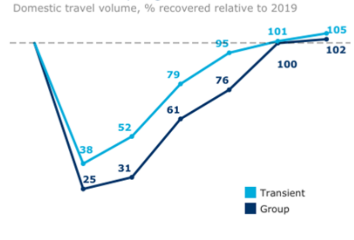
Auto vs. Air Travel Volume
Domestic travel volume, % recovered relative to 2019



Leisure vs. Business Travel Volume
Domestic travel volume, % recovered relative to 2019



Business Travel by Segment
Domestic travel volume, % recovered relative to 2019



Source: Tourism Economics (f..

SYMPHONY TOURISM ECONOMICS

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U.S. Hotel Forecast

Released September 2021

U.S. TRAVEL ASSOCIATION

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- U.S. Hotel Forecast

Insights

Underpinned by stronger-than-expected demand during Q1, STR and Tourism Economics upgraded the latest U.S. hotel forecast (August 2021). Even with 2021 projections higher, full recovery of demand remains on the same timeline for 2023, while close-to-complete recovery of revenue per available room (RevPAR) is still projected for 2024 as a result of slower ADR growth.

Room demand in Q3 2021 is expected to be 8.8% below 2019 levels, representing a strong improvement relative to the 12% decline experienced in Q2.

Overall, 2021 room revenue is estimated to average 28.4% below 2019. In 2022, room revenue is forecast to increase to a level that is 12.5% below 2019.

According to the STR Market Recovery Monitor, in September, 91% of markets were classified as recovery or peak as compared to 86% in August. Markets are classified as Depression if RevPAR (total room inventory) is less than 50% of 2019 level for the same month, Recession (between 50% and 80%), Recovery (80% and 100%), or Peak (above 100%).

U.S. Hotel Forecast Summary

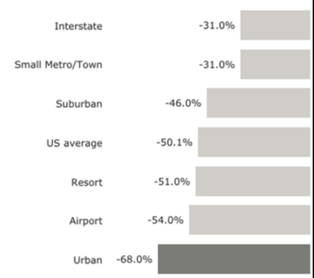
YOY % change, Forecast released August 2021

	2020	2021	2022
Supply	-3.9%	5.6%	2.9%
Supply (total room inventory)*	1.3%	1.5%	1.2%
Demand	-35.8%	33.4%	14.4%
ADR	-21.3%	12.0%	6.0%
RevPAR	-47.4%	41.5%	17.7%
RevPAR (total room inventory)*	-50.1%	47.3%	19.7%

* Reflects total room inventory (TRI) methodology, which assumes no temporary hotel closures.
Source: STR; Tourism Economics

U.S. Actual RevPAR Growth by Location

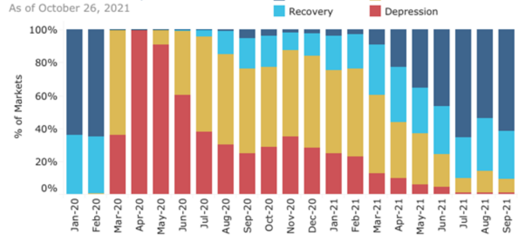
September 2021, % change relative to 2019



Source: STR

STR Market Recovery Monitor

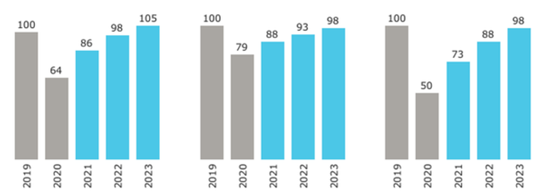
As of October 26, 2021



Source: STR

U.S. Hotel Forecast Indexed to 2019

Forecast released August 2021 (2019 = 100)



* Reflects total room inventory (TRI) methodology, which assumes no temporary hotel closures. ..

SYMPHONY TOURISM ECONOMICS

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Travel Sentiment

September 2021

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- U.S. Hotel Forecast

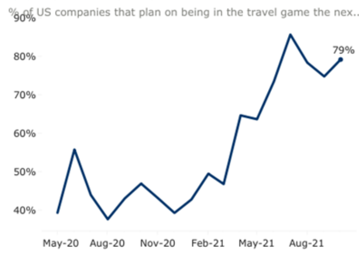
U.S. Resident Vacation Intentions

% of U.S. residents intending to travel in the next 6-months

Source: The Conference Board

U.S. Business Travel Sentiment

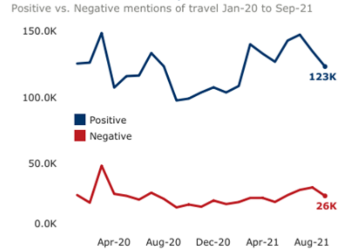
% of US companies that plan on being in the travel game the nex..



Source: GBTA Business Travel Survey

Social Travel Sentiment by Month

Positive vs. Negative mentions of travel Jan-20 to Sep-21



Source: MMGY Global

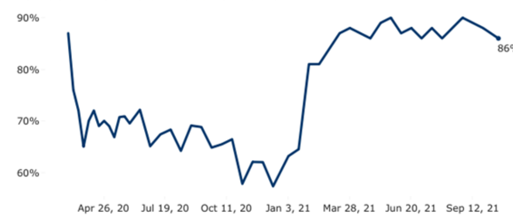
Consumer Travel Sentiment

Travelers that expect the severity of the coronavirus situation in the U.S. to get better in the n..

Source: Destination Analysts

Consumer Travel Sentiment

Travelers with Travel Plans in the Next Six Months



Source: Longwoods International

SYMPHONY TOURISM ECONOMICS

6

MATTHEWS™
REAL ESTATE INVESTMENT SERVICES

DOUBLING DOWN ON DIGITAL

HOW RESTAURANT BRANDS ARE PLANNING FOR THE FUTURE


BURGER KING

A NEW BEGINNING

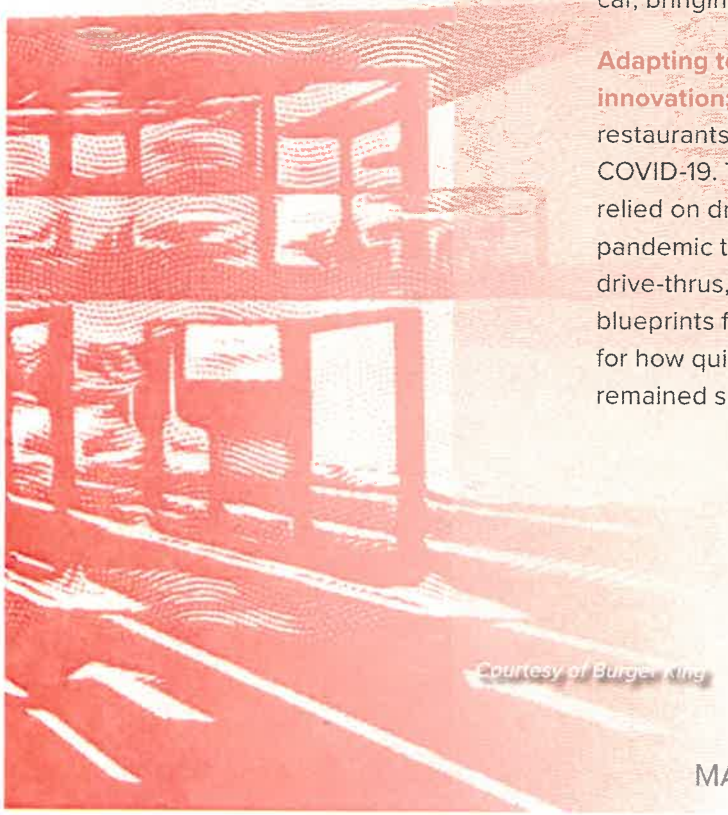
As businesses were forced to navigate a new type of economic downturn in 2020, profound changes unfolded and have reinvigorated the quick-service and fast-casual industry. In particular, the industry pivoted to more off-premise channels, digital tools, and enhanced efficiency. Downturns of any kind tend to birth new trends but also accelerate changes already underway. After all, many well-known restaurant brands were investing in people and tools pre-COVID-19 to ensure infrastructure was ready for the future – many just assumed it was still a couple of years out from fruition.

From this viewpoint, knowing the market is heading down this path at an accelerated pace has allowed brands to design restaurants and kitchens for the future. **In this article, Matthews™ explores industry-leading, multi-national companies and their strategies to service the new age of diners.**

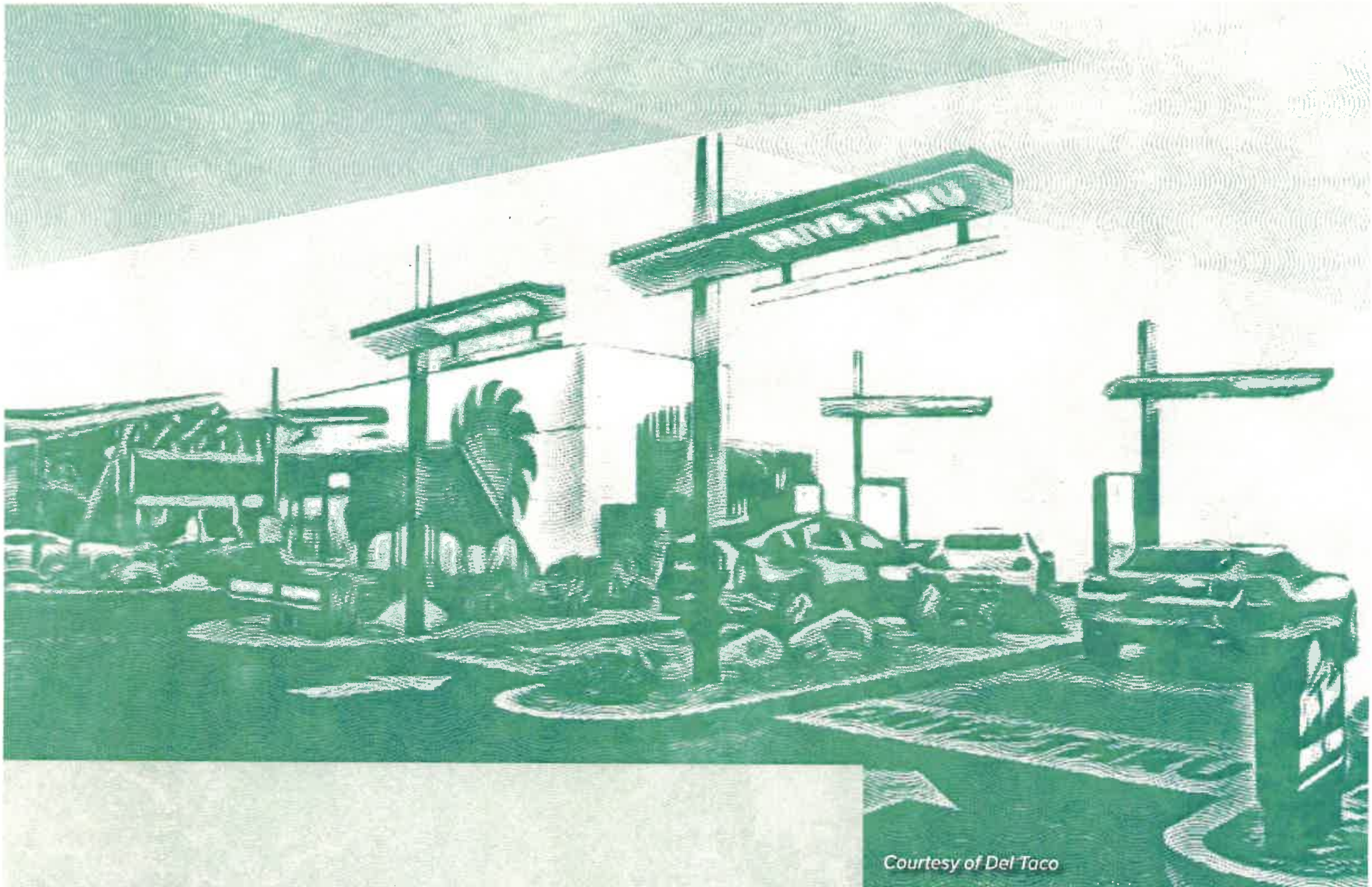
REBRANDING THE INDUSTRY

Customers are experiencing restaurants through digital platforms now, more than ever. Many of them only just began using these platforms during the pandemic as a means to order food directly to their home or car, bringing a whole new customer base into the digital fold.

Adapting to the digital space in 2020 wasn't just a matter of innovation; it was a means of survival for the industry. Quick-service restaurants were specially prepared to take on the havoc invoked by COVID-19. They were already working with delivery aggregators, partially relied on drive-thrus and curbside pick-up, and pivoted early on in the pandemic to new solutions. Technologies like mobile ordering, high-tech drive-thrus, double lane drive-thrus, and curbside pick-up were once just blueprints for future consumer behavior but have become a cornerstone for how quick-service restaurants, and more recently, fast-casual brands, remained successful in 2020.



Courtesy of Burger King



Courtesy of Del Taco

YEARS OF INNOVATION, COMPRESSED INTO MONTHS

The move toward drive-thrus and other off-premise models is a trend seen across the industry. In addition to traditional drive-thru customers, the pandemic-enhanced shift of diners to off-premise channels also brought an increasing presence of delivery drivers and curbside pick-up traditions.

However, as brands serve more customers through drive-thrus, curbside, or pick-up, the increased volume translated to improving the speed of service and managing more orders than usual. To efficiently manage the increasing demands while simultaneously improving the guest experience, many brands have relied on technology to communicate with customers and team members to minimize drive-thru time and increase turnover. It is a straightforward notion that there's a correlation between faster service and serving more guests.

More recently, quick-service restaurants have been searching to enhance the drive-thru experience in ways that truly feel futuristic, like tracking license plates to create customer profiles or using artificial intelligence to predict what people want to order. McDonald's, the leader in quick-service restaurants, is even testing automated voice ordering, stating that the system can handle 80 percent of order volume.

The two critical issues of a drive-thru are speed of service and order accuracy, which are often correlated. COVID-19 bolstered these issues but put into focus that drive-thrus carry considerable potential, and these technologies are on track to become the future of ordering. The demand for drive-thrus was already accelerating pre-COVID-19, with many tenants completing significantly higher volumes in locations that offered drive-thrus compared to ones that did not.

Before COVID-19, dine-in was generally 70% of sales, and drive-thru sales were the remaining 30%. Now, those percentages have flipped as drive-thrus see a 25% to 35% increase in sales. In October 2020 alone, drive-thru sales increased 24%, according to NPD Group Inc.

Given these fundamentals, properties with drive-thrus have surged in demand. Investors, developers, and tenants are all searching for properties with drive-thru capabilities. Some developers are even searching for end-caps or sites with enough space to downsize store footprints and create stand-alone drive-thru restaurants, or side-by-side drive-thru lanes, which add to the overall footprint and unlock more potential. As drive-thrus are labeled pandemic-proof, demand has increased, and over the past 12 months, more drive-thru deals have occurred than the previous three years. For example, Dutch Bros. locations are all under 1,000 square feet, with either one or two drive-thru lanes, and relied on this business model throughout the pandemic.

However, adding drive-thru capabilities to land is not always easy. For example, drive-thrus need multiple entrances and exits, enough room for a line of cars, and city approval. Before the pandemic, many cities had moratoriums on drive-thrus for reasons that include drive-thru-related traffic, environmental concerns with idling cars, and fast food contributing to obesity. But, COVID-19 put pressure on cities to approve drive-thrus, and there is no shortage of desire.

Courtesy of McDonalds

COMPARING STRATEGIES

Certain brands are committed to the future and will compete in the digital transformation – one of which is Starbucks, that many operators turn to as a leading example. The other is Chipotle, which has a primary goal of expanding access and convenience through a digital ecosystem, adding 700 new-construction drive-thru restaurants by 2025.

A LOOK BACK IN HISTORY

• Chipotle • Starbucks

- **1971** – Starbucks Opens First Store
- **1991** – Opens First Store in an Airport
- **1993** – Chipotle Opens First Store
- **1994** – Opens First Drive-Thru Location
- **1995** – Opens Second Store
- **1996** – Store Count Reaches Eight Stores + Chipotle Scouts More Capital
- **1996** – Operates 1,000 Stores + First International Store
- **1998** – McDonald's Commits $50M
- **2000** – Store Count Reaches 100
- **2001** – Chipotle Drops "Mexican Grill"
- **2001** – Introduces the Starbucks Card
- **2002** – Store Count Reaches 5,000 Stores + Launches Wi-Fi in Stores
- **2003** – Store Count Reaches 300

2004

Introduces Starbucks Coffee Master Program

2005

Store Count Reaches 500

Store Count Reaches 10,000 Stores + Commits to Adding More Drive-Thru Locations, Making Up Half of the New Stores Opened

2006

Introduces Industry's First Paper Beverage Cup From Recycled Fiber

McDonald's Divests its Stakes in Chipotle

2008

Establishes Social Media Presence

2009

Introduces App and Mobile Ordering

Launches My Starbucks Rewards Loyalty Program + First iPhone App with Starbucks Mobile Payment

2010

Store Count Reaches 1,000

2014

Reaches 20,000 Stores + Launches Starbucks Mobile Order & Pay

2016

Focuses on Aggressive Shift to Drive-Thrus, Vacating Numerous Locations Before Lease Expiration

2018

Introduces Drive-Thrus + Chipotlanes

2020

Opens First Digital-Only Restaurant + Opens 100 Drive-Thrus

2021

Aims to Open 200 New Locations Through 2025, with at Least 70% Having Drive-Thrus

Revamping Drive-Thrus to Include Two Lanes and Closing 800 Stores

Courtesy of Starbucks

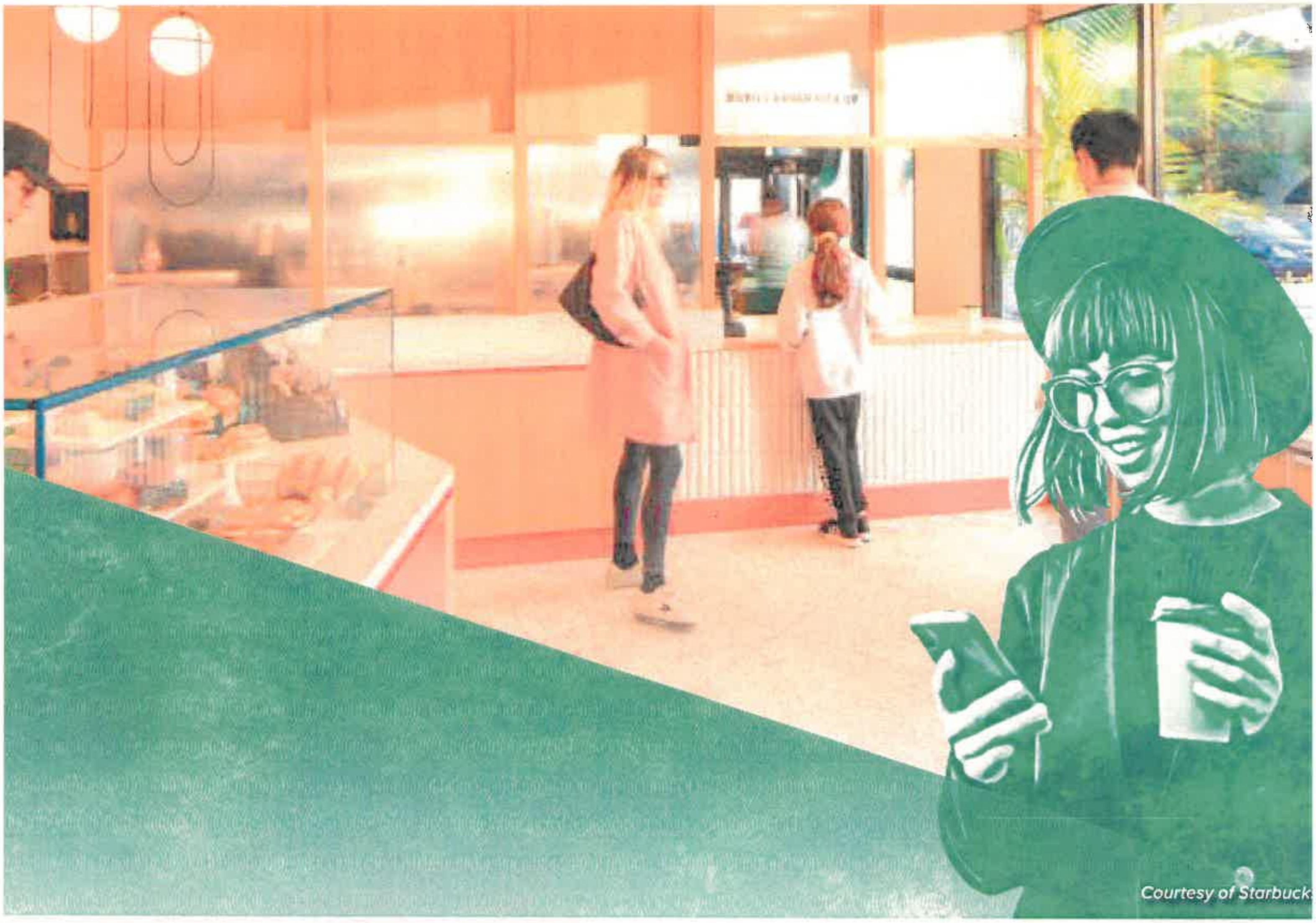
STARBUCKS

Starbucks created a world-class drive-thru operation and emerged as an innovator in the technology space. For a company that has been praised virtually since its inception, this may come as no surprise. The story of the company's rise to industry leadership is based on its commitment to developing solutions based on customer needs and behaviors.

Despite announcing the closure of 800 stores, Starbucks says it will have 55,000 locations by 2030 as it continues to develop experiences that address evolving consumer routines. This unit level is unmatched by any other company in today's restaurant world. Currently, Starbucks boasts some 33,000 company-operated and licensed stores across more than 80 markets worldwide.

The brand was already expanding ahead of COVID-19, and the 800-unit cut will accelerate its plans to relocate low-performing stores and transform the store format. **According to QSR Magazine, Starbucks originally had a broad, three to five-year plan to move units – such as those in low-traffic malls – to higher-performing locations which can utilize drive-thru services.** That timetable has been moved up to the next 12 to 18 months.

Early on, Starbucks found their locations through developers employing brokers to call franchise-operated restaurants with drive-thrus, buying them out of their lease, and forming a joint venture with an existing landlord or purchasing directly from that landlord. This is a strategy Starbucks continues to implement as well as other fast-casual brands seeking drive-thru space.



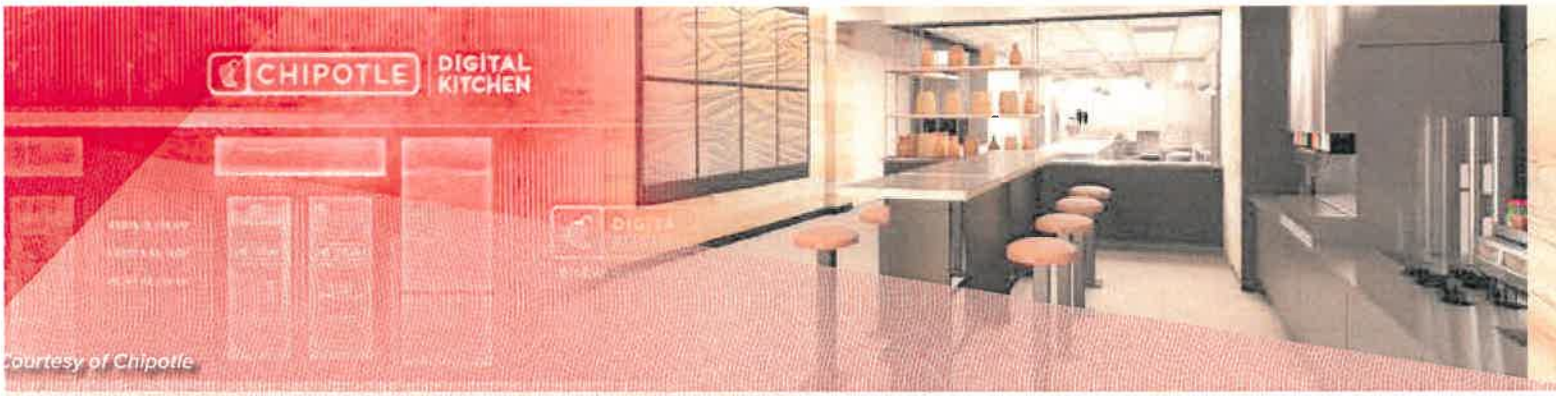
Convenience + Accessibility = Loyalty & Reach

During the pandemic, factoring in working-from-home and the demolition of day-to-day routine, Starbucks pivoted from a "first stop on the way to a destination" to a "destination worth leaving home for." In this shift, the average ticket size increased 20 percent in the U.S., although consumers were ordering less often.

Starbucks aims to expand its digital reach through new storefronts, which enable curbside pick-up, further delivery, and critically increase throughput in the drive-thru. These stores will have no seating, smaller square footage from 400 to 1,700 square feet, and side-by-side drive-thru lanes. Starbucks' transformation will also include renovating layouts to add separate counters for mobile orders at high-volume stores, which enable customers and delivery couriers to grab-and-go without the bottleneck.

Pick-up venues, which Starbucks said will number in the "hundreds" in five years, plans to drop in trade areas as additional accessibility points. The company pictures traditional cafes, complete with the "third-place" promise, supported by a pick-up store within walking distance that can reduce crowds and provide a more convenient format for those guests who don't want to grab a seat.

The company will also extend drive-thru development into suburban and semi-rural locations, extending the reach of the Starbucks brand, providing customers with the convenience they are seeking. Moving forward, 45 percent of stores will offer drive-thrus, compared to the current level of 35 percent.



Courtesy of Chipotle

CHIPOTLE

As dining rooms shuttered and occasions shifted to off-premise, Chipotle's digital sales skyrocketed to $2.8 billion in 2020, a 174 percent boost versus the prior year. Further, the brand entered 2020 with fewer than ten million reward members. Today, there are nearly 20 million, and roughly 60 percent are active. **Put more broadly, Chipotle is now more relevant than it was in the past, thanks to the digital transformation caused by COVID-19.**

Chipotle's strong digital system has helped set the brand apart from its rivals, and the future of the fast-casual restaurant depends on its success of the drive-thru, otherwise called "Chipotlanes." The familiar fast-food format hasn't been a requisite for fast-casual formulas and is relatively new for Chipotle. **With more than 120 "Chipotlanes" in the restaurant fleet (total 2,710), Chipotle said they have helped with profitability, although they work slightly different from the conventional version.** Rather than pulling up to a menu board and projecting ingredients at an intercom, customers must place the order online first. The key to the models' power is it gives diners an incentive to download Chipotle's app and join its loyalty program, which further enhances the digital ecosystem, meaning more data. Additionally, customers can move through the drive-thru lanes relatively quickly, given they are just picking up their order. This has helped with customer satisfaction and allowed the pick-up window to serve more customers.

The fast-casual restaurant intends for more than 70 percent of its new store openings in 2021 to have drive-thru lanes and also plans to remodel or relocate ten to 15 restaurants so it can add "Chipotlanes." In locations where a drive-thru is impossible, the company will instead have a walk-up window. As investors are aware, cap rates are the definition of supply and demand. With 700 new construction Chipotle's with drive-thrus, one can argue that the cap rates of non-drive-thru-equipped sites will increase 100 to 200 basis points from where they are trading today in Q3 2021.

As the company adapts to consumer shifts in demand, Chipotle plans to explore self-driving delivery cars with their investment in Nuro, a robotics tech provider. And a new store prototype dubbed "Chipotle Digital Kitchen" requires the customer to order in advance via its app, website, or third-party delivery. Food is then picked up in a lobby designated to mirror a traditional Chipotle.

Taking A Page from Starbucks' Playbook

With Chipotle undergoing a massive transition to "Chipotlanes," it is currently following a similar trajectory to Starbucks. Although Starbucks is two to three years ahead of Chipotle, Chipotle investors and landlords can learn from Starbucks' operational strategy.

Chipotle aims to open 200 new locations annually through 2025, with 70 percent of them containing a drive-thru. Therefore, Chipotle is actively seeking new sites. With the support of developers and tenant representation, brokers are buying existing quick-service franchisee restaurant operators (Burger King, Bojangles, KFC, Pizza Hut, etc.) out from their franchise lease agreements with their respective parent company and signing a new Chipotle lease with the existing landlord of the drive-thru-equipped property. This strategy is a win-win scenario for the landlord, Chipotle, the prior franchisee operator, and the developer.

SHORT ORDER? NOT SO MUCH

In response to the evolving ways in which consumers are engaging with restaurants, many top limited-service brands have announced new store prototypes – many of which come with stark changes. There is heightened demand for digital technology, drive-thru operations, and curbside pick-up ease, as consumers expect more customization, convenience, and accessibility. For quick-service and fast-casual restaurants, the future is nothing short of exciting, as businesses have enhanced operational plans for efficiency thanks to COVID-19.

10 Questions for Landlords

1. **How is my tenant performing?**
2. **What is my tenant's new prototype design?**
3. **What is the average gross sale revenue, or EBITDA, increase for the said prototype?**
4. **When and how is the new format being implemented?**
5. **What are the cost per square foot and physical property requirements (lot size, building square footage, drive-thru lanes, etc.)?**
6. **Is it cheaper for my tenant to relocate and construct a new building from scratch?**
7. **What other tenants could operate my building if the current lessee vacates the site?**
8. **On average, what does my tenant pay in annual rent to operate new locations?**
9. **How does my current rent compare, locally and nationally?**
10. **Why would my tenant stay or vacate the premises?**

For more information, please contact a Matthews™ specialized agent.

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U.S. Hotels State of the Union

CBRE Hotels Research

September 30, 2021

Key takeaways

- The macro economic environment is a strong tailwind. Let's not loose sight of that. (Slides 4 – 6)
- Post Labor Day trends suggest demand and travel patterns have normalized at down 20% to 25%. (Slides 8 – 10, 13 & 15)
- Consumer sentiment is at its pandemic lows and has given up roughly ten years of gains. (Slide 13)
- **New** "headwind" or "wild-card" analysis. (Slides 17 – 19) You'll have to see for yourself.
- Supply varies substantially by market, from +7.5% to negative 1%. To quote Harold Samuel, it's "location, location, location" that matters. (Slide 21)
- Our revised forecasts vary substantially by market from just 50% of 2019 to almost 110%. (Slides 25 and 26)
- Top and bottom-line performance by market varies substantially. With resorts showing relative strength and convention hotels continuing to struggle. (Slides 29 – 30)

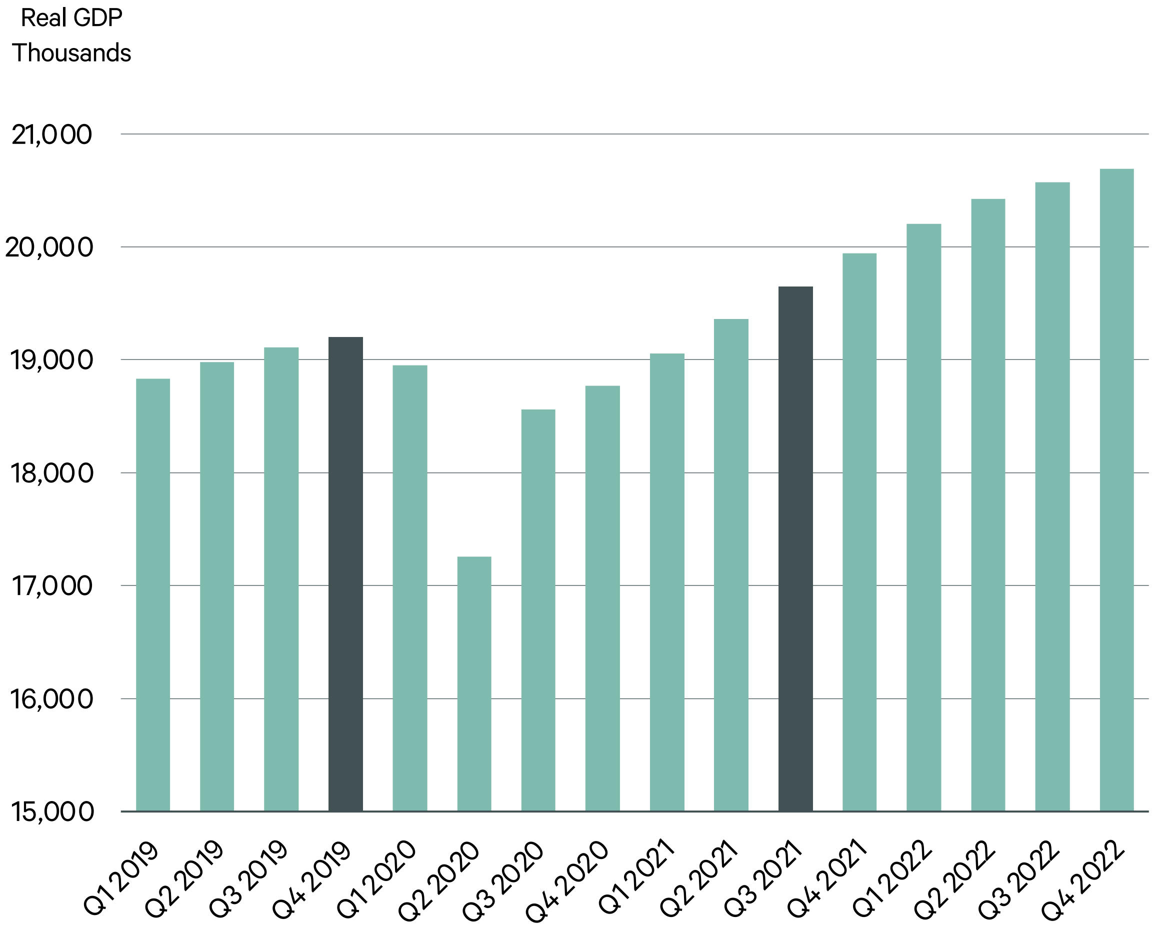
Source: CBRE Hotels Research, CBRE EA, BLS

1

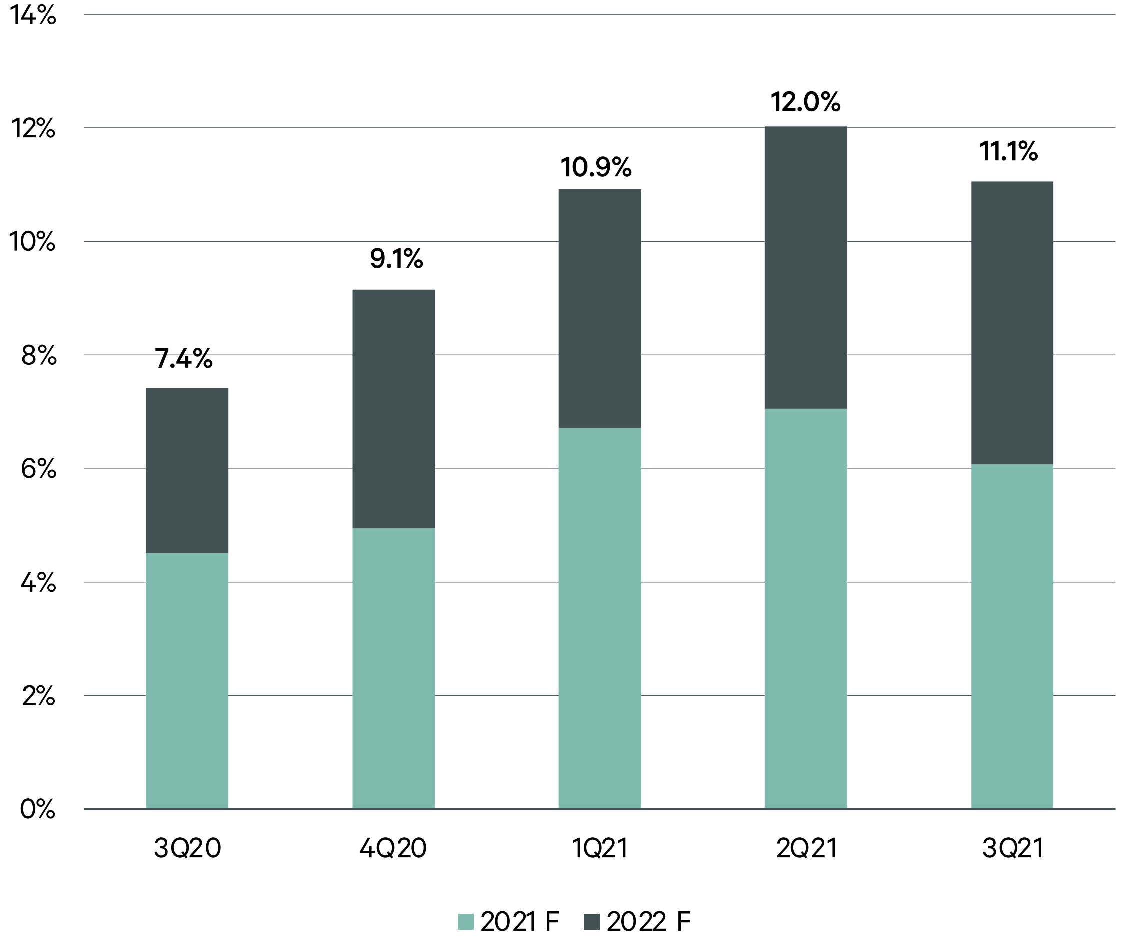
The Economy

The question is when, not if, RevPAR will recover

GDP has surpassed pre-pandemic levels



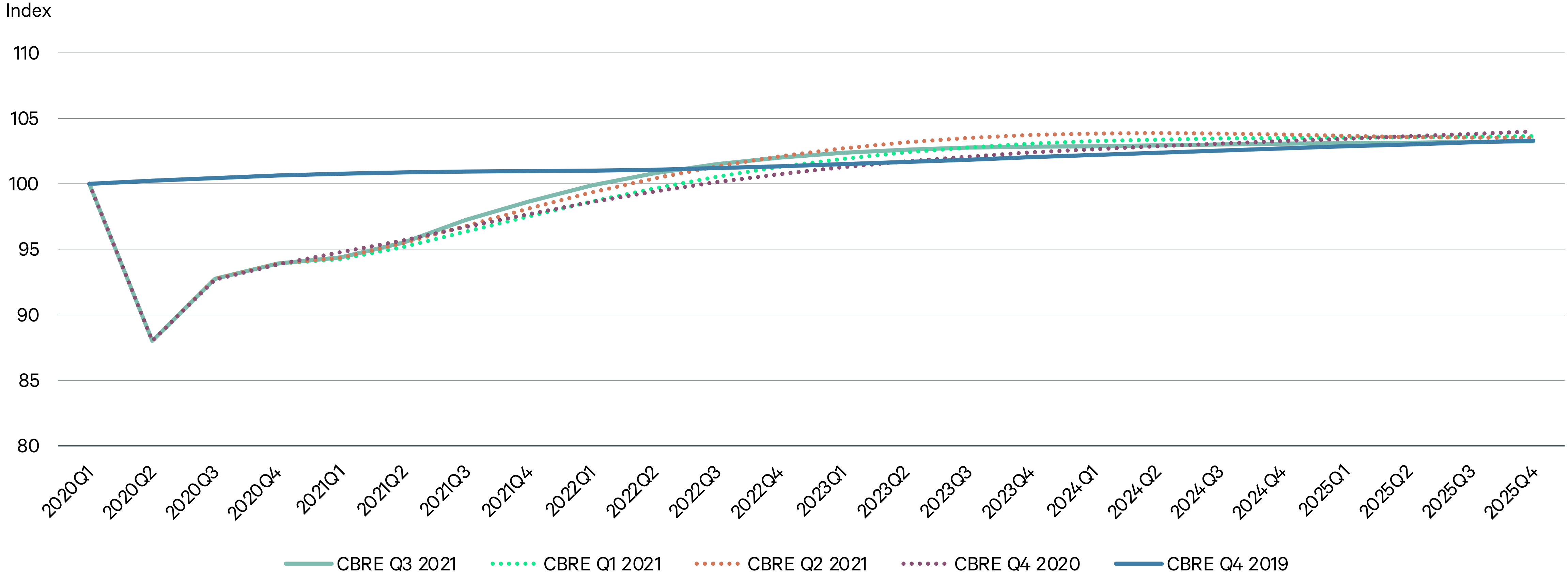
Cumulative 2021 and 2022 GDP growth



Source: CBRE Hotels Research, CBRE EA, BLS

CBRE revised employment forecast calls for full recovery by 2Q22

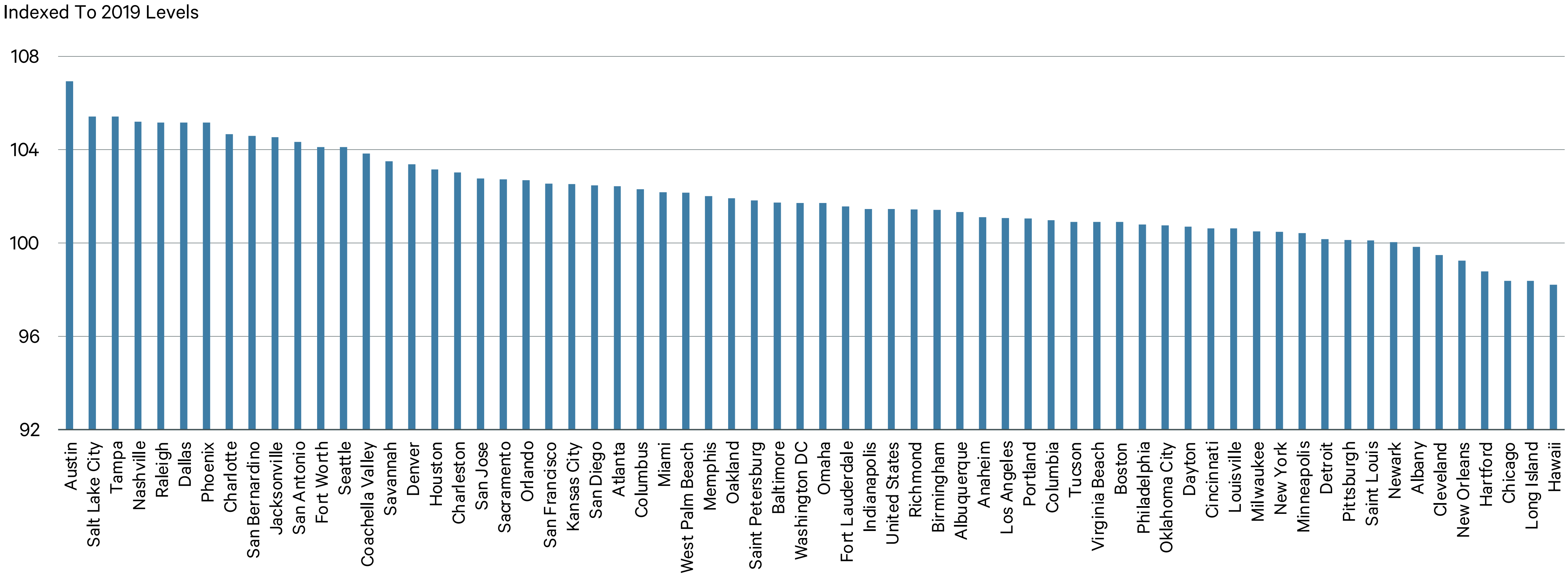
Employment Index



Source: CBRE Hotels Research, CBRE EA, BLS.

Majority of markets will return to 2019 employment levels by 2022

2022 Employment Forecast Indexed to 2019 Levels



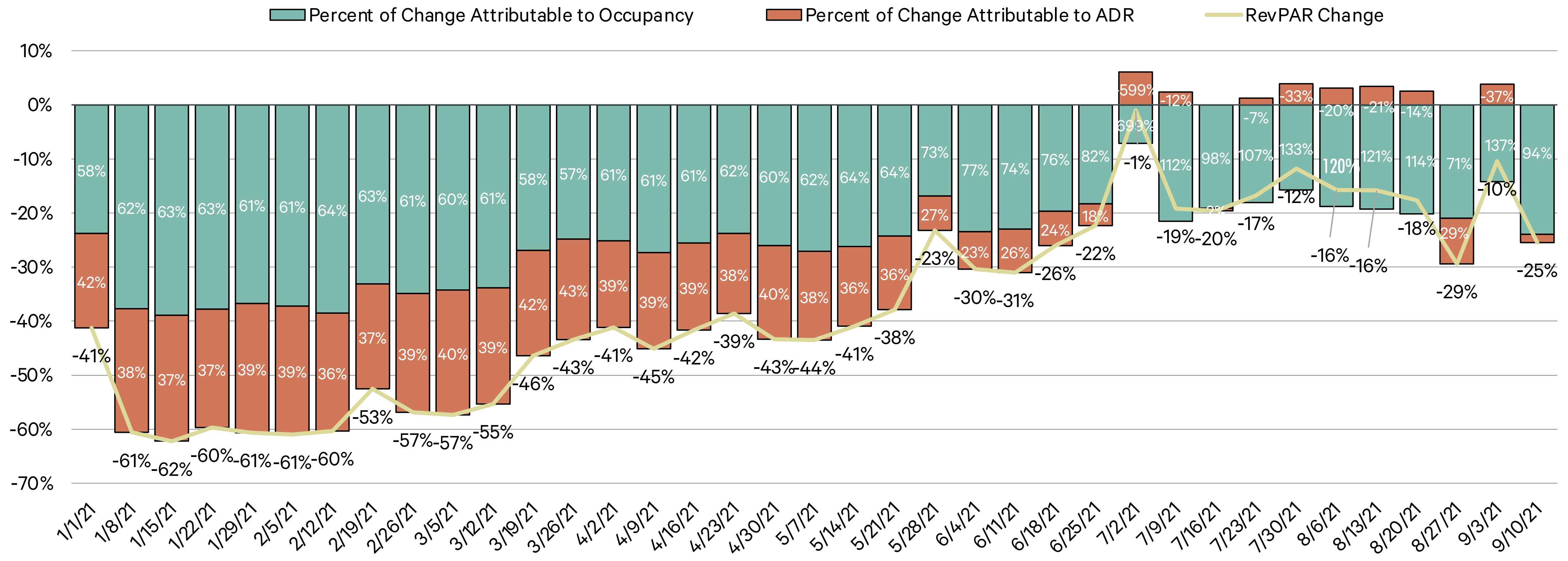
Source: CBRE Hotels Research, CBRE EA, BLS

2

Current Trends

Breaking down 2021 RevPAR decline

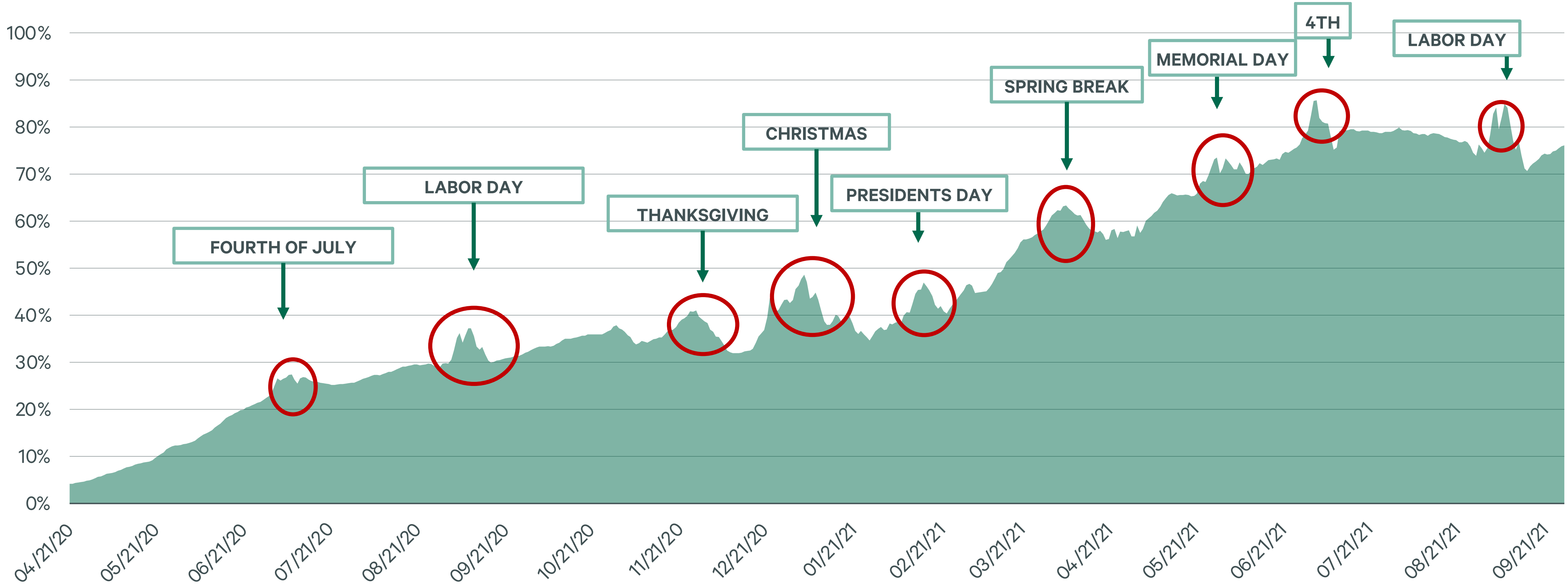
Relative to 2019 the bulk of the Short fall is from Occupancy



Source: CBRE Hotels Research, Kalibri Labs

Improvements in air travel have leveled off

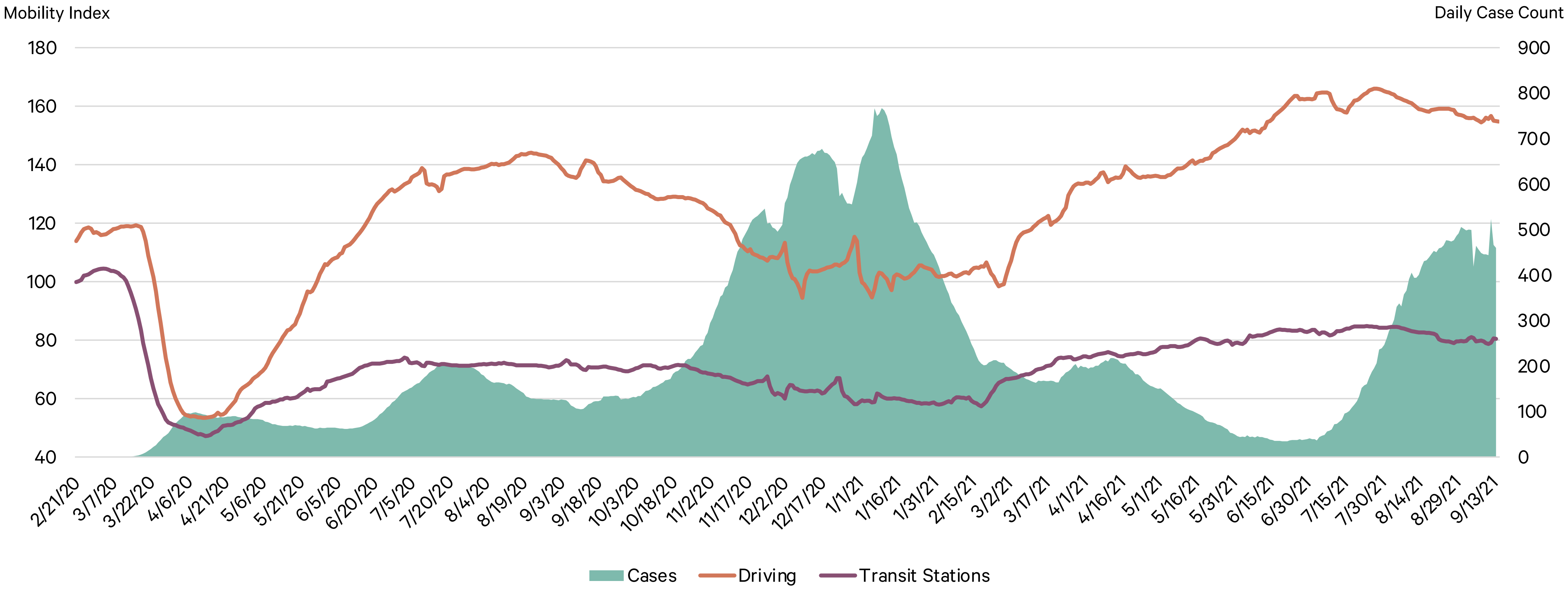
TSA Throughput as a Percent of 2019 Levels



Source: CBRE Hotels Research, TSA

Mobility showing modest improvement upwards despite rising cases

Mobility Vs Case Count

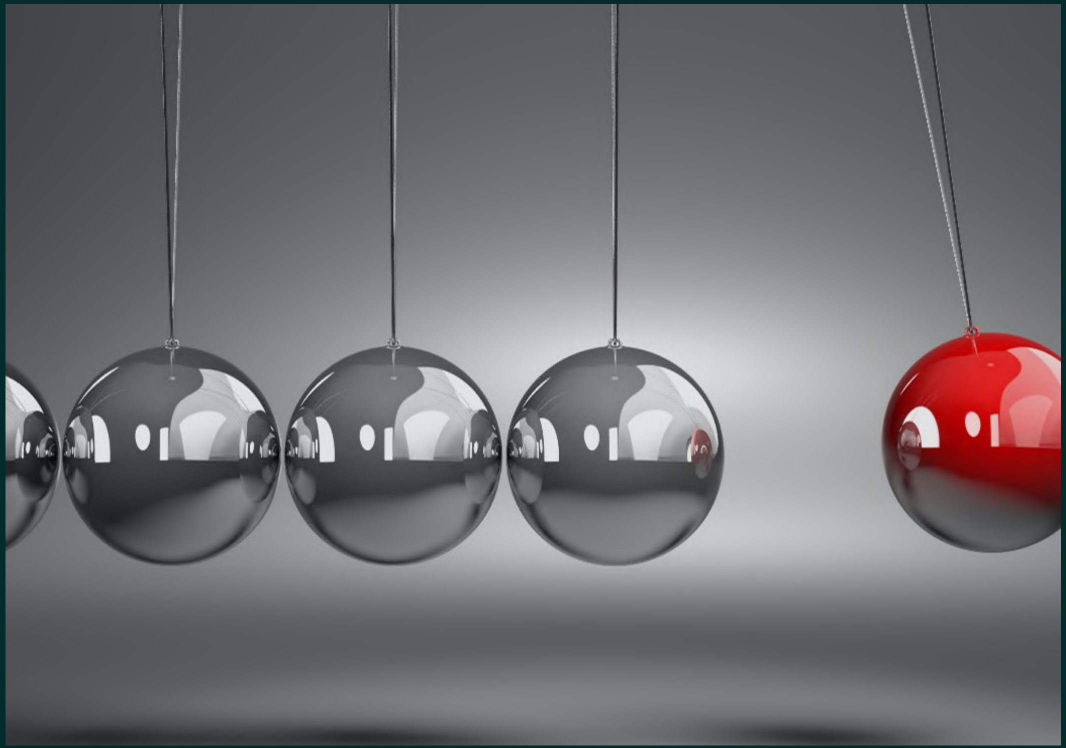


Source: CBRE Hotels Research, COVID Tracking Project, Oxford University, Apple Mobility, Google Mobility Index

*US Daily Cases, 7-day moving average, weighted by population
*"Transit Stations" Includes public transport hubs such as subway, bus, and train stations.

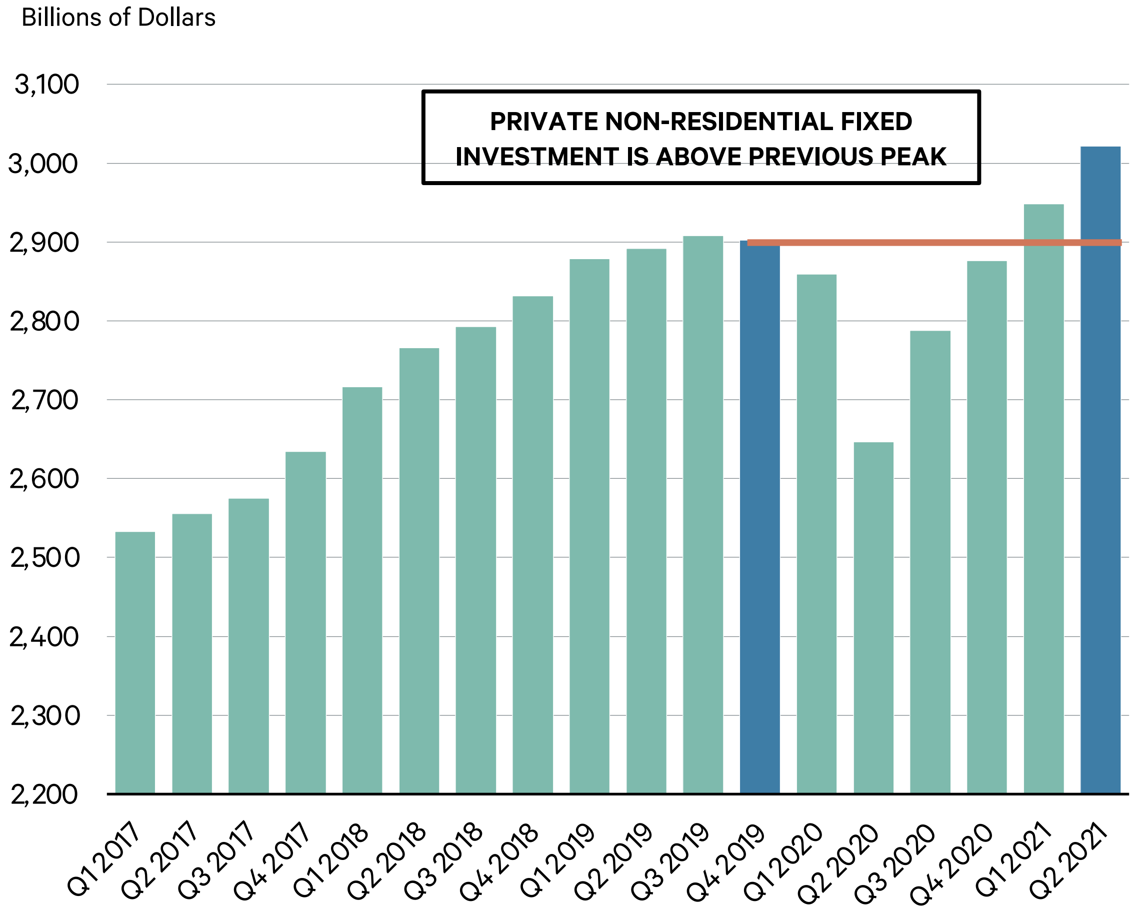
3

Leading Indicators

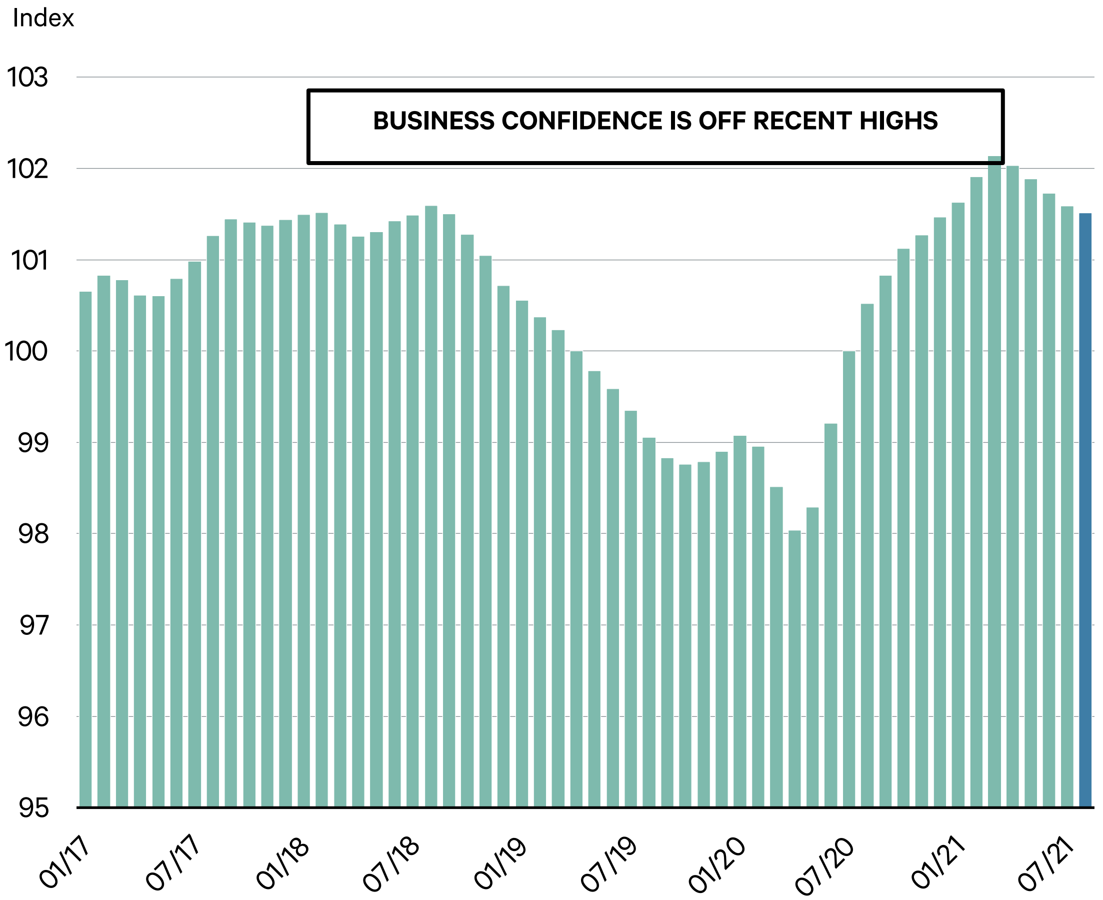


Record fixed investment, but more recent trends suggest waning confidence

Private Nonresidential Fixed Investment



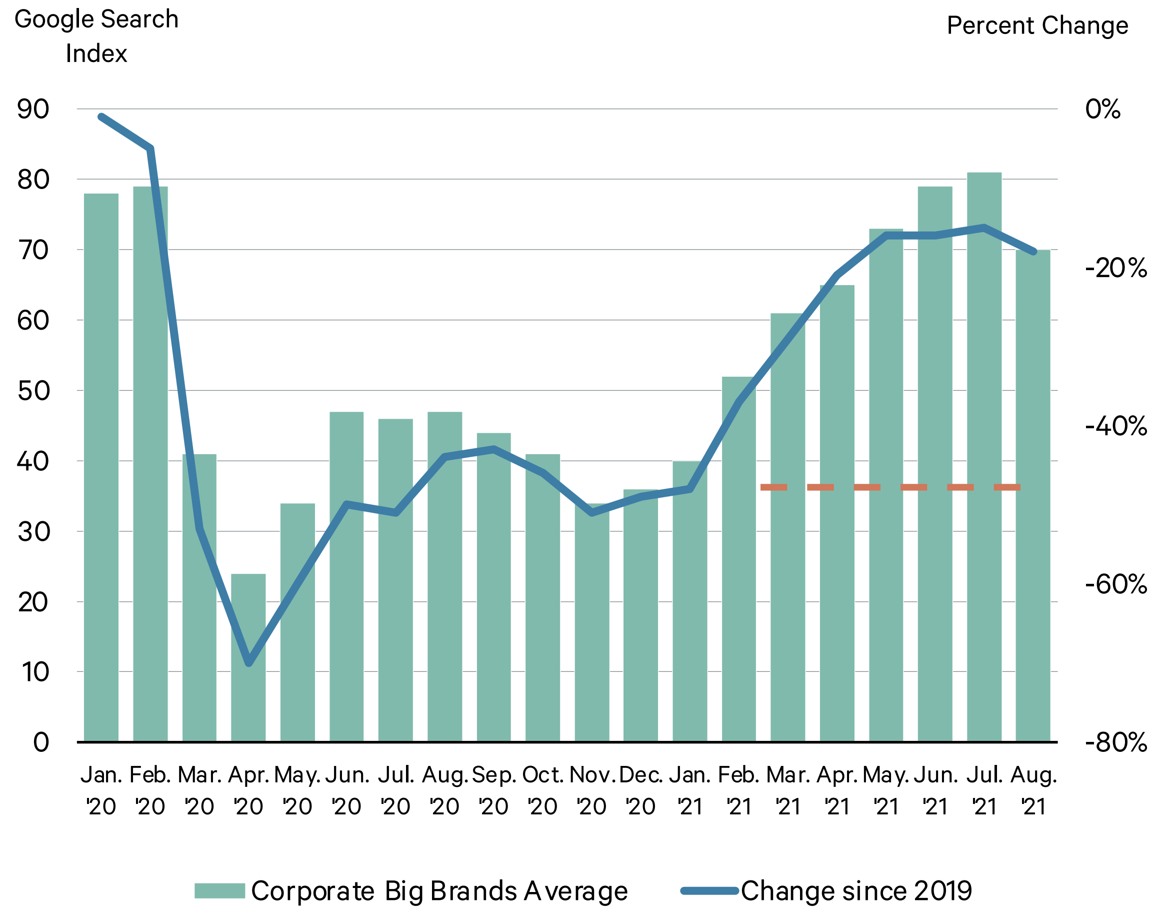
Business Confidence Index



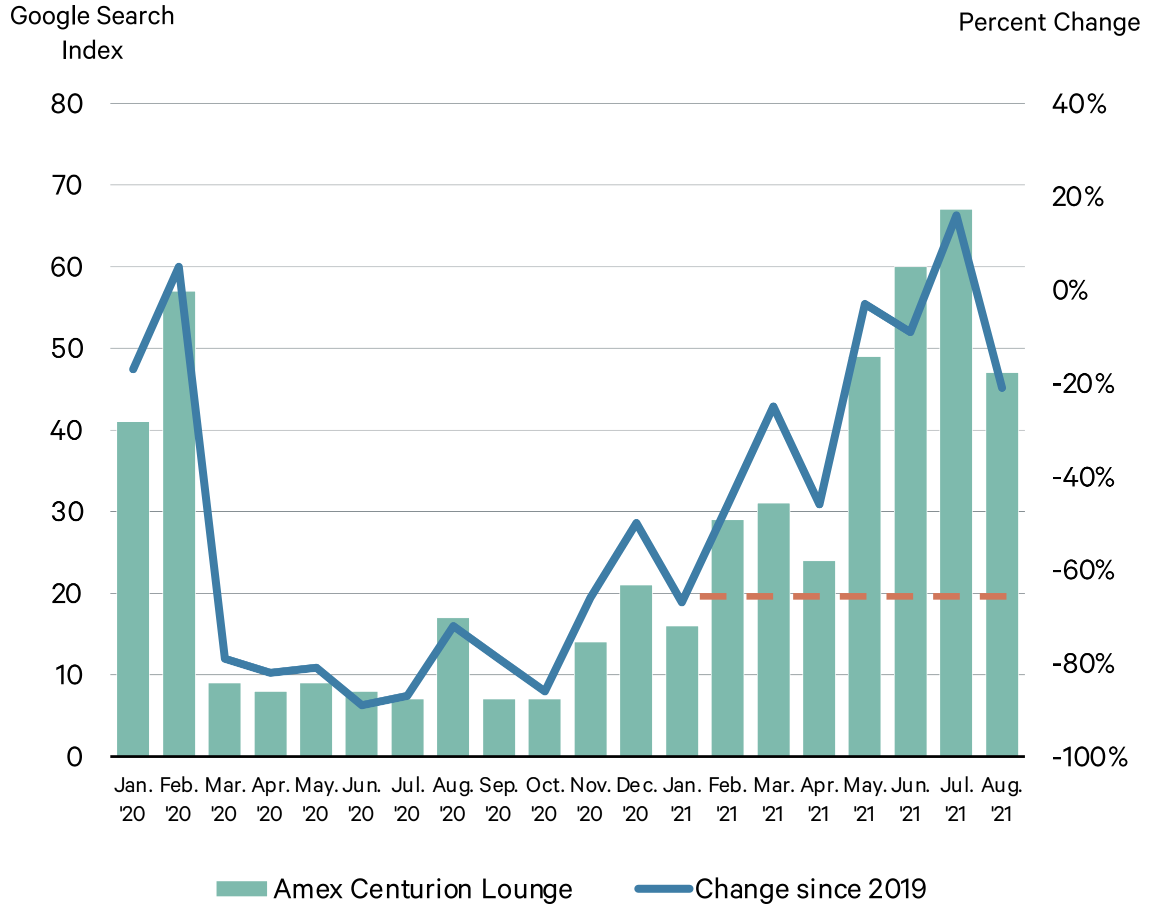
Source: CBRE Hotels Research, CBRE EA, BLS, OECD

Google trends analysis business travel recovery

Corporate Big Brands Average



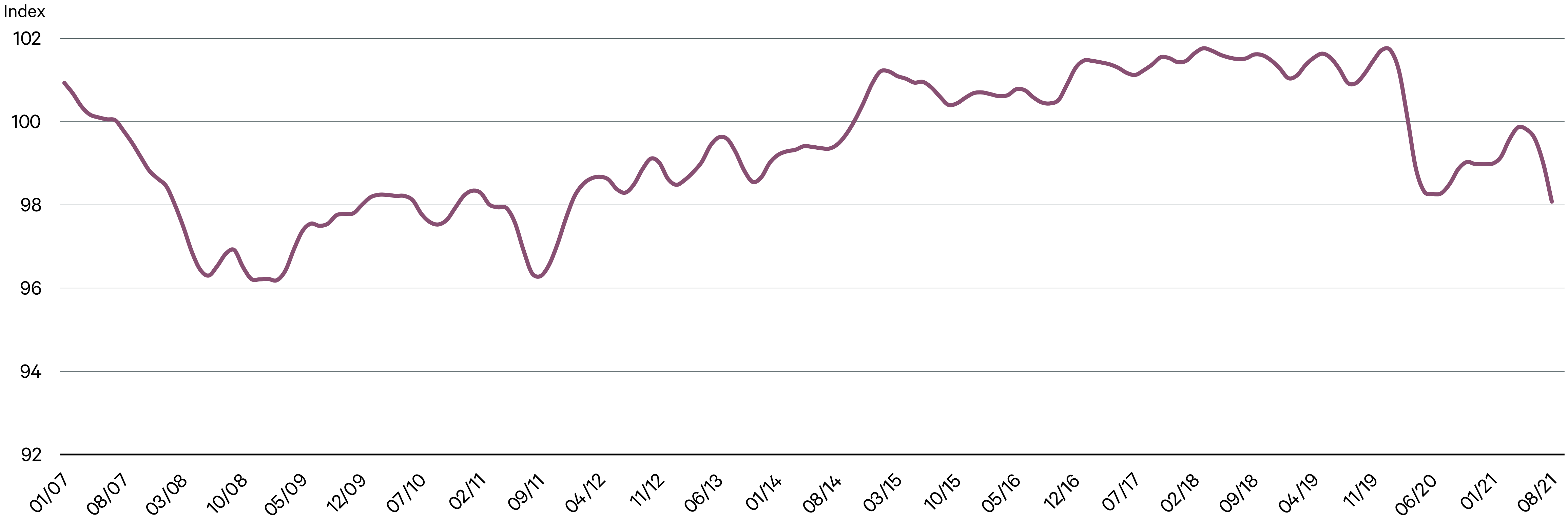
Amex Centurion Lounge



Source: CBRE Hotels Research, Google Trends. Key words: Hilton, Marriott, Hyatt, IHG Hotels, Amex Lounge, Centurion Lounge

Consumer confidence is at pandemic lows

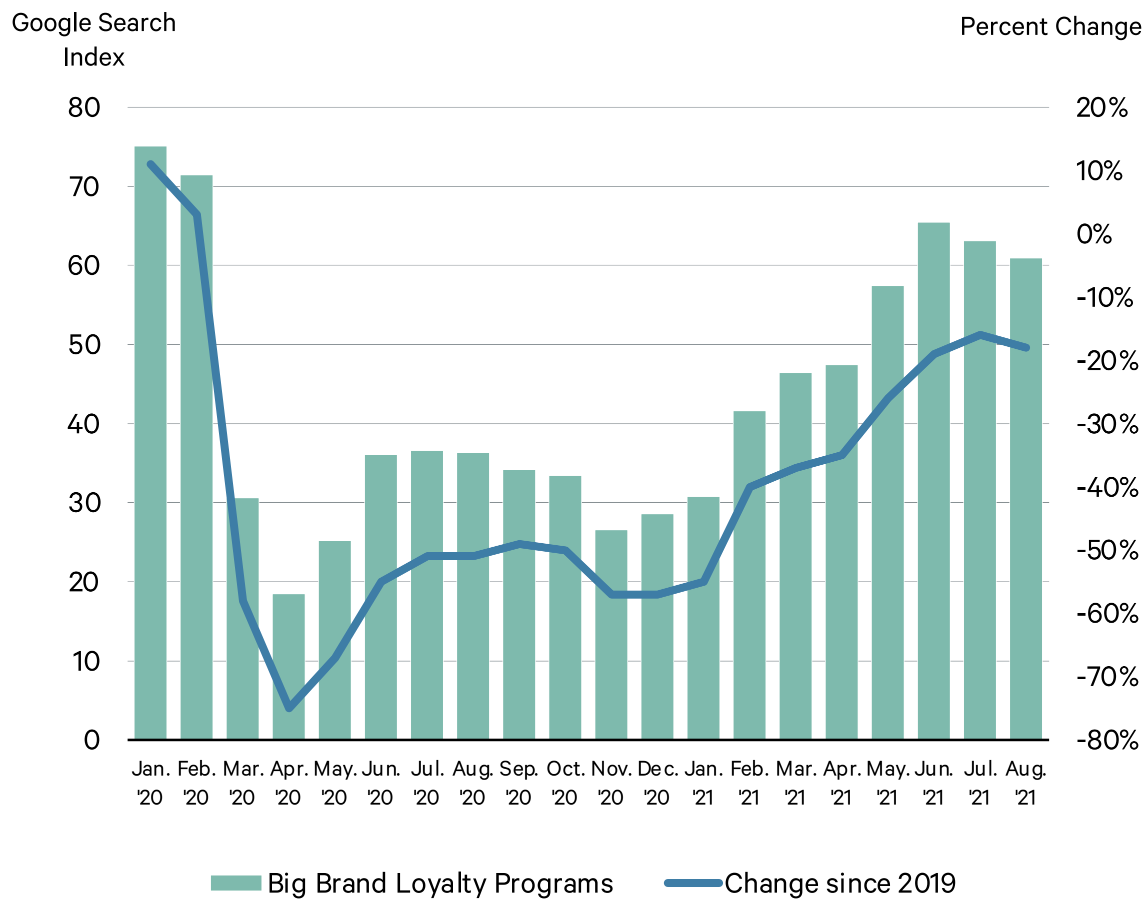
Consumer Confidence Index



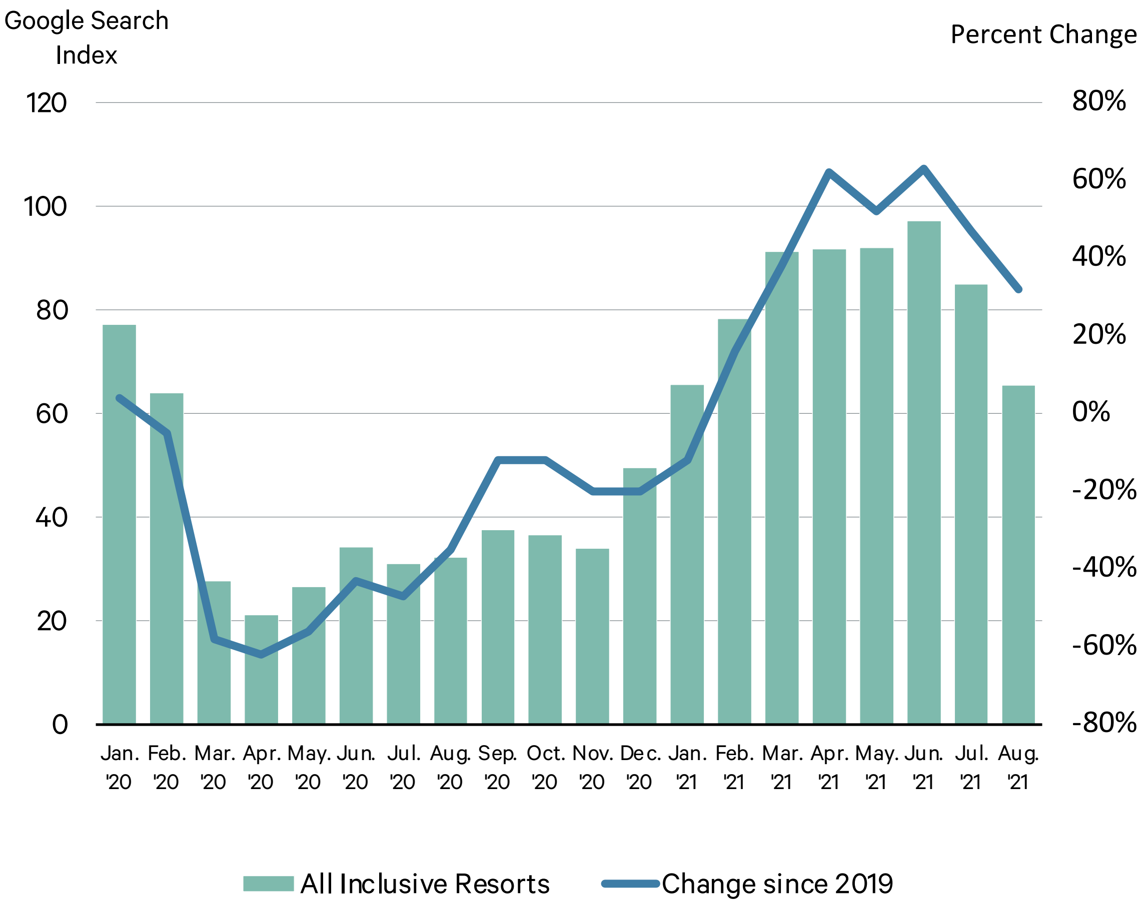
Source: CBRE Hotels Research, BLS, OECD

Google trends analysis leisure travel recovery

Big Brand Loyalty Programs



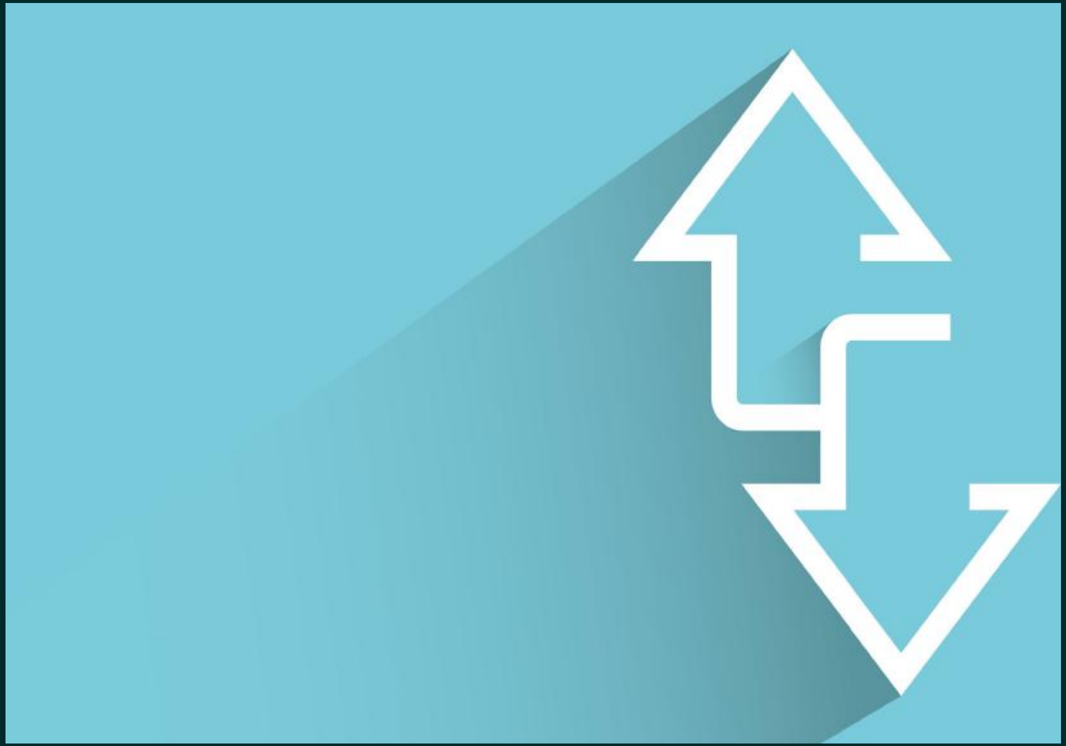
All Inclusive Resorts



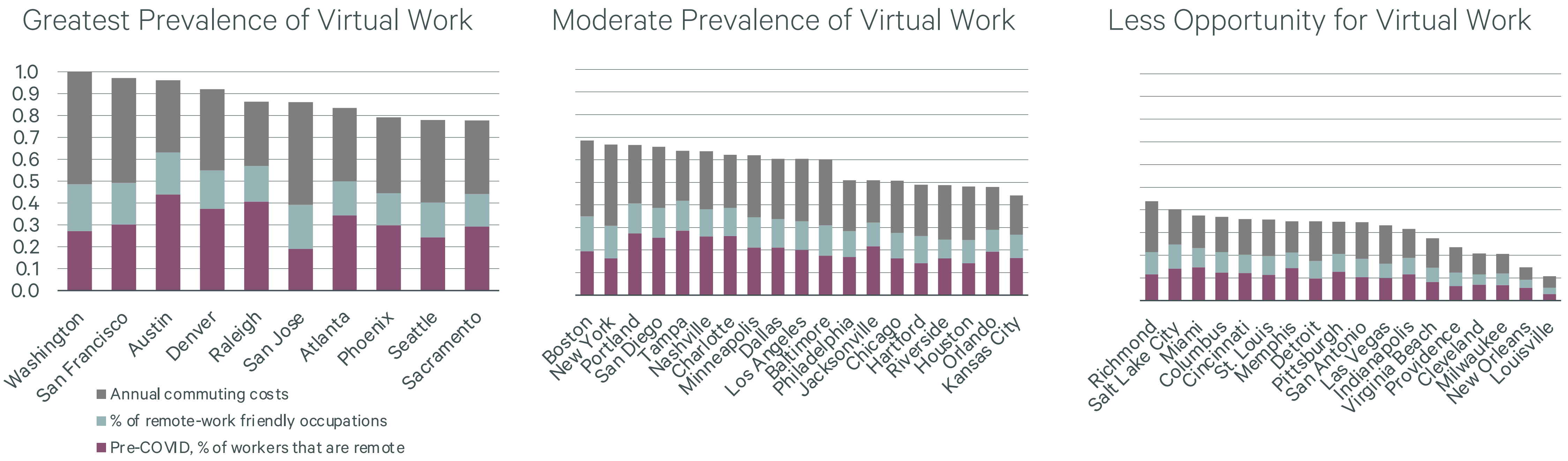
Source: CBRE Hotels Research, Google Trends. Key words: Bonvoy, Hilton Honors, World of Hyatt, IHG Rewards, All-inclusive Resort.

4

Potential Headwinds



Potential impact from remote work by market



- Tech markets are poised to see more virtual work.
- Markets with high in-migration historically saw many newcomers work virtually.
- Many high-performing office markets have a legacy of virtual work.

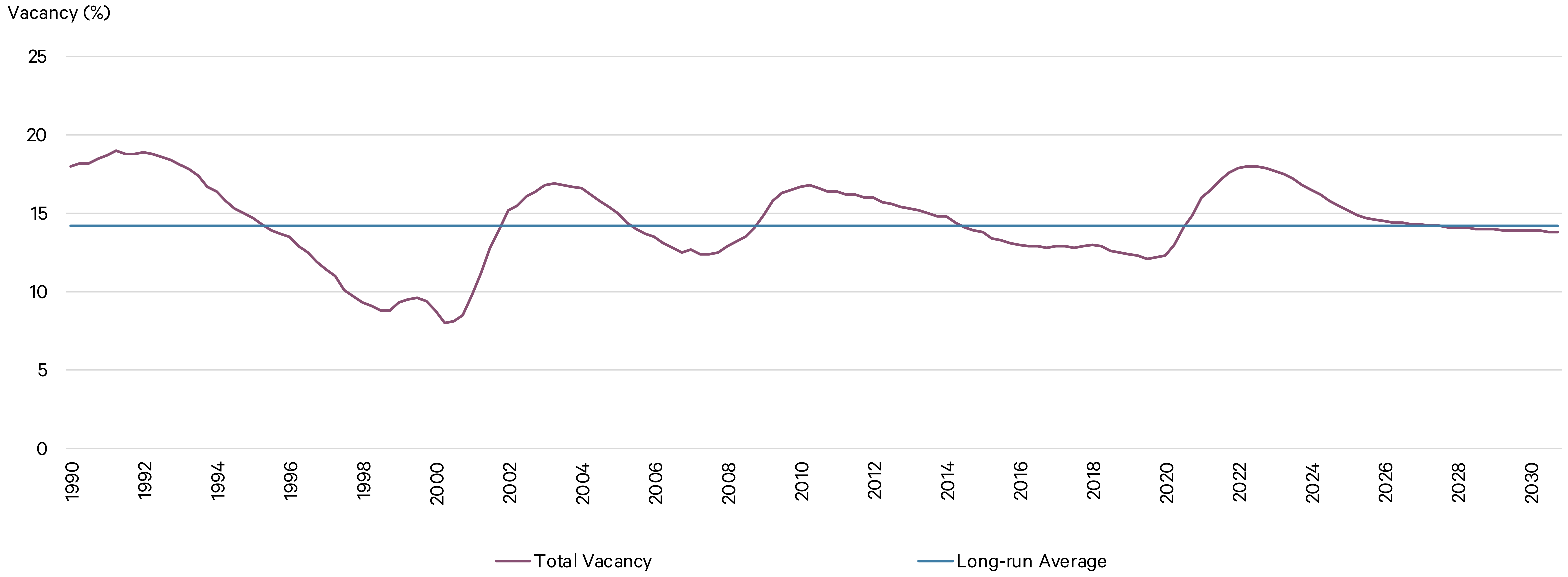
- Markets with sizable creative and transactional sectors, such as New York and Los Angeles, will need relatively more office/meeting space.
- Medium-sized Sunbelt cities with shorter commute times offer easier access to the office.

- High-tech sectors are less prevalent in the Midwest, limiting the propensity for virtual work.
- More manageable commute times encourage office use.

Source: CBRE EA, U.S. Census, University of Chicago, Clever.

Office Vacancy Will Remain Elevated Through 2026

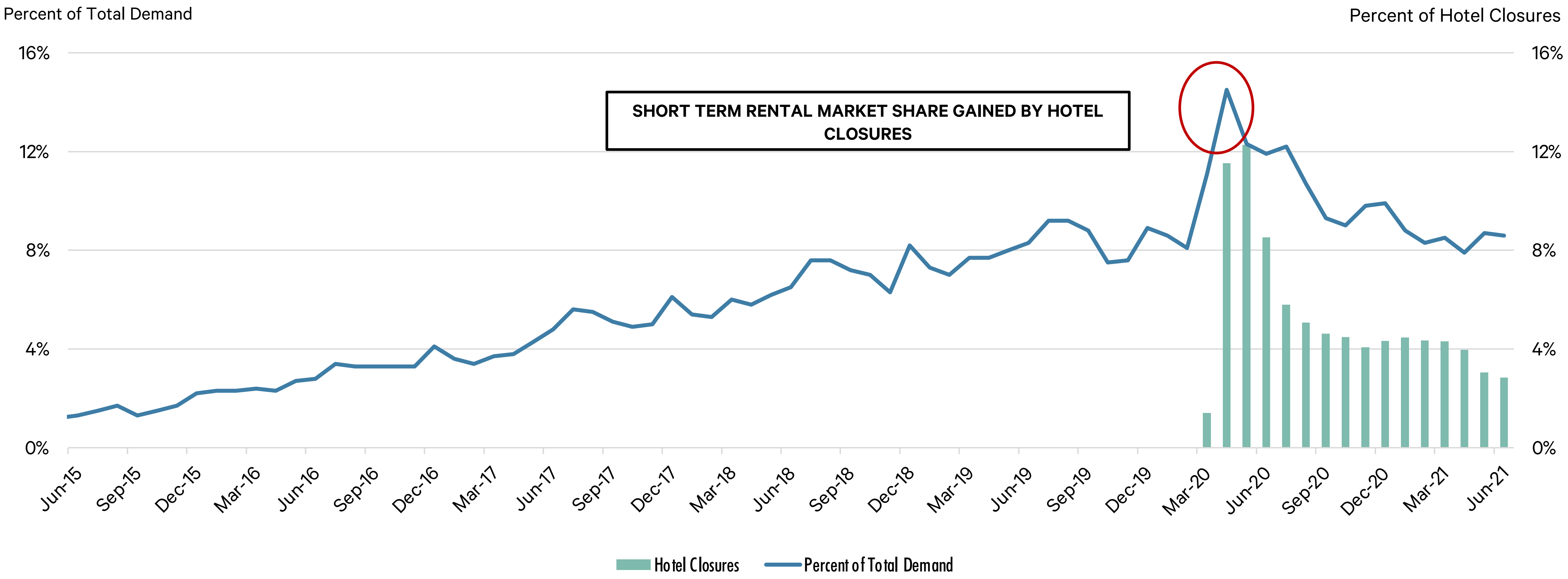
Office Vacancy



Source: CBRE Hotels Research, CBRE EA

AIRBNB loses demand share as hotels begin to reopen

AirBNB demand as a percent of total demand vs. temporarily Closures



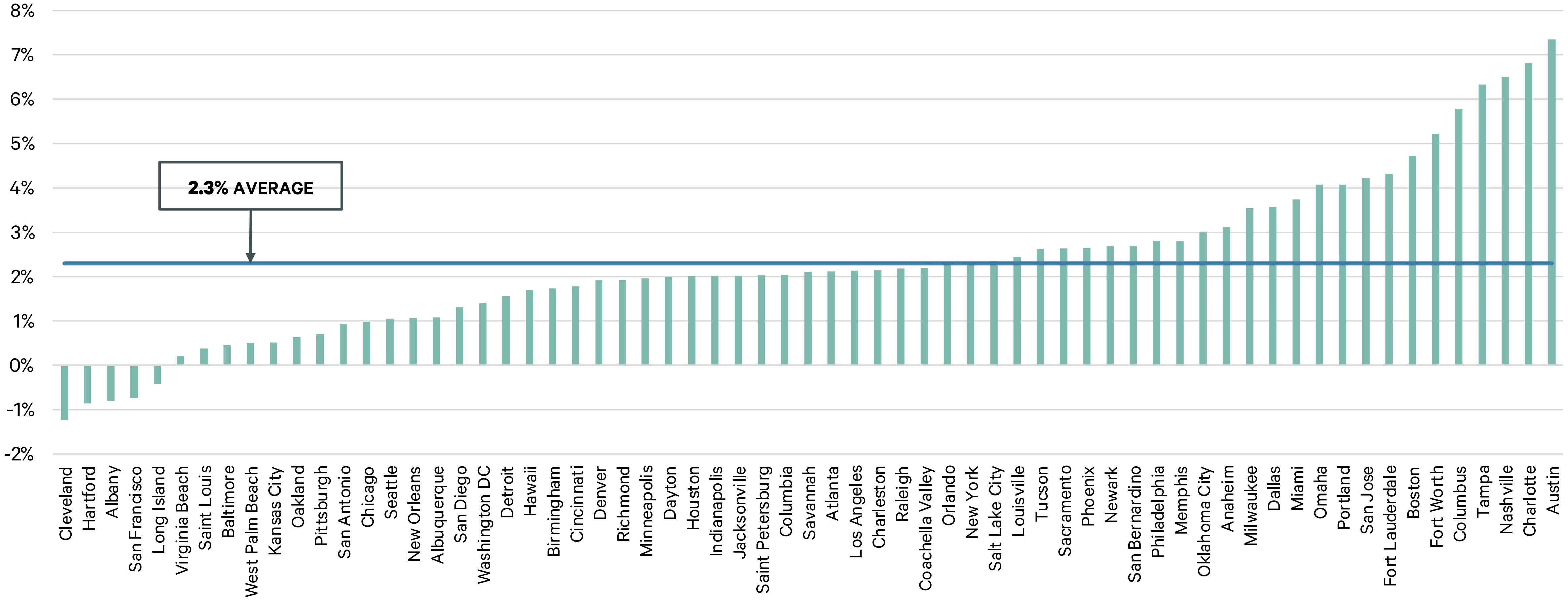
Source: CBRE Hotels Research, Kalibri Labs, AirDNA

5

Supply

Top 65 Market 2021 Supply Growth

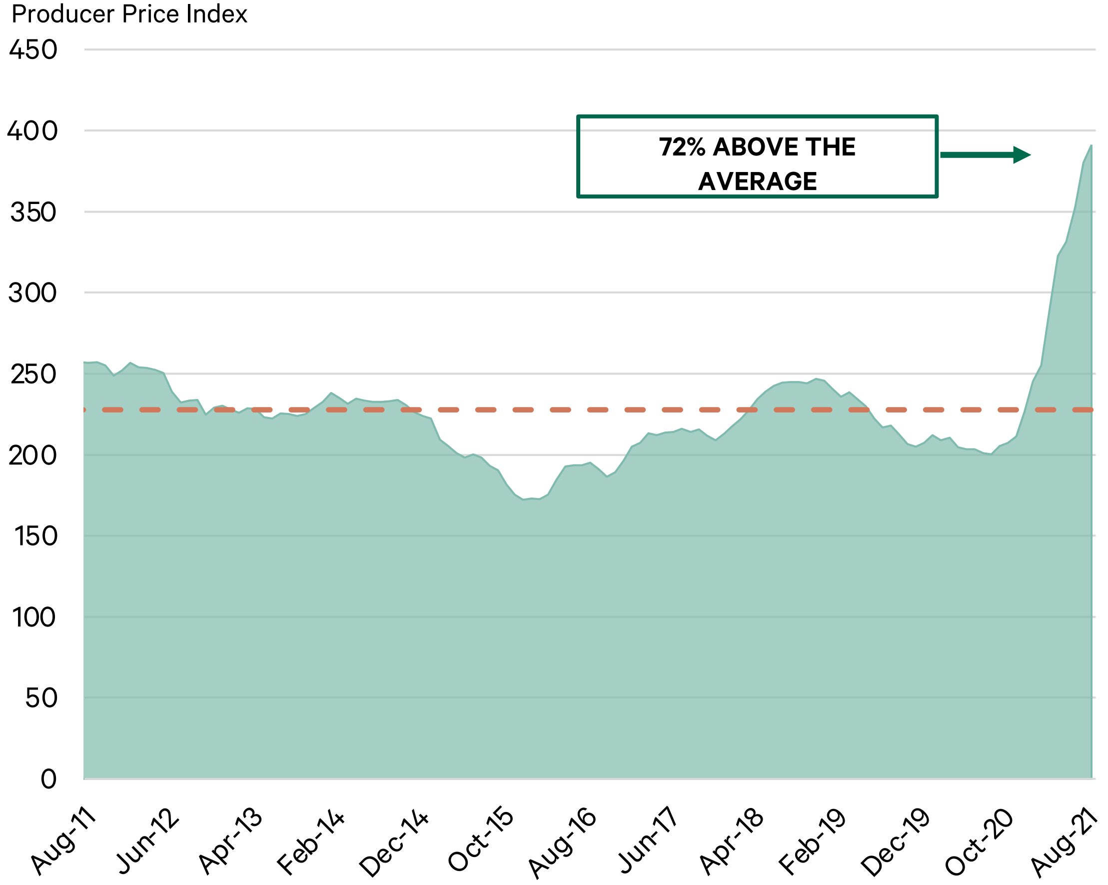
2021 Supply Growth Forecast



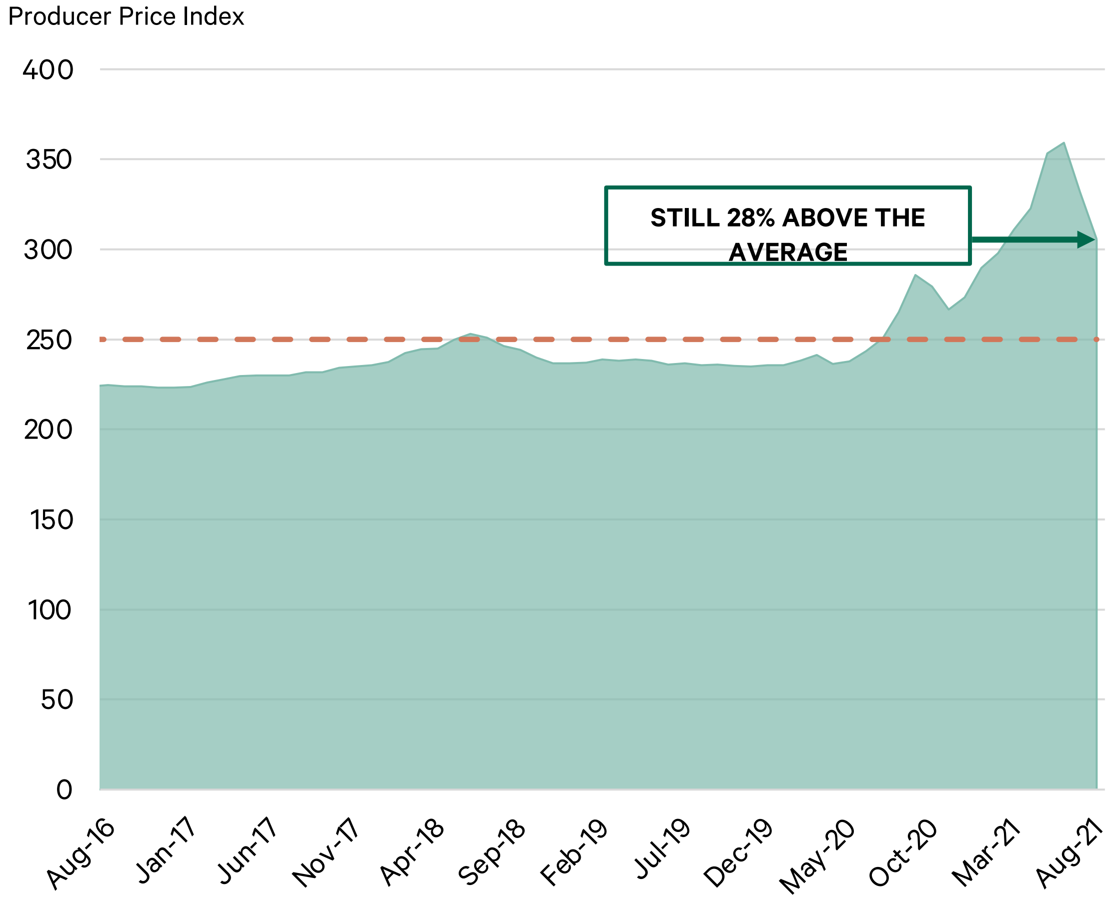
Source: CBRE Hotels Research, Kalibri Labs

Construction inputs are well above their long run averages

Steel and Iron



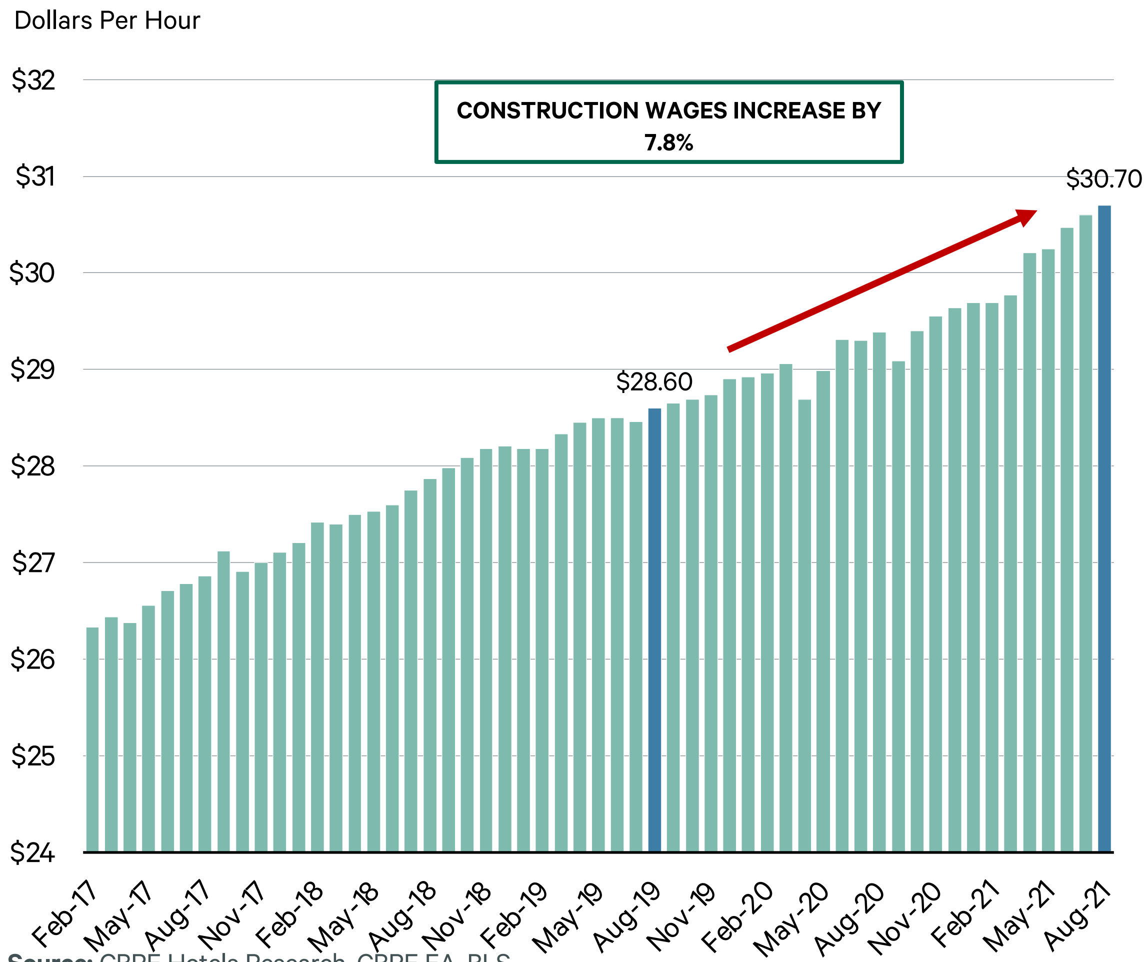
Lumber and Wood products



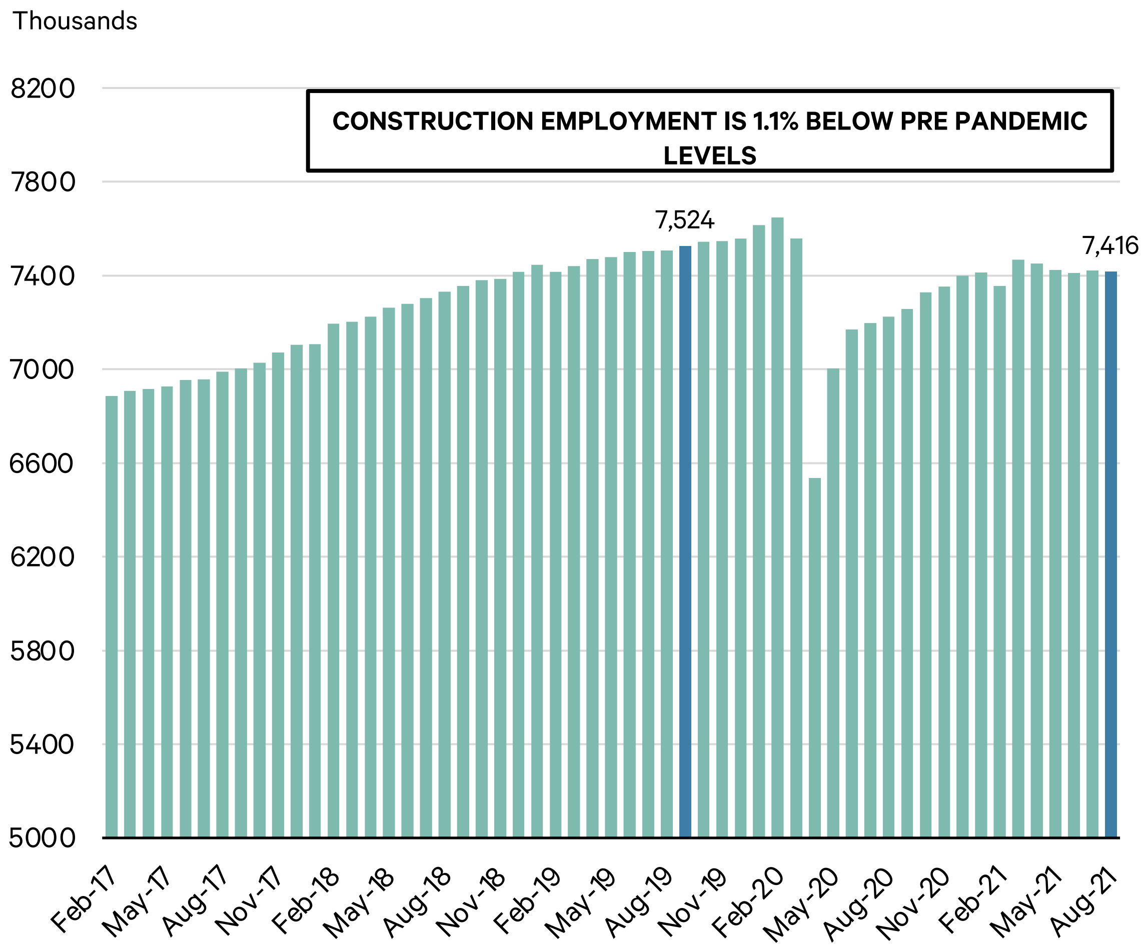
Source: CBRE Hotels Research, BLS

Higher wages and employment headwinds new construction

Construction Wages



Number of construction employees



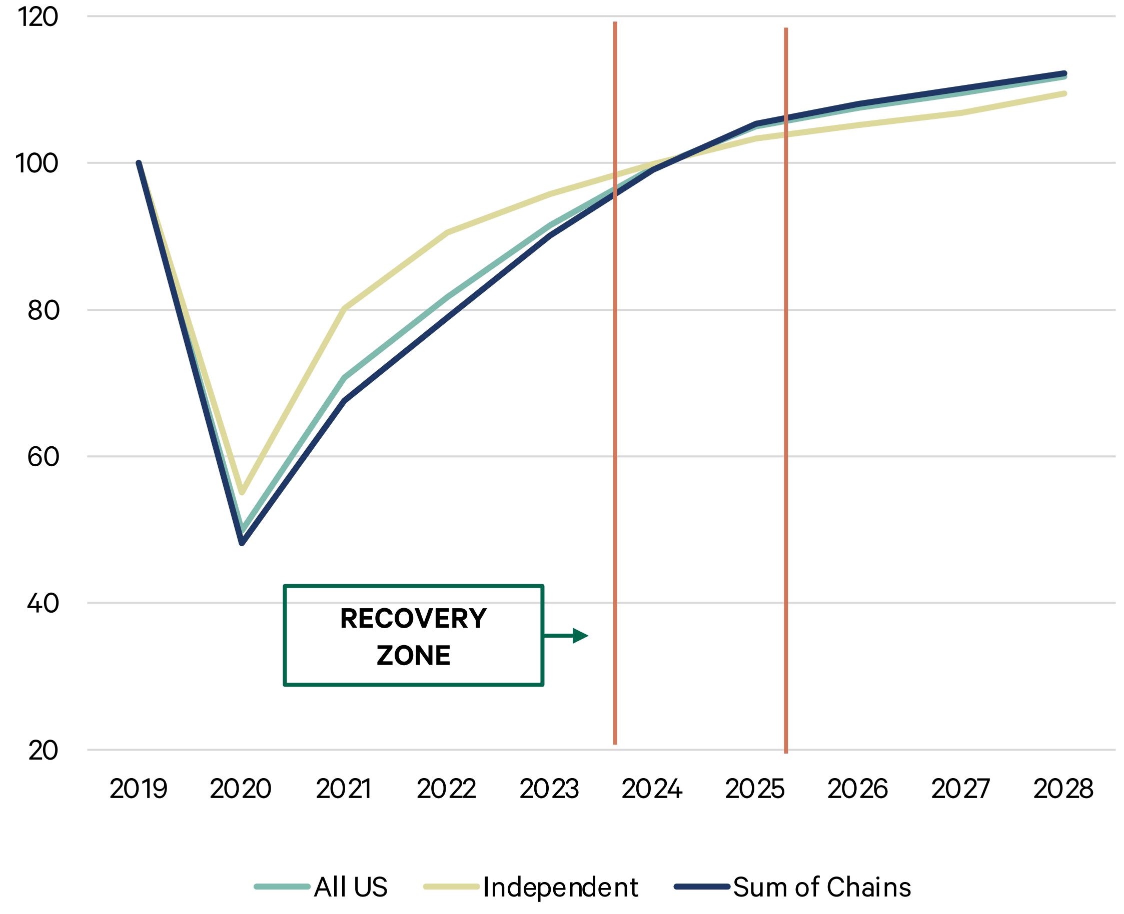
Source: CBRE Hotels Research, CBRE EA, BLS

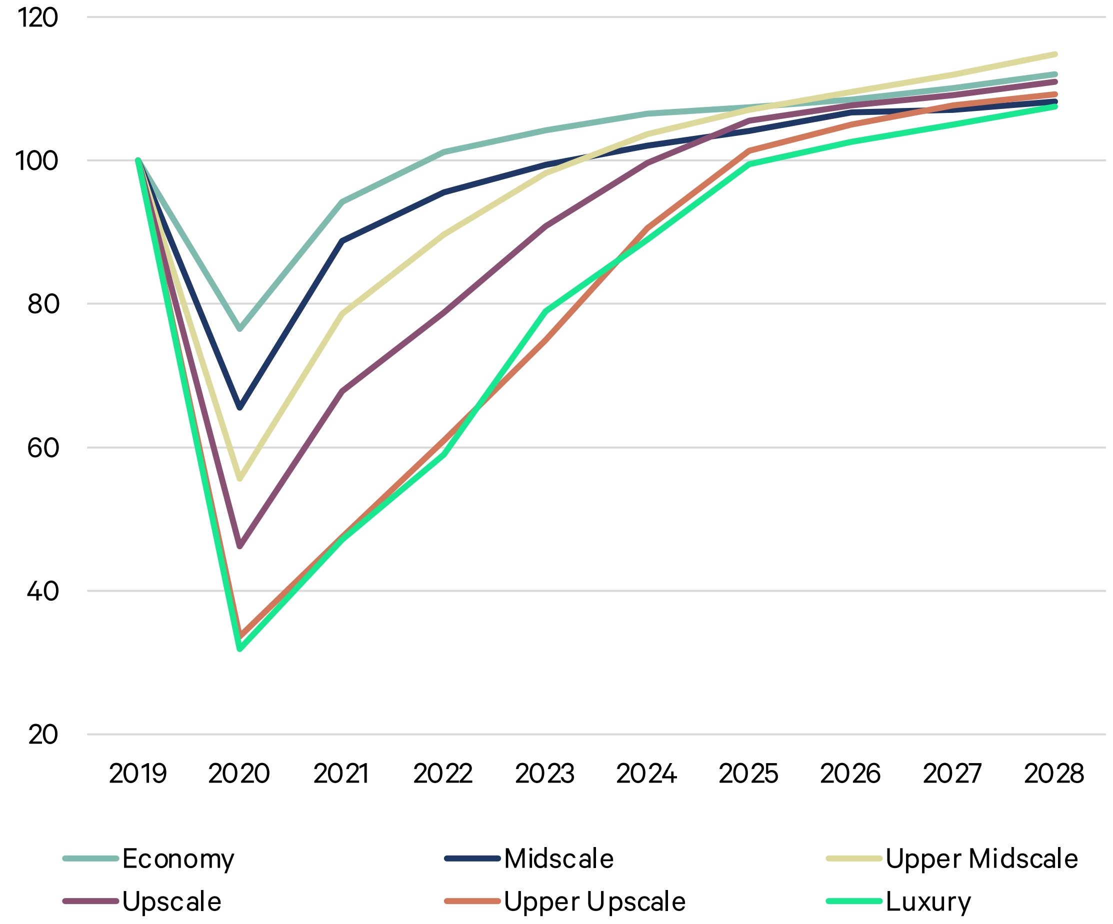
6

Updated Forecast

CBRE Hotel Horizons® U.S. lodging forecast by chain scale

RevPAR indexed to 2019 Levels

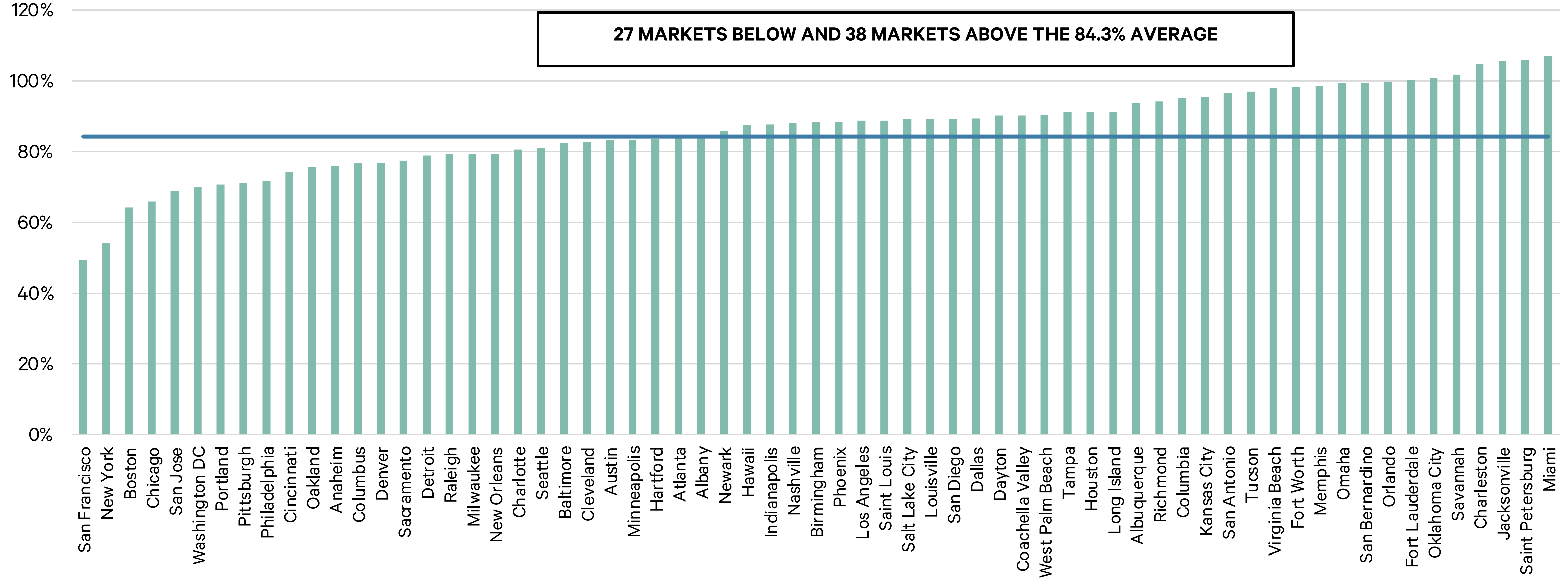




Source: CBRE Hotels Research, Kalibri Labs

CBRE Hotel Horizons® U.S. lodging forecast by market

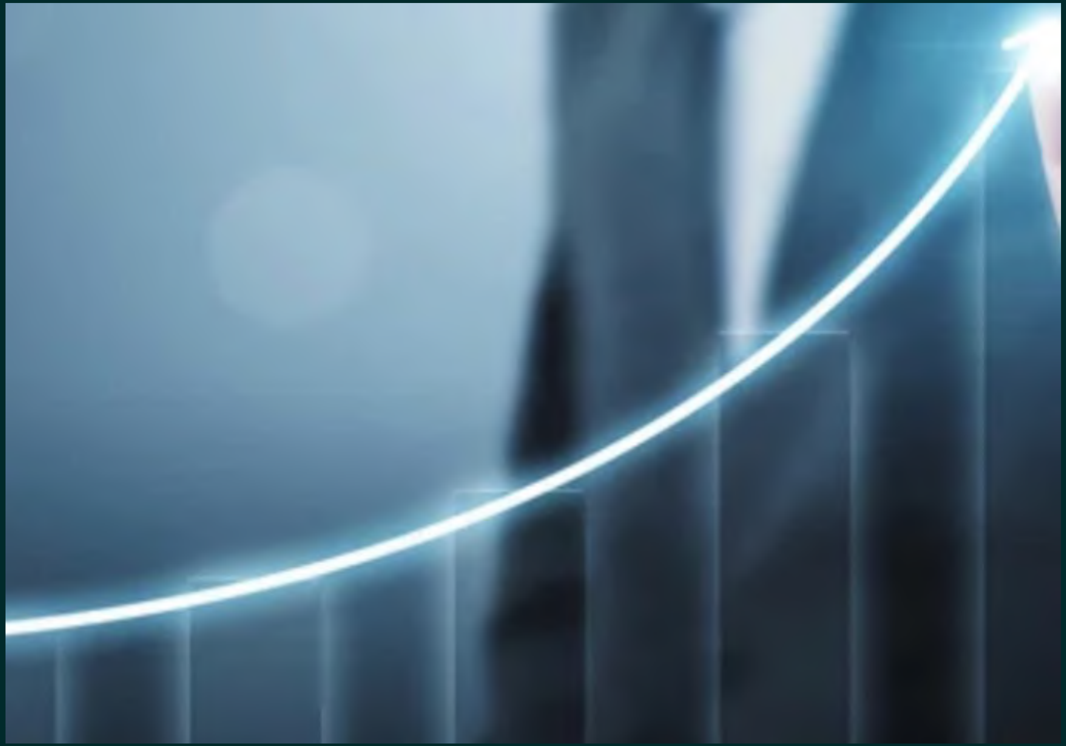
2022 RevPAR as a Percent of 2019



Source: CBRE Hotels Research, Kalibri Labs

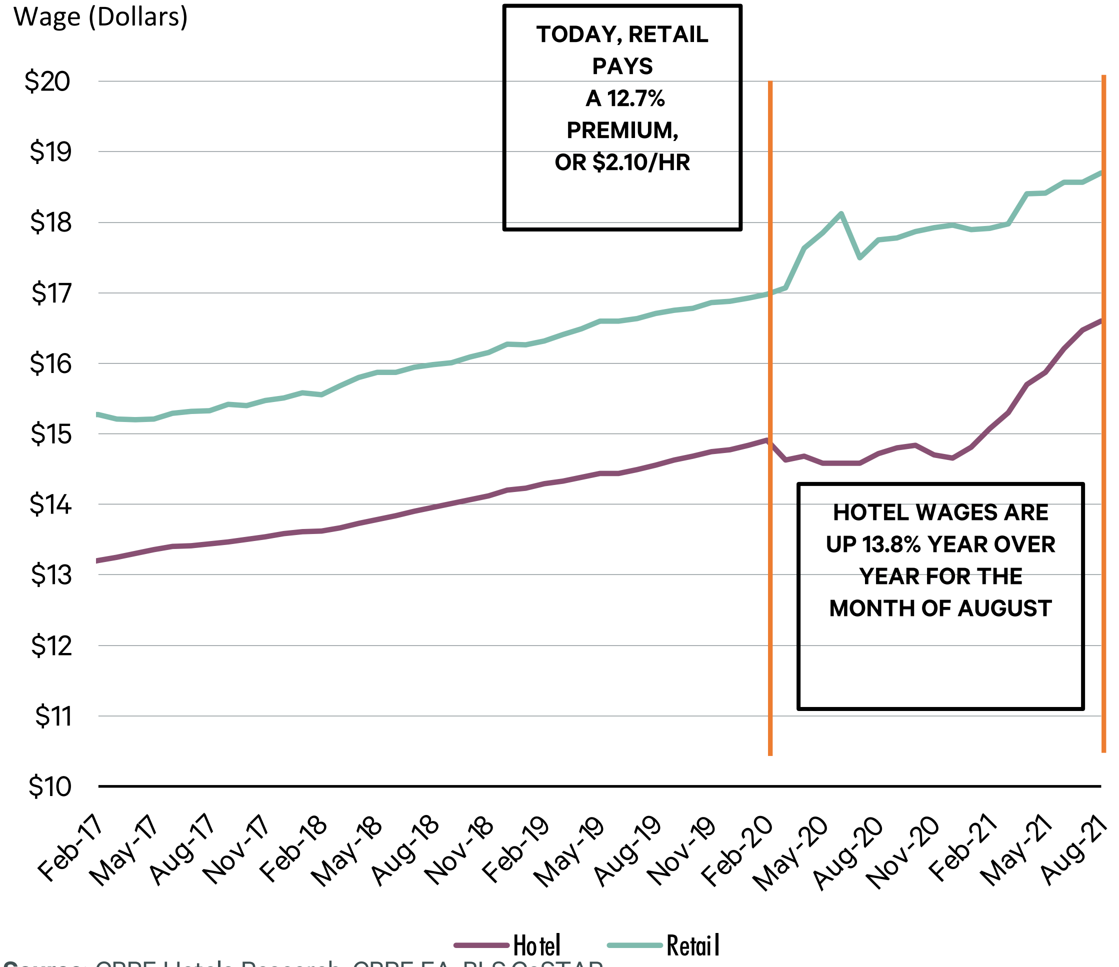
7

Operating Performance



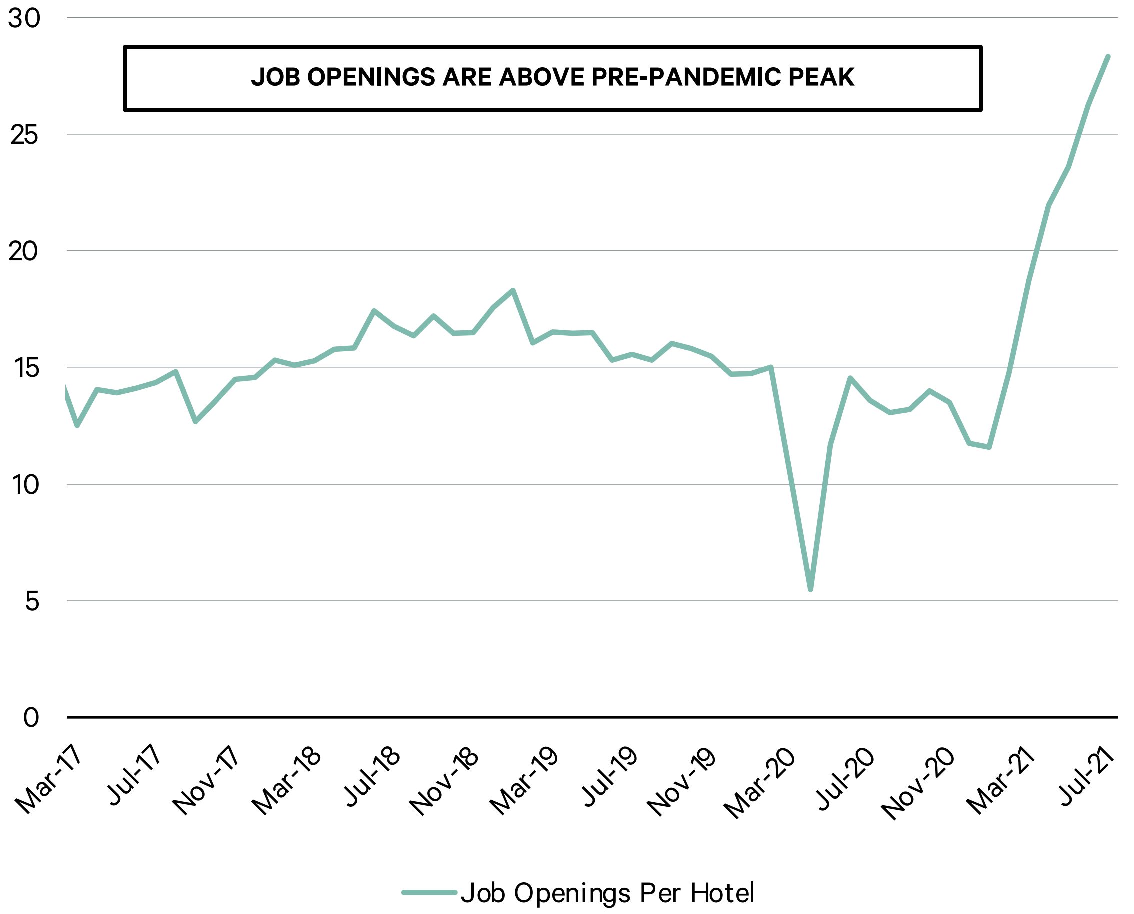
Hotel operators continue to confront a challenging labor environment

Wage Pressures a Headwind to Margins



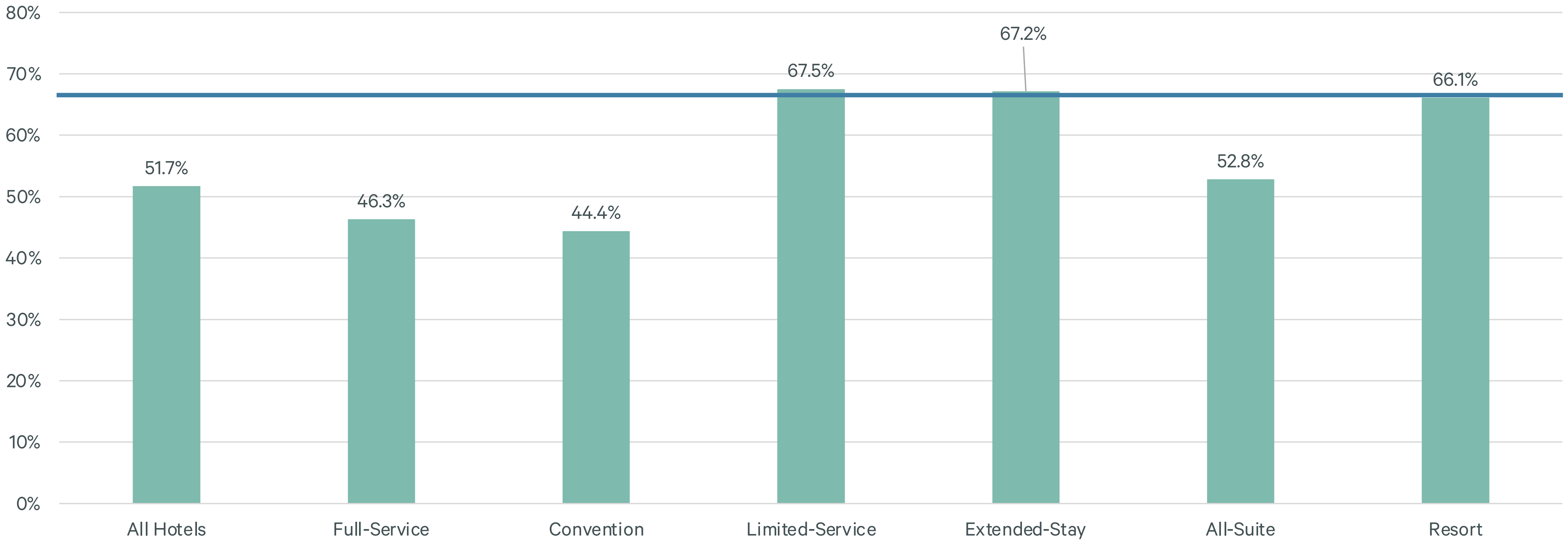
Source: CBRE Hotels Research, CBRE EA, BLS,CoSTAR

Job Openings Per Hotel are Increasing



U.S. Hotel Total Operating Revenue – By Property Type

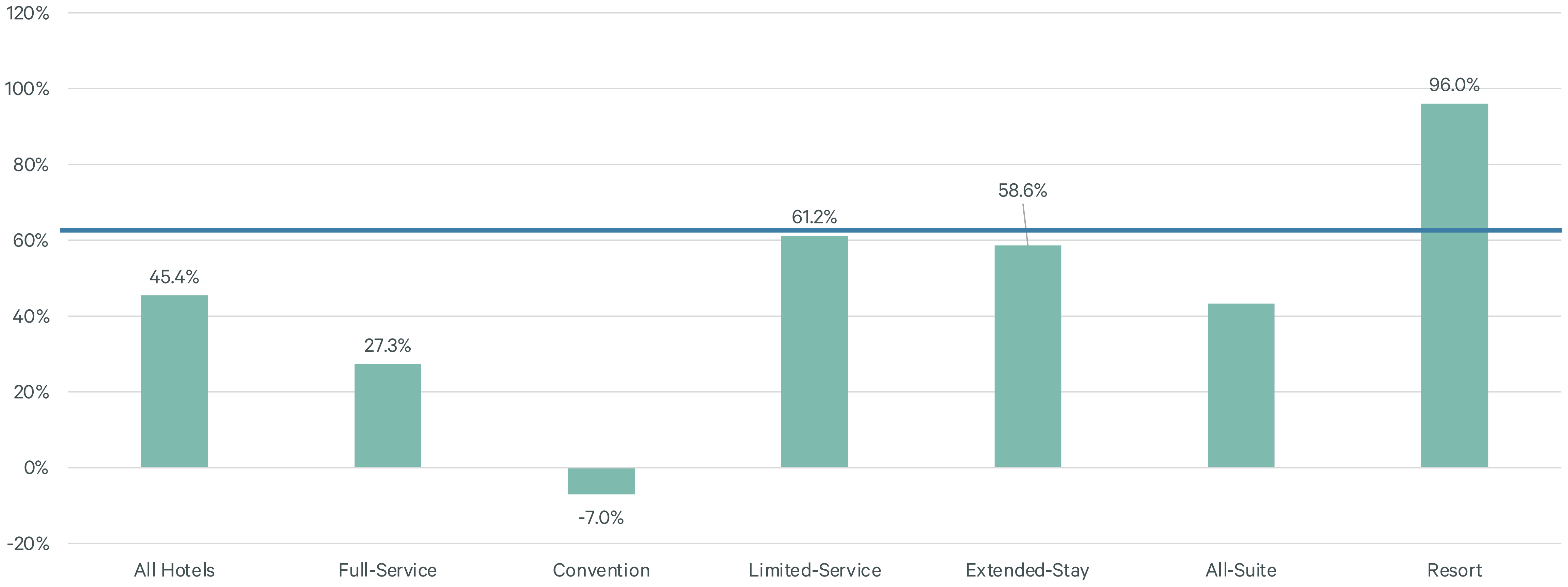
Dollars Per Available Room: June 2021 as a Percent of June 2019



Source: CBRE Hotels Research, Trends, Same-Store Sample.

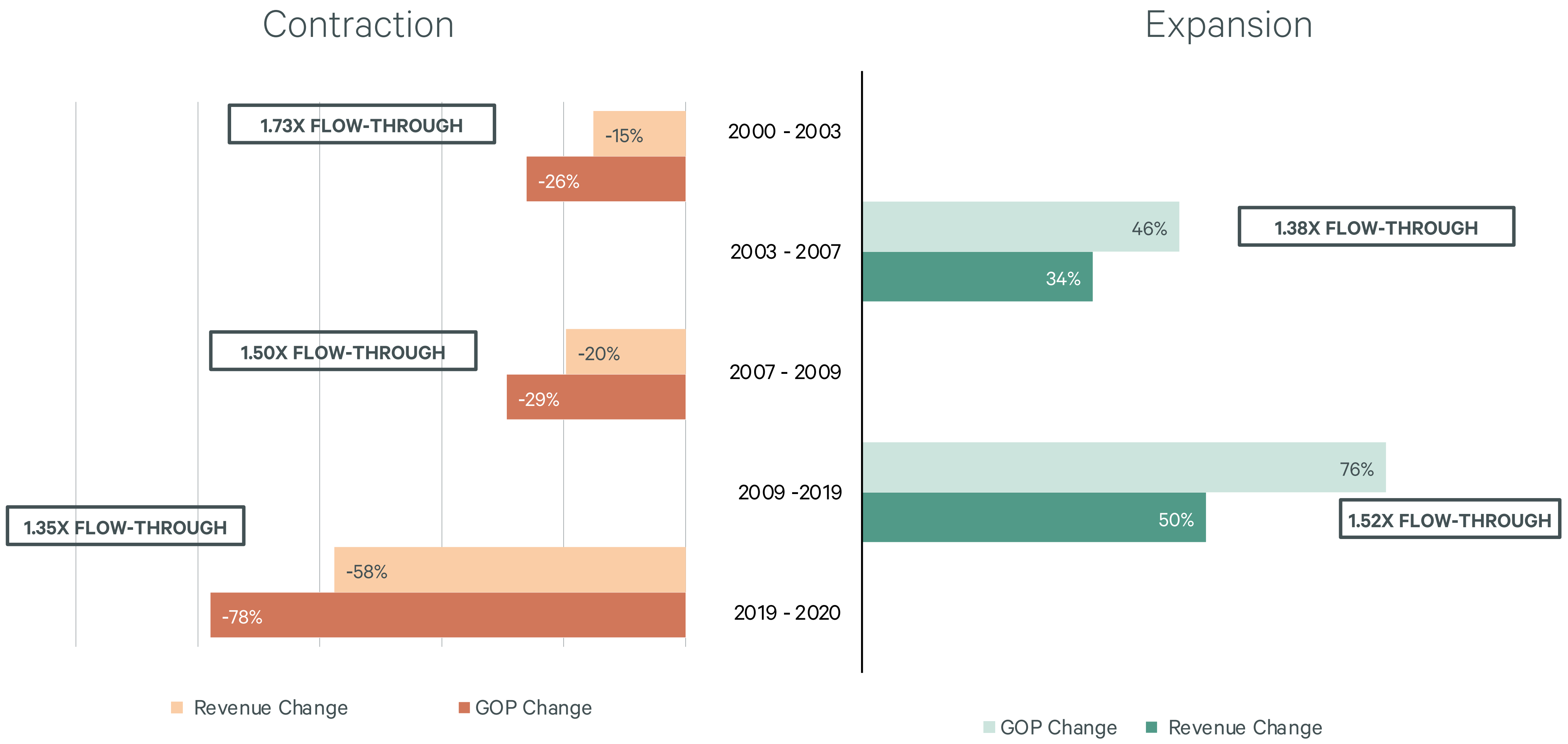
U.S. Hotel Gross Operating Revenue – By Property Type

Dollars Per Available Room: June 2021 as a Percent of June 2019



Source: CBRE Hotels Research, Trends, Same-Store Sample.

Operators have Become More Efficient With Each Cycle



Source: CBRE Hotels Research, Trends, Same-Store Sample.

Thank You

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1

Outline

- Confirmed Short Term Rentals
- Locations
- Complaint Data
- Citizen Concerns
- Irving Regulations
- Benchmarking – STR Regulations
- Benchmarking – STR Prohibitions
- Legal Updates

2

Irving Short Term Rentals

Of the 515 listings, 291 addresses were identified.

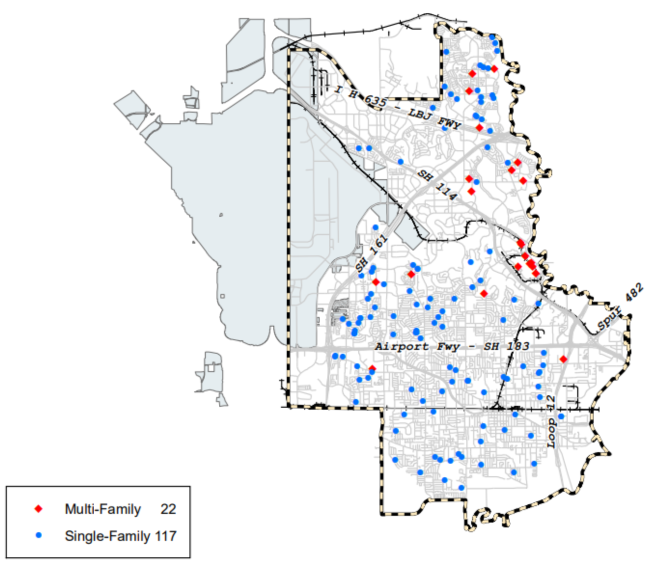
Of the 291 addresses, 139 are unique.

Of the 139 unique addresses, 117 are single-family

Data Source: LodgingRevs

3

Irving Short Term Rentals

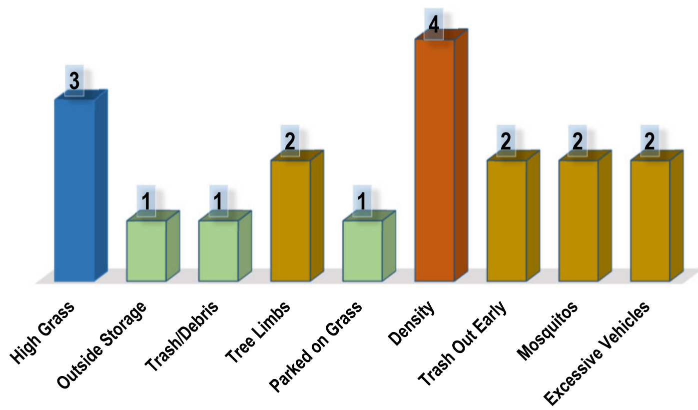


Data Source: LodgingRevs; GIS

4

Code Enforcement Complaint Summary

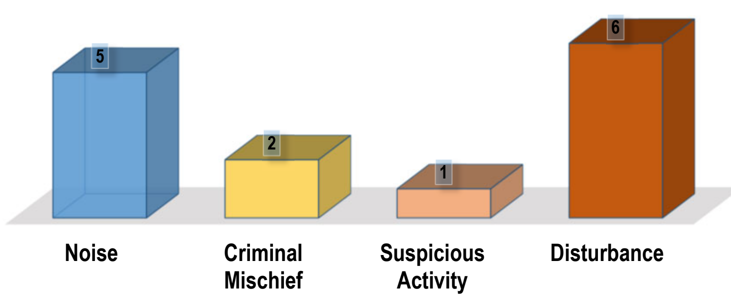
Of the known 117 Single-Family STRs:
- **12 code complaints received**
- **18 violations worked**



5

Police
Calls for Service (CFS) Summary

Of the known 117 Known Single Family STRs:
- 14 Calls for Service at 9 Addresses



6

Citizen | Neighborhood Concerns

- Noise
- Transients
- Overcrowding
- Property Values
- Crime Element
- Single Family vs. Multi-Family
- Traffic
- Parking
- Commercial Business in Residential Neighborhood
- Neighborhood Integrity
- Quality of Life

7

Irving Regulations

Unified Development Code (Zoning & Land Use)	Ch. 8 Minimum Building & Property Standards	Ch. 22 Noise	Ch. 15 Fences	ICC Building Codes
Off Street Parking	Min. Building Standards	Noise disturbances	Condition	Illegal Construction
Illegal Outside Storage	Min. Property Standards High Grass & Weeds/Trash	Construction times	Materials	Permits
Oversized Commercial Vehicle Parking	Substandard Structures		Height	
Trash/Debris	Density		Setbacks	
Land Use | Zoning			Permits	

8

Benchmark Cities With STR Regulations

City	Registration Requirements	Inspection Requirements	Annual Fee & HOT
Dallas	Registration for All Rentals	Every 5 years	$43 Annual Fee + $43 Reinspection Fee + HOT
Carrollton	Registration for All Rentals	Annual	$50 Annual Fee
Mesquite	CO for All Rentals	Change of Occupancy	$125 Annual Fee
Grand Prairie	Registration for STR	Complaint Investigation	HOT only
Farmers Branch	CO for All Rentals License for STR	Change of Occupancy Initial at Licensing + As Needed	$120 + HOT
Arlington	Permit for STR	Annual	$500 Annual Fee
Garland	Permit for All Rentals	Change of Occupancy	$65 Annual Fee + HOT
Frisco	Registration for All Rentals	Annual	$300 STR Annual Fee
Plano	N/A	N/A	HOT only

9

Benchmark Cities With STR Prohibitions

City	Prohibition	Litigation
Arlington	Only allowable in certain zoning districts	Pending Litigation
Austin	Non-owner occupied prohibited by 2022	Pending Litigation
Ft. Worth	Prohibited in SF zoning districts Regulations Under Review	
Grapevine	Prohibited in SF zoning districts	Pending Litigation
Hurst	Prohibited	
Southlake	Prohibited	

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10

Legal Updates

11

Where are we on STRs?: Court cases

- ***Tarr v. Timberwood Park Owners Assoc'n, Inc.*** **(Texas Supreme Court opinion, May 25, 2018)**
  - Issue: Whether short-term vacation rentals violate certain restrictive covenants that limit tracts to residential purposes and single-family residences.
  - In context of a deed restriction, TX S.Ct. says:
    - a "residential use" is one that involves activities generally associated with a personal dwelling; and "residential purposes" is use of property for living purposes/a place of abode, no matter how short-lived
    - "residential purposes" restrictive covenant does not prohibit short-term rentals, and short-term rentals aren't commercial or business uses

12

Where are we on STRs?: Court cases

- **Ongoing/pending litigation involving Texas cities' various attempts to prohibit &/or regulate STRs:**
  - City of Austin
  - City of Arlington
  - City of Grapevine

13

Zaatari et al. v. City of Austin et al.

- In 2012, Austin adopted STR registration ordinance and subsequently engaged in several years of studies and hearings on STRs
- In 2016, Austin adopted a new STR ordinance providing three classes of STRs, and providing for eventual phasing out of all <u>non-owner occupied</u> (Type 2) STRs in the city by 2022

14

Zaatari et al. v. City of Austin et al.

- 2016 Ordinance also imposed several restrictions on STRs, including:
  - Banning all assemblies after 10:00 p.m.;
  - Banning outdoor assemblies of more than 6 adults at any time;
  - Prohibiting more than 6 unrelated adults or ten related adults from using the property at any time; and
  - Giving city officials authority to enter and examine STRs to ensure compliance with city code.

15

Zaatari et al. v. City of Austin et al.

- Property owners sued alleging that the assembly and occupancy restrictions and ban on non-owner occupied STRs violates:
  - constitutional rights to privacy;
  - freedom of assembly and association;
  - due course of law;
  - equal protection; and
  - freedom from unwarranted searches.
- State of Texas intervened alleging that the ban of Type 2 STRs is an unconstitutional retroactive law and an uncompensated taking of private property
- Trial court denied dispositive motions filed by all parties and an appeal was filed on December 1, 2017

16

Zaatari et al. v. City of Austin et al.

- On November 27, 2019, Austin Court of Appeals issued an opinion
- Court held that provisions of the ordinance (including the ban on Type 2 STRs and the assembly restrictions) were unconstitutional and VOID for two main reasons:
  - Unconstitutionally retroactive
  - Violate Due Course of Law/Due Process
- Did not address remaining claims because ordinance did not pass constitutional muster

17

Zaatari et al. v. City of Austin et al.

- Ban of Type 2 STRs:
  - Court said City's purported public interest is NOT COMPELLING:
    - Concerns over public-interest issues such as "over-occupancy, disorderly conduct, public intoxication, noise, parking, littering," are not specific or limited to Type 2 STRs
    - **"Type 2 STRs are simply single-family residences that are not owner-occupied"**
    - Nothing supports a conclusion that a ban on Type 2 STRs would resolve or prevent the stated concerns; nothing in the record to show that these issues have been problems with or specific to STRs in the past

18

Zaatari et al. v. City of Austin et al.

- Ban of Type 2 STRs:
  - Court said City's purported public interest is not compelling based on the data:
    - In 4 years, NO citations issued to a licensed STR for violating noise, trash or parking ordinances
    - In 4 years, city issued NOVs to STRs only 10 times:
      - 7 for over-occupancy
      - 2 for trash receptacles at curb too long
      - 1 for debris in yard
      - 0 for noise or parking issues
    - NO removal/revocation of STR licenses
    - NOT a disproportionate number of complaints from neighbors on STRs
    - Does NOT advance a zoning interest because both STRs and owner-occupied homes are residential in nature (citing *Tarr)*

19

Zaatari et al. v. City of Austin et al.

- Ban of Type 2 STRs:
  - Ability to lease property is a **fundamental right** of property ownership
  - STRs are an "established practice"
  - City's ban on Type 2 STRs will result in a loss of income for property owners
  - Court concludes that owners of STRs have a "settled interest" in their right to lease their property on a short-term basis
  - Total elimination of the settled right to lease property is significant impairment of property owner's rights

MINIMAL PUBLIC INTEREST + SIGNIFICANT IMPACT ON SUBSTANTIAL INTEREST IN A WELL-RECOGNIZED PROPERTY RIGHT = STRUCK DOWN AS UNCONSTITUTIONALLY RETROACTIVE

20

Zaatari et al. v. City of Austin et al.

- Assembly restrictions on STRs:
  - Under federal and state guarantees of due process, the government may not infringe certain "fundamental" liberty interests at all, no matter what process is provided, unless the infringement is *narrowly tailored* to serve a *compelling state interest (i.e., strict-scrutiny analysis)*
  - Court says that Texas Constitution's assembly clause extends to the right to congregate peaceably on private property
  - Court says right to peaceably congregate on private property is a fundamental right

21

Zaatari et al. v. City of Austin et al.

- Assembly restrictions on STRs:
  - Court says NO COMPELLING INTEREST exists to justify the ordinance's restrictions on right to peaceably assemble on private property based on data
  - City can regulate the possible negative effects of STRs with existing nuisance ordinances (e.g. noise, littering, parking, disorderly conduct, & public intoxication)
  - City can achieve goal of eliminating negative effects of STRs by less intrusive, more reasonable means, i.e. ordinance's restrictions are NOT NARROWLY TAILORED

NO COMPELLING INTEREST + NOT NARROWLY TAILORED = FAILS STRICT SCRUTINY/STRUCK DOWN AS UNCONSTITUTIONALLY VIOLATIVE OF DUE COURSE OF LAW

22

Zaatari et al. v. City of Austin et al.

- Court of Appeals decision:
  - Reverse and render judgment holding that STR ban and assembly restrictions are unconstitutional and VOID
  - Remanded to trial court
- Austin filed motion for rehearing en banc, which was overruled
- Austin filed petition for review to the Texas Supreme Court in September 2020, which was denied by the Supreme Court in June 2021
- Case still pending at trial court

23

Draper et al. v. City of Arlington et al.

- Spanning the course of several years, Arlington conducted an exhaustive deliberative process on STRs
  - Hired consultant
  - Mapped distribution of STRs using census tract data
  - Gathered citizen input from proponents and opponents of STRs through 4 town hall meetings, surveys, an open house, 14 committee meetings, and 20 city council meetings
- In April 2019, Arlington passed 2 complementary STR ordinances, effective August 1, 2019

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Draper et al. v. City of Arlington et al.

- Zoning Ordinance created an STR Zone within 1 mile of the Entertainment District
  - City conducted extensive mapping of census tract data that showed Entertainment District area contained highest ratio of STRs to single-family homes in the City
  - 13.5% of the single-family homes in the STR zone were being used as STRs
- Zoning Ordinance amended the Unified Development Code to allow residential structures and accessory dwelling units to be used as STRs in:
  - The STR Zone;
  - A residential medium-density zoning district;
  - A residential high-density zoning district;
  - A residential multifamily zoning district;
  - A non-residential/commercial district; or
  - A mixed-use zoning district.
- This results in thousands of parcels with single-family dwelling units that can be used as STRs

25

Pending litigation against Texas cities on STRs: *Draper et al. v. City of Arlington et al.*

- STR Ordinance regulations:
  - Annual permit, $500 fee, and inspection
  - Proof of HOT payment required
  - Proof of $1M per occurrence liability insurance required
  - Max. Occupancy limits: 2 per bedroom plus 2, limited to 12
  - Noise restrictions: no amplified sound between 10 pm and 9 am
  - Prohibits outside congregation between 10 pm and 9 am
  - Trash placement on curb after 7 pm evening prior to scheduled pick-up
  - Prohibits advertising of an STR for a special event such as a "banquet, wedding, reception, reunion, bachelor or bachelorette party, concert, or any similar activity that would assemble large numbers of invitees"
  - Imposing parking restrictions and limits the number of vehicles allowed at an STR
  - Prohibits the physical conversion of premises to add additional bedrooms for STR use

26

Draper et al. v. City of Arlington et al.

- Five homeowners sued for declaratory and injunctive relief alleging the 2 STR ordinances are unconstitutional on the grounds that they:
  - Deprive homeowners of property interest without due course of law;
  - Violate equal protection clause;
  - Infringe upon tenants' freedom of assembly; and
  - Constitute an *ultra vires* act that exceeds Mayor's zoning powers
- Trial court denied the temporary injunction application of homeowners to enjoin city from enforcing both ordinances

27

Draper et al. v. City of Arlington et al.

- Homeowners filed interlocutory appeal to Ft. Worth Court of Appeals on denial of temporary injunction on November 6, 2019
- Texas Attorney General filed Amicus Curiae Brief on behalf of State of Texas in support of the homeowners
- Oral argument held March 3, 2020
- On July 15, 2021, the Ft. Worth Court of Appeals issued ruling

28

Draper et al. v. City of Arlington et al.

- Due Course of Law Claim:
  - Homeowners only assert on appeal that the Zoning Ordinance violates their substantive due-course-of-law rights under the Texas Constitution, do not make a claim on appeal about STR ordinance
  - Homeowners did not argue that Zoning ordinance is unduly burdensome, so homeowners must prove that the ordinance could not arguably be rationally related to a legitimate government interest
    - Court points out different standard ("compelling public interest") for retroactivity claim, which homeowners haven't pleaded
  - Court looks at the evidence presented, and the City's purported interest in regulating STRs

29

Draper et al. v. City of Arlington et al.

- Due Course of Law Claim:
  - City's goal in developing ordinance was to find a reasonable balance between STR operators and homeowners
  - Data showed higher percentage of STRs compared to single-family residences around the City's entertainment district
  - City staff testimony that the City's entertainment and sports venues induce much of the STR traffic and the presence of tourists and guests on a frequent basis is compatible with the entertainment and sports venue activities
  - City has legitimate government interest in zoning
  - Court said city's decision to allow STRs in the STR Zone and in high- and medium density residential areas, but not in low-density areas, is rationally related to objectives within the City's police powers
  - Homeowners failed to present evidence to prove that the Zoning ordinance violates substantive due-course-of-law rights at the temporary injunction hearing

30

Draper et al. v. City of Arlington et al.

- Freedom of Assembly Claim:
  - Homeowners only claimed that the STR ordinance unconstitutionally restricts their tenants' freedom of assembly and movement
  - Court says homeowners don't have standing to bring claims on their tenants' behalf
  - Court contrasts this to the *Zaatari* case where one of the property owners was also a STR tenant who had standing to pursue the assembly–clause challenge to the Austin STR ordinance
  - As claims are <u>currently pleaded</u>, Court says the homeowners have failed to show on the record that they are likely to prevail on assembly-clause claims because they lack standing

31

Draper et al. v. City of Arlington et al.

- Equal Protection Claim:
  - Unless discriminate against a suspect class, as-applied equal protection claim requires that the government treat the claimant differently from other similarly situated landowners without a reasonable basis
  - Zoning decisions have traditionally been afforded rational relation scrutiny – as long as rationally related to a legitimate state interest, will be upheld
  - Court says rational basis to distinguish between STRs and long-term rentals based on 30-day rental period is state law imposition of hotel occupancy taxes
  - Court says that STRs being restricted to the STR Zone and other zoning districts and regulating the operation of STRs are rationally related to objectives within the City's police powers
  - Court says homeowners failed to offer evidence proving the Zoning and STR ordinance violate their equal protection rights

32

Draper et al. v. City of Arlington et al.

- Ft. Worth Court of Appeals held that the trial court DID NOT ABUSE ITS DISCRETION in denying the temporary injunction
- Important things to remember:
  - Arlington has not won case yet
  - Temporary injunction is an "extraordinary remedy that does not issue as a matter of right"
  - Movant bears the burden of proof; must show no adequate remedy at law
  - Trial court has discretion and only abuses its discretion if it rules in an arbitrary manner or without reference to guiding rules and principles; not when decision based on conflicting evidence
  - Court of Appeals did not review the <u>underlying merits of the case</u> and evidence at a preliminary injunction hearing is not the same evidence developed at a full trial on the merits

33

Draper et al. v. City of Arlington et al.

- Homeowners requested and were granted extension of time to file petition for review to the Texas Supreme Court; due September 29th
- Case still pending for ultimate decision on merits
- Homeowners have amended their petition to add claims that the STR Zoning ordinance is unconstitutionally retroactive

34

City of Grapevine v. Muns et al.

- City of Grapevine engaged in a 10-month study of impact of STRs on neighborhoods and saw an increase in complaints to the police department for criminal mischief, domestic disputes, parking violations, alarm calls, noise disturbances and others calls regarding STRs
- In Sept. 2018, the City of Grapevine passed an ordinance defining single-family dwelling transient rental and expressly prohibiting them in the City
    - Testimony at public hearing from City Attorney that 1982 Zoning Ordinance has always prohibited STRs
    - City never issued a citation for operating a short-term rental in violation of zoning ordinance
- Building Official sent letters to all purported STR owners advising of the 2018 ordinance and granting a 45-day conditional grace period to cease operating STRs

35

City of Grapevine v. Muns et al.

- Several homeowners, prior to 2018 ordinance, contacted city to ask about restrictions on STRs and were advised that the city had no restrictions, regulations or permit requirements for STRs; some paid hotel occupancy taxes on their STRs which the city was "happy to accept"
- Homeowners sued for declaratory and injunctive relief challenging the 2018 ordinance on the following grounds:
    - Constitutes a regulatory taking of property without just compensation in violation of the U.S. and Texas Constitutions;
    - Violates due course of law rights under Texas Constitution;
    - Pre-empted by state law;
    - Deprives them of vested rights to continue STRs in violation of state law; and
    - Unconstitutionally retroactive under the Texas Constitution.
- Homeowners added claim seeking monetary compensation or specific recoupment period for taking of their property

36

City of Grapevine v. Muns et al.

- Trial court granted plaintiffs' request for temporary injunction
- City filed plea to the jurisdiction asserting city's immunity from suit; which trial court denied
- On July 12, 2019, Grapevine filed interlocutory appeal arguing trial court erred in denying the plea to the jurisdiction
  - Texas Association of Realtors filed an amicus curiae brief in support of homeowners
- Oral argument was held on December 11, 2019
- On August 5, 2021, Ft. Worth Court of Appeals issued opinion
  - same Justice authored Grapevine opinion as the Arlington opinion

37

City of Grapevine v. Muns et al.

- Court holds:
  - Homeowners were not required to appeal the interpretation of the zoning ordinance by the City Attorney or the Building Official to the Zoning Board of Adjustment before filing suit challenging constitutionality of ordinance where administrative remedy would not have mooted their claims
  - **As a matter of law, STRs were a permitted use under the City's existing zoning ordinance as a single-family detached dwelling**
    - Single-family detached dwelling is an enclosed building having accommodations for and occupied by only one family
    - Family is any number of individuals living together as a single housekeeping unit interdependent upon one another
    - No occupancy duration requirements in either definition
    - Neither phrase addresses leasing, whether short- or long-term

38

City of Grapevine v. Muns et al.

- On the regulatory takings claim, the Court holds:
  - A fact issue exists that must be resolved by the trial court
    - Evidence of the STR ordinance's economic impact on the homeowner's property includes potential lost profits for differential between long-term versus short-term rental leases (testimony from appraiser that over 10-year period, combined potential gross rental difference exceeded $4.2 million)
    - Four of five homeowners purchased their properties intending to use as STRs
    - All invested significant sums of money to improve their properties so they could be used as STRs

39

City of Grapevine v. Muns et al.

- On declaratory judgment claims, the Court holds:
  - The homeowners have failed to plead valid pre-emption claim (dismiss that claim);
  - The homeowners have pleaded a facially valid claim that the ordinance is unconstitutionally retroactive because they have a **settled, fundamental right** to lease their property (citing *Zaatari)*; and
  - The homeowners have a **vested right** to lease their properties as STRs under common law that is sufficient to support a viable due-course-of-law claim.

40

City of Grapevine v. Muns et al.

- On injunctive relief requests, the Court holds:
    - The City is not immune from the request for injunctive relief because the homeowners have pleaded valid claims challenging the constitutionality of the STR ordinance.

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City of Grapevine v. Muns et al.

- Ft. Worth Court of Appeals rendered judgment dismissing the pre-emption claim and affirmed the remainder of trial court's order denying Grapevine's plea to the jurisdiction
- Grapevine filing motion for rehearing to Ft. Worth Court of Appeals, due September 20th
- Case still pending for ultimate decision on merits

42

Summary

- **After years of litigation, none of these pending cases have gone to trial or reached final conclusion:**
  - City of Austin
  - City of Arlington
  - City of Grapevine

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Discussion

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LavaCon

13 September 2021

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cc: Val Cantalope, Dir of Midwest Sales, Visit Austin
Greg Abbott, Governor, State of Texas
Barbara Dunn, Esq.

Shannon and Bridget,

In our last conference call, I stated I would invoke the anti-discrimination clause in our contract if the Texas voter suppression bill became law.

Bridget informed me a few days later that the Texas Association of Hoteliers decided not to lobby against the bill, and it subsequently passed.

Not only did that bill pass, so did the heinous abortion bounty hunter law.

There is no way I can in good conscience bring my conference to a state that is so eager to suppress women, minorities, and voting rights.

I urge you to fight at the grass roots level until you achieve the basic civil rights you are due. Until then, I'm invoking the anti-discrimination clause and am moving our 2023 and subsequent conferences that were to be held in Texas.

John Molisani
President
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From the Dallas Business Journal:
https://www.bizjournals.com/dallas/news/2021/09/06/boeing-relocation.html

The wake-up call: How Boeing's rejection of Dallas 20 years ago might have been the best thing for downtown

Sep 6, 2021, 11:14am CDT

On March 21, 2001, Dallas-Fort Worth received some surprisingly good news.

The Boeing Co., a multi-billion dollar aircraft manufacturer and a Fortune 10 ranked company as of 2000, was considering moving its headquarters to North Texas. The company had also identified Chicago and Denver as finalists. Boeing's new corporate office was expected to employ some 500 people, about half the number working at its Seattle headquarters at the time.

"As we've grown, we have determined that our headquarters needs to be in a location central to all our operating units, customers and the financial community — but separate from our existing operations," said Phil Condit, chairman and CEO of Boeing, at the time. "The role of the new, leaner corporate center will be to seek new growth opportunities around the globe."

Local leaders at the time recall that Boeing's headquarters search was unusual.

"In almost every other case, the protocol was for the chamber to call, John Ware and I would meet privately with the economic development team, and we'd all have to sign non-disclosures. Boeing was unusual because the CEO basically said, 'Hey, we're moving and we've narrowed it down to these cities.' It was as public of a battle for a corporate relocation as any," said former Dallas mayor Ron Kirk, who served from 1995 to 2001.

Nearly two months later, Boeing chose Chicago for its next headquarters. While it may never be known exactly why Dallas wasn't picked, it has become somewhat of a legend that the wife of Boeing's then CEO did not think too fondly of the city's urban core, supposedly calling it a cultural backwater compared to Chicago.

"They really did find the lack of vitality downtown a big issue. They wanted to go somewhere that had more vibrancy and a great urban seal," said Larry Good, retired founding principal and chairman of Dallas-based architecture firm GFF. In 2001, Good also served as chairman of Downtown Dallas Inc.

Today, downtown has grown into a vibrant live-work-play district that attracts new businesses, residents, and development. But how much credit, if any, does Dallas owe Boeing for that turnaround? Furthermore, what if Boeing had decided to move its headquarters to Dallas in 2001? How different would the urban core look today? On the 20th anniversary year of Boeing's rejection, the *Dallas Business Journal* revisits the decision to determine if Boeing's pass on downtown was actually a blessing in disguise.

Downtown Dallas in the early 2000s

"It was a dark day for downtown," said Good, recalling the area at the turn of the new millennium. "We had gotten a few historic buildings restored for housing, so there was a glimmer of good stuff going on, but every retail storefront was vacant. The streets were devoid of life. If there was any activity downtown, it was down in the tunnels that connected the office buildings to the parking garages and other office buildings."

When Boeing was looking to move its headquarters, Dallas's urban core was without many of the landmarks that visitors and residents enjoy today. The American Airlines Center was still under construction. While the Arts District did have the Dallas Museum of Art and The Morton H. Meyerson Symphony Center, the Nasher Sculpture Center, the AT&T Performing Arts Center and Moody Performance Hall were still years away from opening.

Downtown did have the Kay Bailey Hutchison Convention Center, but no Omni hotel. Very little green space existed downtown, either: Main Street Garden Park, Civic Garden and Klyde Warren Park were still years away from happening.

"A lot of those things were being discussed, but there wasn't a lot of intensity about it. There wasn't enough focus. We just weren't getting there," said Good. "We talked about the convention center hotel for years and years, but nothing ever really came to pass. We talked about the condition that the streets and sidewalks were in, we talked about the overhead walkways and the tunnels that were sucking the life out of downtown streets, but there was too much talk and hand-wringing and not enough action."

A united vision for downtown

Most local stakeholders say Boeing alone wasn't the reason for downtown's turnaround, but some say it was an important kick-starter.

"What (Boeing) triggered was a wake-up call. Both mayors that were serving around this time were eager to address the problem. They convened stakeholders and civic leadership to ask the question, 'How can we change this? What can we do downtown?'" Good said.

One of the best efforts to address downtown's problems came from the formation of the Inside the Loop Committee, conceived in 2002 by then Dallas mayor Laura Miller. She says it was developer Raymond Nasher, not Boeing, that instigated the formation of the committee.

"Ray Nasher had invested a lot of money into the Nasher Sculpture Center and before the grand opening, he said, 'I didn't ask for anything from the city. There's no money in long-term maintenance or the facility itself, but I really would like you to clean up downtown,'" Miller said. "I called Robert Decherd at the *Dallas Morning News* and said, 'Can we get together a bunch of property owners downtown and see what we can do to get things looking better so that the Nasher ... will have a clean environment to launch?'"

"That was the initial reason for the committee. Because Decherd is so intense and focused, it morphed pretty quickly into, 'Well, what do we really need long term to turn Dallas around?' At the time, there was very little happening."

Over the course of three years, the roughly 25-member committee created a report outlining five immediate action items and five intermediate action items for downtown. The ten action items include the following:

Top 5 Immediate Action Items - 2005

Conclude a deal to build a Convention Center hotel.
Build out the Boulevard System as recommended in the Comprehensive CBD Transportation Plan and construct Central Boulevard as soon as possible.
Design and complete the three urban parks recommended in the Downtown Parks Master Plan and make progress in acquiring land for Gateway Park and the Emerald Bracelet.
Vigorously support the alternatives study for the second DART alignment Downtown and advocate an aggressive timetable for construction.
Advance pedestrian linkages inside the loop with particular attention to connections from the Arts District to surrounding areas (including the Woodall Rodgers deck park), sidewalk enhancements recommended in the Comprehensive CBD Transportation Plan, and bicycle/jogging paths identified in the Emerald Bracelet.

Top 5 Intermediate Action Items - 2005

Extend the McKinney Avenue Trolley to Downtown destinations and encourage DART to develop specific plans for a Downtown circulator system.
Complete design and engineering for a Fair Park Link using Canton Street right-of-way and strengthen connections to East Dallas.
Work closely with the General Services Administration on the location of the new Federal Courthouse, enhanced by a large,

landscaped "Federal Plaza" with underground parking.
Build the Reunion Overlook and Reunion Plaza on the Trinity Levee.
Reform and vigorously enforce City ordinances related to surface parking, metered parking, landscaping, fencing and lighting, license fees for sidewalk uses such as cafes, street vendors, and uses of Downtown parks.

Slowly but surely, portions of the plan began to take shape. Others are still in the works. For those early believers in downtown's renaissance, the progress seen today is a satisfying reminder that change can happen.

"I love it (downtown). It reminds me that change takes time. Great public works projects are always controversial and they always take longer, but 20 years in the life of a city is nothing," Kirk said.

What if Boeing had chosen Dallas?

With hindsight being 20/20, it could be easy to conclude that Boeing's rejection of Dallas might have actually been a good thing. But what if the world's largest aerospace company had chosen downtown for its new headquarters? Would things look totally different today? Would all of the progress that the urban core has seen in the last 20 years be reversed? Stakeholders say probably not.

"There are too many smart people that know what a great city, a vibrant city, looks like. We would have gotten there," Good said. "I think we'd be several years behind where we are now, but I think we would have done virtually all those same things ultimately."

Kirk says the entire courtship with Boeing was ultimately a victory for Dallas and the greater region.

"I saw it as a win-win deal that we couldn't lose. At the time, CNBC and CNN and Jim Cramer were talking about all the reasons why Boeing thinks Dallas is a good place to be," Kirk said.

"What Boeing did was validate Dallas as one of the new important economic centers in the country. One of the most important, iconic corporations in America was saying, 'We need to be someplace that we can service not just all of America, but North

America, and do it in the middle of the country with a great airport in a business-friendly environment.'"

Downtown Dallas today

While Dallas didn't land Boeing 20 years ago, many more victories have come since. In 2007, downtown attracted Comerica's corporate headquarters. A year later, AT&T moved its headquarters to Dallas from San Antonio. In 2017, the region landed a divisional headquarters of Boeing while also being selected as a finalist for Amazon's HQ2. In 2019, Uber announced plans for a large office in Deep Ellum. This year, local insurance company Integrity Marketing Group took 100,000 square feet as part of a headquarters move from Cypress Waters to Fountain Place.

"It's incredibly significant to see. After the Amazon process and after the Uber move, we really saw downtown jump to another level of national recognition. We were poised to be an attractive market prior to COVID. Since then, we've stayed steady," said Kourtny Garrett, president and CEO of DDI.

"We had $4 billion of projects under construction prior to COVID. Not one single project has been derailed. All of those projects are still moving forward. We're obviously seeing these relocations and our phones are very busy with both in-market and out-of-market interest for corporate relos and new development investment."

If Dallas wants to continue to attract new businesses and people downtown, future leaders must continue to be vigilant, Kirk said.

"The work of keeping a city relevant is never done. If you have an asset like DFW Airport, the Dallas Convention Center, a DART system, the housing stock, you're never finished modernizing, updating it, and making it better," he said. "The good thing now is that market forces are generating a lot of that change. We don't have to provide all the incentives that we did then to get people to develop downtown."

Stakeholders say there's still work that needs to be done in Dallas, but great strides have been made over the last two decades.

"What's interesting is that if you'd asked me (what downtown is missing) in 2002 when I was elected, I would have said, 'Here are the 30 things that are missing downtown.’ It kind of speaks for itself that when you ask me in 2021 and I have to think about it," Miller said.

MARKET REPORT

Marcus & Millichap

RETAIL

Dallas-Fort Worth Metro Area

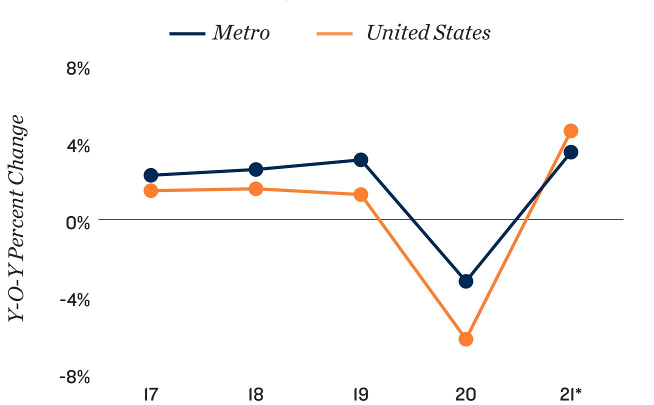
3Q/21

Driven by Single-Tenant Retail, Second Quarter Absorption Was the Largest in Two Years

Single-tenant fundamentals turn the corner. The retail landscape in Dallas-Fort Worth has somewhat settled after a turbulent 2020. Vacancy jumped more than 100 basis points to the upper-6 percent band last year, but the rate has held in place below 7 percent through the first six months of 2021. Single-tenant is rebounding faster than multi-tenant. From April through June single-tenant was responsible for almost 90 percent of total retail absorption, which came in at 1.2 million square feet, the highest posting since the fourth quarter of 2018. As a result of stronger demand, the average single-tenant asking rent climbed above the pre-pandemic level in the second quarter. Recovery hurdles remain, however, more so for the multi-tenant segment where average rental rates dropped roughly 3 percent in the first half.

Development is subdued outside North Dallas. Supply additions will grow market stock by less than 1 percent in 2021 for the third straight year. The slower pace of construction is favorable for the Metroplex's recovery and should help limit upward vacancy movement as demand realigns. Nevertheless, development is concentrated in the northern portion of Dallas, which could present obstacles, though strong household formation in the area will help generate demand for the new space. Both the Far North Dallas and North Central Dallas submarkets are expected to add more than 400,000 square feet over the last six months of 2021. North Central Dallas, in particular, could face additional headwinds after vacancy jumped 70 basis points in the first half.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook

130,500 JOBS
will be created

EMPLOYMENT:

The job total in Dallas-Fort Worth will be boosted by 3.5 percent in 2021 following a reduction of 3.2 percent last year. Entering August, the Metroplex had an unemployment rate of 5.6 percent, which is a shade higher than the national average.

3,200,000 SQ. FT.
will be completed

CONSTRUCTION:

Market supply will expand by a projected 0.9 percent in 2021, up slightly from last year but constrained relative to the preceding decade. In the trailing-10-year period ended in 2020 annual completions averaged 4.2 million square feet.

20 BASIS POINT
increase in vacancy

VACANCY:

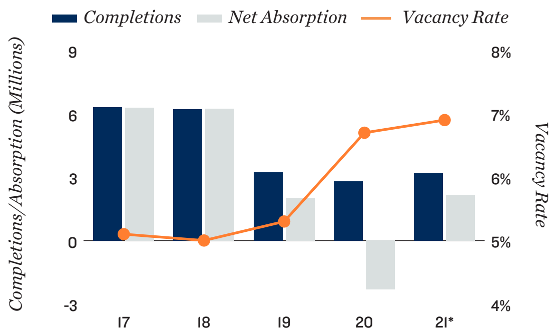
Vacancy is expected to rise for the third consecutive year, though stronger demand will slow the trajectory from last year's 140-basis-point jump. At the end of 2021 the rate of availability will be 6.9 percent, an eight-year high.

1.2% INCREASE
in asking rent

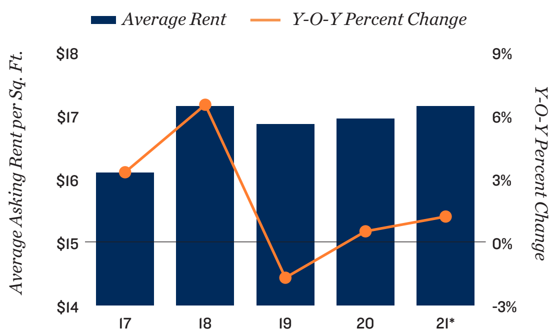
RENT:

After rates inched up by 0.5 percent in 2020 amid an exceptionally challenging period for the sector, the pace of rent growth will improve in 2021. By year-end the average per square foot asking rate will be $17.15.

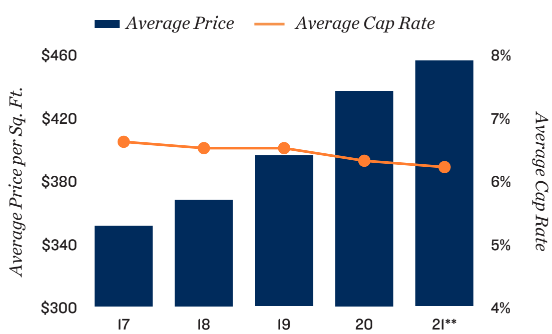
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 2Q*

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: $250

2Q21 — 12-Month Period

CONSTRUCTION

2,445,000 square feet completed

- Approximately 1 million less square feet was added to Metroplex inventory over the yearlong recording ended in June compared with the previous period. Supply grew by less than 1 percent during the past 12 months.
- Nearly one-third of the total retail space finalized was single-tenant product in either North Central Dallas or the Mid-Cities.

VACANCY

70 basis point increase in vacancy Y-O-Y

- The market's vacancy rate has settled, rising just 10 basis points in the first six months of 2021 after a sharp 60-basis-point increase in the second half of 2020. As of June, availability stood at 6.8 percent.
- In the trailing-12-month span ended in the second quarter, vacancy went up twice as fast in Fort Worth relative to Dallas.

RENT

0.3% decrease in the average asking rent Y-O-Y

- Dallas-Fort Worth's average asking rent was down year over year in June. However, the rate climbed 1.3 percent in the second quarter to $17.10 per square foot, the first gain since the same quarter of 2020.
- April through June was a period of deviation, with single-tenant rates jumping 3.8 percent while the multi-tenant average fell 4.1 percent.

Investment Highlights

- Roughly the same number of single-tenant assets changed hands during the four-quarter period ended in June as in the previous yearlong span. Meanwhile, the average sale price increased by almost 7 percent annually to $540 per square foot, putting some downward pressure on the mean cap rate, which dipped 20 basis points to 5.9 percent.
- Both the Central and Suburban Fort Worth submarkets recorded sizable upticks in single-tenant transaction activity. Out-of-state buyers, particularly from California, were active in Fort Worth. Fast-food restaurants, convenience stores and drugstores were favored, with investors accepting minimum first-year returns in the 4 percent band for triple net leased properties.
- Multi-tenant deal flow retreated by about one-third relative to the previous year as some risk-averse investors remained on the sidelines. However, the average sale price advanced by 5 percent to $299 per square foot as buyers prioritized centers with established anchors and strong tenant mixes. Multi-tenant assets that traded during the past year ended in June had an average cap rate of 6.8 percent.

Eric Adams Pitches 25,000 Hotel Rooms as Affordable Housing Solution

The Democratic NYC mayoral nominee says shuttered hotels could help solve housing insecurity and are cheaper than new construction.

By Fola Akinnibi
September 20, 2021, 3:54 PM CDT
Updated on September 20, 2021, 5:37 PM CDT

Eric Adams, the Democratic nominee for New York City mayor, called for tens of thousands of shuttered hotel rooms to be turned into housing to ease the city's housing insecurity.

Adams, speaking at a campaign event on Monday, said the city has a chance to reverse years of bad planning and convert hotels that have become eyesores. The Brooklyn borough president and former cop said he was looking to turn 25,000 rooms into housing, adding that the city should foot much of the bill.

"The combination of Covid-19, the economic downturn, and the problems we're having with housing is presenting us with a once in a lifetime opportunity," Adams said in remarks outside of the Phoenix Hotel, a vacant property in Brooklyn's Sunset Park neighborhood. "We can use this moment and find one solution to solve a multitude of problems."

Adams echoed other recent initiatives to bolster housing security across the U.S. Earlier Monday, Bloomberg CityLab reported that the White House is launching a new national initiative, "House America," to combat rising homelessness. In August, then-New York Gov. Andrew Cuomo signed a bill that would finance the purchase of distressed hotels and commercial office properties by nonprofits to convert them into affordable housing.

The need for such housing remains urgent in New York City, where more than 45,000 people were being housed in city shelters at last count, and thousands more are grappling with unsheltered homelessness.

The new state law would address, at best, a small slice of Adams' target of 25,000 units. It sets aside $100 million to help finance building purchases, splitting units evenly between low-income households and people experiencing homelessness. But converting hotels is pricey in New York City. Manhattan hotels sold at a median price of $275,000 per unit in the fourth quarter of 2020, according to data from PWC's Manhattan Lodging Index. The 100-room Z NYC Hotel in Long Island City, a Queens neighborhood, sold for $384,000 a room in May.

Adams, in his remarks, said acquiring and converting the units would be cheaper than new construction. "You need the city to invest city dollars to acquire and convert these units," Adams said, adding that it can cost $500,000 and take years to create an affordable studio apartment, while converting existing space can be done at two-thirds of the cost and in one-third of the time. "The numbers just make sense."

For Christo and Jeanne-Claude, Wrapping the Arc de Triomphe Is a Final Victory

Why the Most Populous U.S. County Just Ended Oil and Gas Drilling

The Biden Administration Pushes Cities to Get Serious About Homelessness

Istanbul Turns Taps on Old Fountains, Joining Global Push for Free Drinks

The New York Hotel Trades Council, a union representing 40,000 hotel workers in the city, expressed support for Adams' approach as a way to stem the overdevelopment that they believe has negative long-term effects on workers. "Eric Adams' support for converting failed hotel properties into affordable housing supply is exactly the type of common sense approach we need to better protect the safety of our communities and economic resurgence of the hotel industry," said Rich Maroko, president of the union.

The state law doesn't override local zoning rules in neighborhoods with a heavy concentration of hotels, such as the Garment District in Manhattan or in Long Island City. Some of the buildings that are being targeted for acquisition wouldn't need zoning changes, according to Brenda Rosen, the president and chief executive officer of Breaking Ground, a group that specializes in supportive housing.

"The hotels that Breaking Ground is targeting actually don't need any change in zoning rules," said Rosen, who spoke at the event. "We just have to get over that hump of getting the deal together."

(Adds statement from New York Hotel Trades Council.)

Loews breaks ground on $550M hotel and convention center in Texas

BY HOTEL BUSINESS ON OCTOBER 13, 2021 BRANDS, NEW-BUILDS

Loews Hotels & Co, a wholly owned subsidiary of Loews Corporation, has broken ground on the new $550-million Loews Arlington Hotel and Convention Center in Arlington, TX. This new project marks the first time that the company is acting as the developer as well as the owner and branded operator. The nearly $550-million project is financed with Loews Hotels & Co capital and a $300-million loan from MetLife Investment Management.

"Loews Arlington Hotel and Convention Center will allow us to capitalize on what we do best—combine a unique meetings and events destination with a best-in-class leisure resort," said Jonathan Tisch, chairman/CEO, Loews Hotels & Co. "This significant investment further underscores our confidence and commitment not only in the great City of Arlington, TX, but also in the strength of the travel and tourism industry and our belief in the recovery of post-pandemic travel."

This property will be the second Arlington hotel for the hospitality company. Loews Arlington Hotel and Convention Center is scheduled to open in early 2024. This new hotel will be located across from Live! by Loews, which is a joint venture among Loews Hotels & Co, the Texas Rangers and The Cordish Companies, built on the former Texas Rangers' Lot J parking lot.

"Arlington has some of the best built-in demand generators in the country, such as AT&T Stadium and Globe-Life Field," said Alex Tisch, president, Loews Hotels & Co. "These attractions, coupled with Loews Hotels' track record of offering distinctive experiences alongside operational excellence, will help establish the Loews Arlington Hotel and Convention Center as a centerpiece in The American Dream City. Our goal is for Arlington, TX to stand alongside Las Vegas and Orlando as one of the preeminent family, sports and entertainment destinations in America..”

Arlington Mayor Jim Ross. said, “Arlington continues to build on our incredible economic momentum, and today’s groundbreaking is another exciting example of our commitment to job creation and providing world-class amenities to our residents and visitors. Loews Hotels & Co is a best-in-class hotel brand and with innovative partners like Loews Hotels & Co, the Tisch Family, the Texas Rangers and The Cordish Companies, we’re able to further establish The American Dream City as a premier destination for visitors around the globe.”

Loews Arlington Hotel and Convention Center will feature:

- 888 guestrooms and suites
- 200,000 sq. ft. of indoor meeting space
- 66,000 sq. ft. of outdoor space, including an oversized event lawn
- Five food and beverage outlets, including a three-meal indoor/outdoor restaurant featuring two wood-fire pizza ovens and homemade pasta made on-site and a soon-to-be-named third-party restaurant from a well-known restaurateur
- 1,550-space parking garage
- Resort-style beach club with two pools, man-made beach, cabanas, fire pits and water slide
- The Arlington Convention Center, also operated by Loews Hotels & Co, will be located within the hotel

Situated between Globe Life Field and AT&T Stadium, Loews Arlington Hotel and Convention Center will be accessible to the 300-room Live! by Loews via a Sky Bridge. The two hotels combined will offer nearly 1,200 guestrooms and more than 300,000 sq. ft. of meeting and event space.

“The addition of the Loews Arlington Hotel and the Arlington Convention Center bring the development of the Arlington Entertainment District to another whole level,” said Texas Rangers Chairman/Managing Partner Ray Davis. “The existing world-class sports and entertainment venues will now be complemented by incredible hotel and meeting facilities that will attract national and international events of all kinds. I want to thank our partners, the City of Arlington, Loews Hotels & Co, and The Cordish Companies for sharing our vision that has become a spectacular reality in a few short years.”

Loews Arlington Hotel and Convention Center is part of phase two of the development of Arlington’s Entertainment District. Continuing their public-private partnership with the City of Arlington, Loews Hotels & Co, The Texas Rangers and The Cordish Companies are building upon the momentum and success of Texas Live!, Live! by Loews, and the Rangers’ new Globe Life Field. Additional features of the new expansion include a mixed-use residential building and a Spark coworking space, both developed by The Cordish Companies.

“It is an honor for The Cordish Companies to continue our partnership with the Texas Rangers, Loews Hotels & Co and the City of Arlington to deliver a transformative project for Arlington,” said Blake Cordish, principal, The Cordish Companies. “Loews is one of the preeminent hoteliers in North America and a leader in the convention and meetings industry. The groundbreaking of the new Loews Arlington Hotel and Arlington Convention Center is an important next step in our commitment to create a world-class, mixed-use development that will cement Arlington as one of the leading premier sports, entertainment, culture, hospitality and tourism destinations in the country.”

Loews Hotels & Co is working with HKS as the architect and Looney & Associates on the interior design for this new development. The property is being built by JE Dunn, who recently built the Loews Kansas City Hotel, which opened in June 2020. Arlington’s Con-Real is also involved in the construction of the project.

'THANK GOODNESS' FOR MORE HOTEL BRANDS

By Daniel Lesser
January 22, 2021

The Coca-Cola Co. recently made headlines when it announced the demise of roughly 200 of its more than 500 drink brands, including Odwalla and the iconic Tab. The opposite is happening in the U.S. lodging sector.

At least nine new trade names have been announced since the onset of the COVID-19 pandemic. Included are: Atari Hotels, Curator Hotel & Resort Collection, GuestHouse Extended Stay, Radisson Individuals, Sonesta Select, Sonesta Simply Suites, StayAPT Suites, Trend Hotels & Suites by My Place, and Umusic Hotels.

During the past five years I have been fortunate to serve as a HOTELS contibuting blogger and have previously opined twice about the notion that there are too many hotel brands: Brand overload and More hotel brands – really?. I find it remarkable that the proliferation of hotel brands endures even during the swiftest and deepest downturn the sector has ever experienced.

Getty Images

Consider the consumer pitches of the following recently introduced hotel brands:

Atari Hotels: "A modern hospitality experience inspired by gaming culture. Fueled by imagination and built by our desire to play. Atari Hotels celebrates the past while defining the future. Atari Hotels perfectly blends the past, present, and future of video games and entertainment for a destination that offers guests a one-of-a-kind hospitality experience, complete with state-of-the-art amenities for esports fans and content creators. Guests can enjoy the latest in video games, experience cutting-edge immersive entertainment, purchase exclusive Atari Hotels merchandise, and play the night away in retro-style gaming arcades. A speakeasy and fully equipped nightclub will be available for adult guests, as well as themed restaurants and bars. Atari Hotels delightfully plays with the themes of retro-futurism, pop culture, and nostalgia — offering fun for the whole family."

Curator Hotel & Resort Collection: "Is all about the independents. We're here for the kind of guest who loves unique experiences, and the kind of hotel that loves to offer them. We believe variety is the spice of hospitality, so we stay true to what makes each destination individual, and help each guest follow their own stars."

GuestHouse Extended Stay: "Targeting its efforts to meet the demand for longer-term stays with an upper-economy offering ideally suited for conversions. The concept will feature streamlined housekeeping services, community-centric guest amenities, and right-sized brand standards designed to maximize owner return on investment. The brand's impactful and cost-effective room packages feature a crisp, contemporary feel suitable for any environment, blackout modern window treatments, refreshed art packages, a dining table that can be used for working and eating, and one soft seating element for extra comfort during long stays. Each GuestHouse Extended Stay will feature an in-lobby marketplace with fresh snacks and beverages and a food delivery partnership through a major meal delivery service. 'Comforts of Home' amenities will be available, including optional complimentary bikes, board games, and blenders for guest use. All GuestHouse Extended Stay properties will offer laundry facilities at no charge to guests and will encourage guests to keep their routine with an onsite gym or complimentary passes to a local gym."

Radisson Individuals: "Radisson Individuals is Radisson Hotel Group's newest affiliation brand celebrating the individuality of each of our Radisson Individuals hotels. We bring together hotels that meet our high standards of quality and service yet have their own characteristics. Our upscale hotels are located in renowned cities, close to airports and key business and leisure destinations. If you value a high level of service and quality but are always looking for a real connection with the location and seek out properties that have something unique to say and to offer, Radisson Individuals is the perfect next destination for you."

Sonesta Select: "At Sonesta Select, we're all about making connections and delivering amazing hospitality in the communities we call home. We've crafted spaces that fit your life so that you can spread your wings and be yourself. Our generously sized rooms and well-crafted common areas make it easy to get work done or let go when it's time. From a great morning cappuccino to a well-earned evening cocktail, late-night snack, or energizing workout, we have you covered. Jump in the pool with the kids, stay in to watch a movie or enjoy fresh air with a book on the patio. When you join us you'll see how the spirit and warmth of our team members shine through day in and day out."

Sonesta Simply Suites: "With locations all across the United States, our hotel Sonesta Simply Suites provides all that you need for a great stay, and nothing you don't. No-fuss, no games, no costly unwanted extras. In a word, we keep things simple. All at a great price. In our comfortable suites, you'll find a simple kitchen to make a meal and a dedicated workspace designed for productivity. Our apartment-like amenities add an easy convenience to your stay. Whether you're traveling for pleasure or business, Sonesta Simply Suites helps you get down to the business of enjoying a great stay. What could be simpler than that?"

StayAPT Suites: "The comforts of home, even on the road. Purposefully designed with attention to the details of everyday living, StayAPT Suites makes home feel a little less far away. Savor a meal that doesn't come in a to-go bag, get in a good workout, relax in front of a favorite movie, and enjoy peaceful, uninterrupted sleep. We believe that being away from home shouldn't mean having to sacrifice all of its comforts — that's why each 500-plus-square-foot suite has a distinct living room with a sleeper sofa, a lounge chair, and a 55-inch television; a kitchen with a full-sized stove, oven, dishwasher, microwave, and refrigerator; and a separate bedroom with a walk-in closet, separate TV, and workspace."

Trend Hotels & Suites by My Place: "Trend Hotels & Suites by My Place is a collection of unique hotel assets assembled into a franchise system created for the purpose of providing collective intelligence, support, strength, and value to each individual hotelier by deploying the strong fundamentals and culture of the My Place organizations, principles, and people."

Umusic Hotels: "There's more to a city than its landmarks. There's a heartbeat. A feel. Close your eyes and the city has a soundtrack – a musical identity all of its own that embodies the location's spirit, swagger and soul. UMusic Hotels captures the vibe that defines a city through its music. It's an energy that draws people in beginning with the artists who have been inspired to create some of the greatest music of all time. We choose cities that are inviting and influential, ones that are rich in music culture – where there's always more to discover. And like music itself, finding that 'something new' to love is what will make each UMusic Hotel visit special. Just as we draw inspiration from the communities that our hotels call home, we are committed to helping these communities thrive."

Let's face it, many hotel brand descriptions are a bunch of gobbledygook. While introducing new brands are attempts by lodging companies to enhance their management or franchise fee revenues, doing so confuses travelers and in many cases alienates hotel owners. The notion that "there is no such thing as too many hotel brands" is wrong.

Although many new hotel brands claim to identify and cater to unique customer segments, there is little if any differentiation that clearly distinguishes them from one another. Additionally, the more brands any one lodging platform has, the greater the risk of cannibalization within the same brand family.

Furthermore, many brand families are market saturated and the only way to add more properties into their portfolios is by creating new identities. The lodging sector continues to introduce an endless array of categories and choices resulting in overwhelming consumer bewilderment, and the simple fact is there are too many hotel brands.

From:	Lewis McLain
To:	IRVING
Subject:	[External] Dallas approves plan to pay for new or rebuilt downtown convention center
Date:	Thursday, October 14, 2021 9:40:39 AM

Dallas approves plan to pay for new or rebuilt downtown convention center

The deal would allow the city to use hotel taxes typically collected by the state.

Dallas Morning News

Kay Bailey Hutchison Convention Center in downtown Dallas.(Elias Valverde II / Staff Photographer)

The Dallas City Council approved a plan on Wednesday that is expected to pay for a renovated or new downtown convention center.

The deal, which would allow the city to use hotel taxes typically collected by the state, could potentially raise $2.2 billion for downtown redevelopment projects in and around the Kay Bailey Hutchison Convention Center for 30 years. It's expected to be one of the main funding sources for a 10-year master plan for the city-owned building on South Griffin Street.

The council unanimously approved designating a three-mile area around the convention center as a "project financing zone." State law has allowed the designation for Dallas and Fort Worth since 2013. The goal is to create zones where hotel occupancy, sales and mixed beverage taxes can be collected from hotels in that area and used by the cities for convention center or arena-related projects.

The Fort Worth City Council approved a zone in 2013 around its convention center. Wednesday marked the first time Dallas has moved forward with such a plan.

The city aims to revamp the 2-million-square-foot facility and foster more private development and transportation options around it to bring in more money, tourists and events. The boundaries planned for the redevelopment area run from the Eddie Bernice Johnson Union Station on the west to the Dallas Farmers Market.

The city believes the redevelopment project would double the yearly number of people who go to the convention center and generate up to $2.5 billion in property taxes for the city over 30 years.

How financing would work

The city charges 13% taxes on a hotel room. Dallas keeps 7% and the state gets the rest. Nearly 70% of what the city keeps goes to the convention center, making it the facility's biggest revenue source.

Under the project financing zone plan, the city would get all the hotel occupancy taxes, including the state's 6% cut. Dallas would have five years to start spending the money, otherwise it all goes back to the state.

City officials said the tax money would come from 71 existing and future hotels within the zone.

Rosa Fleming, Dallas' director for convention and event services, said during an Oct. 4 council committee meeting that the zone designation presented "no risk to the city" but would provide "a great benefit and a path forward for this project."

Council members on Wednesday didn't discuss the plan before voting on it, though council member Chad West expressed support for the idea.

The city is also considering other funding sources for the convention center master plan, including a 2% hotel occupancy tax increase that would need voter approval. City officials believe that could raise another $1.5 billion over 30 years.

About the center

Built in 1957, the convention center is one of the largest in the country and typically attracts more than a million visitors a year. It includes one million square feet of exhibit space, a nearly-10,000 seat arena and is connected to the Omni hotel, which has 1,000 rooms.

The convention center historically hosts around 100 events a year with more than 800,000 visitors mostly from outside the city, but revenues in recent years took a hit because of COVID-19.

The convention center gained $114 million in revenue, which includes event money and hotel occupancy taxes, in the 2019 fiscal year, Fleming told *The Dallas Morning News* after the council meeting. The center got $70 million in the 2020 fiscal year and $72 million in the 2021 fiscal year.

The city projects earning $101 million this fiscal year, which started Oct. 1.

The convention center hosted more than 100 events in the 2019 fiscal year, but the pandemic cut that number down to 49 the following fiscal year. The city hosted 39 events in 2021 and is anticipating 58 this fiscal year.

The convention center has also been used to house people experiencing homelessness from COVID-19 in summer 2020 and as shelter from the winter storm in February. It also was used for thousands of migrant teen boys in March detained by border patrol at the U.S.-Mexico border.

Future options

The latest convention center redevelopment plan has been in the works since 2015. The City Council in January approved a one-year contract for about $5 million with engineering and design firm WSP USA Inc. to develop the master plan for the convention center and the surrounding area.

Three options are on the table for its future.

One plan, estimated to cost up to $505 million, would involve repairing and renovating the existing building and converting the arena and exhibit hall into new ballrooms and meeting rooms.

A second option, estimated to cost up to $1.2 billion, would add new ballrooms, meeting rooms and lobbies to the existing facility.

The third possibility comes with a potential price tag of up to $3 billion. A new convention center would be built on the west side of Lamar Street, with one end of the building stretching over Interstate 30. An alternative to that plan would see the entire exhibit floor area built underground.

A draft of the master plan could be finished next month, and council members could be briefed by early next year.

City of Dallas

Kay Bailey Hutchison Convention Center Dallas (KBHCCD) Master Plan Update and Project Financing Zone

Economic Development Committee
October 4, 2021

Rosa Fleming - Director, Convention and Event Services
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Purpose

Convention and Event Services (CES) is requesting the Economic Development Committee's recommendation to seek full City Council approval of an ordinance allowing the establishment of a **Project Financing Zone** (PFZ) as one of the financing streams for the Kay Bailey Hutchison Convention Center (KBHCCD) Master Plan.

Agenda

1. Project Overview
    - *The What: Project Purpose and Need*
2. Purpose of the Plan
    - *The Why: The Problem*
3. Convention Center Alternatives to Date
    - *The Process: How We Got To The Alternatives*
4. Financing Structure
    - *Project Financing Zone and Proposed Financing Structure*
5. Summary and Next Steps

The What: Project Vision

Produce a master plan that transforms the KBHCCD into the #1 Convention Center and convention center urban district in the United States that:

- meets current and future market demands efficiently, adaptably and flexibly
- generates an unparalleled experience for customers, visitors, exhibitors and City residents that leads to economic prosperity and return on Citizen's investments
- integrates the surrounding communities through a series of multi-modal and barrier-free connective links, and
- promotes accessibility, energy, excitement and equity both locally and regionally.

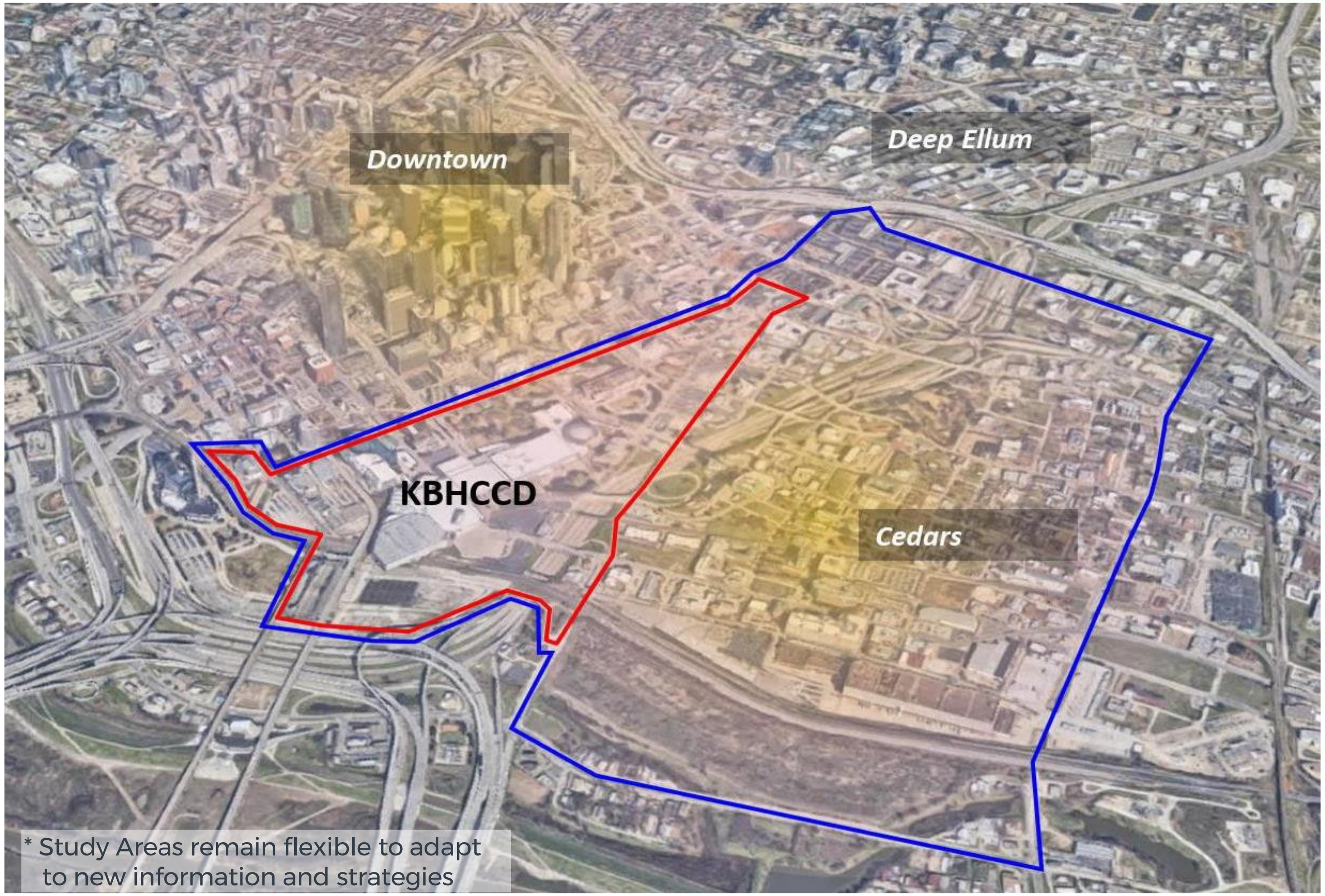
The What: Four Integrated Plans

KBHCCD Master Plan
- Modernized Facility and Upgraded Service

Multimodal Station Feasibility and Transportation Study
- Bring Transit Assets together

Area Master Plan
- Connect to Urban Realm and Create a destination

Financial Feasibility and Implementation
- Capture value to fund implementation



The What: Project Delivery and Governance

Project delivery and long-term operations should allocate risk and responsibility between the public and private sectors to capitalize on private sector efficiency, new public tools, and ensure City goals for an exemplary and equitable Convention Center and District are achieved.

- **Various governance options exist, separately or in combination**, for delivering and operating the Convention Center, development district, and multi-modal transportation investments

- The approved **Economic Development Corporation should have a lead role in delivering or managing major components** of the capital projects and real estate development and asset management

- There are likely to be **opportunities for public-private partnerships for a portion of the work that would shift risk and take advantage of market efficiencies**, in particular for the surrounding district's commercial development and public realm, and potentially for the multi-modal hub

Why are we in the Convention business?

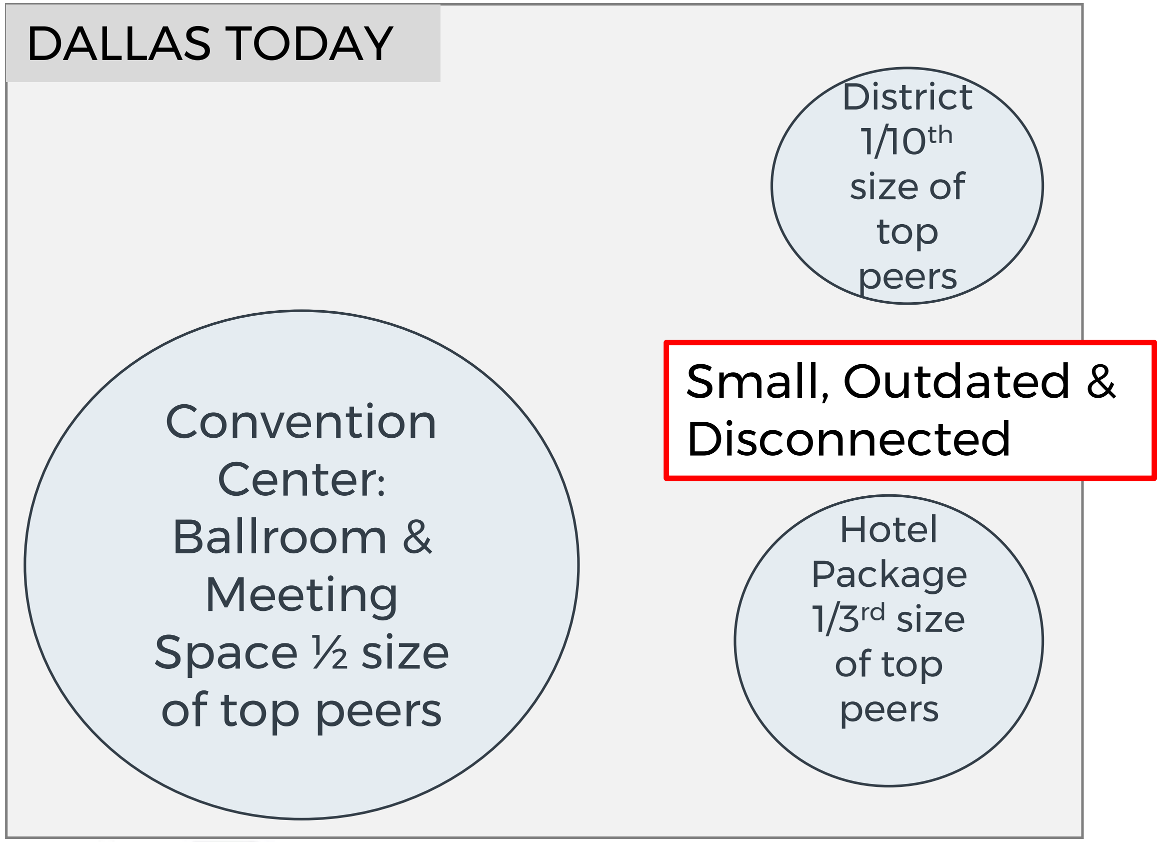
Convention Centers are a city's living room for guests and locals, allowing the community to host major and multiple events, from business trade shows, to conventions, association conferences, and consumer shows, to sports events and fanfests. Despite the KBHCCD impact, there is significant latent demand for Dallas to lead to new opportunities.

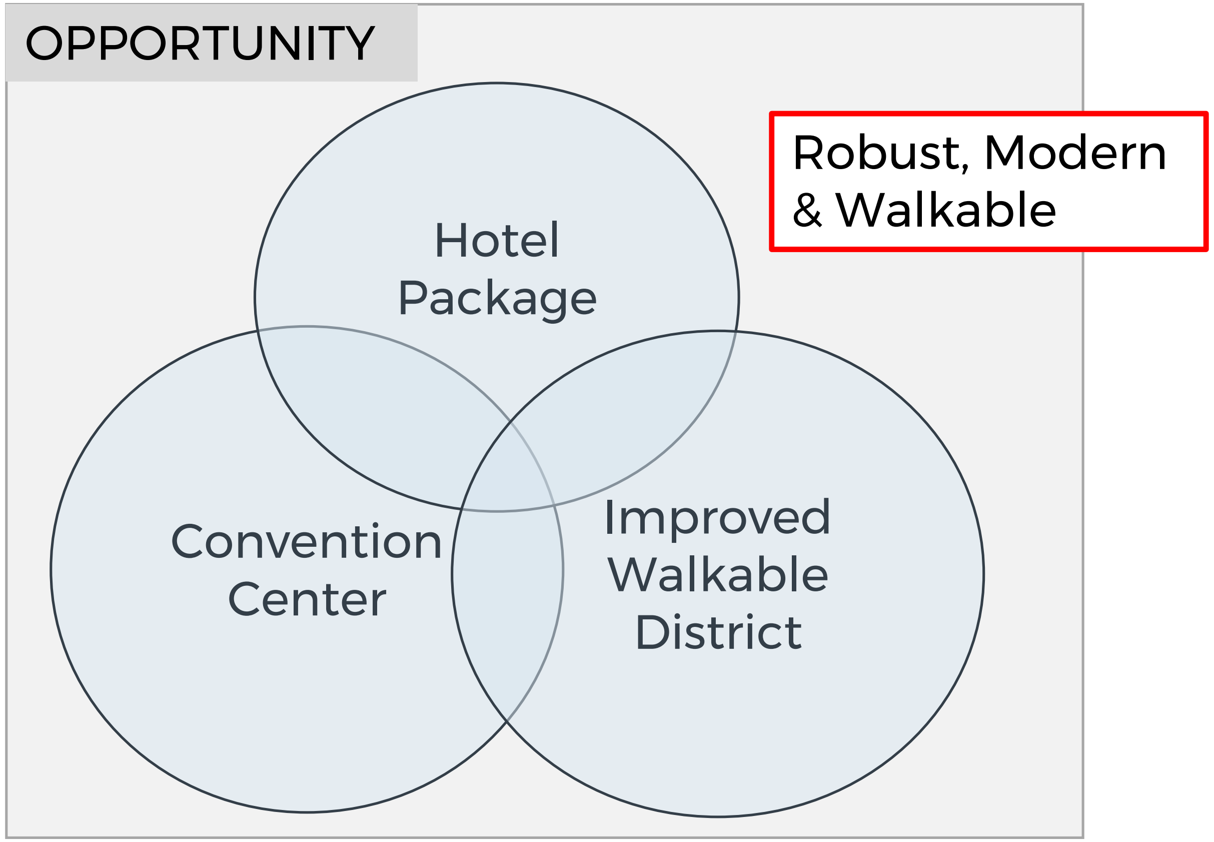
The ***KBHCCD annually***:
Hosts more than **800,000 attendees**, mostly patrons from outside of Dallas

- Generates more than **330,000 hotel room nights**
- Induces almost **$300 million in direct new spending to Dallas**, plus spinoff spending
- **Supports 5,000+ long-term jobs** in hotels, restaurants, bars and retailers, ride share/taxi drivers and others associated with both DFW airport, Love Field and many other support businesses
- Introduces hundreds of thousands of visitors to Dallas and downtown who spend time and dollars in the City

The Why: Market Expectations have Shifted for the KBHCCD

Event planners demand more from convention centers, districts around them and the walkable hotel package. There are 20+ cities in North America offering more compelling versions of these elements. KBHCCD is ***disconnected*** from downtown and Cedars, outdated, and has ***little ballroom/meeting room space***, and has ***1/3 of the walkable hotel rooms*** that it should.





The Why: Competitive Cities Are Moving Ahead

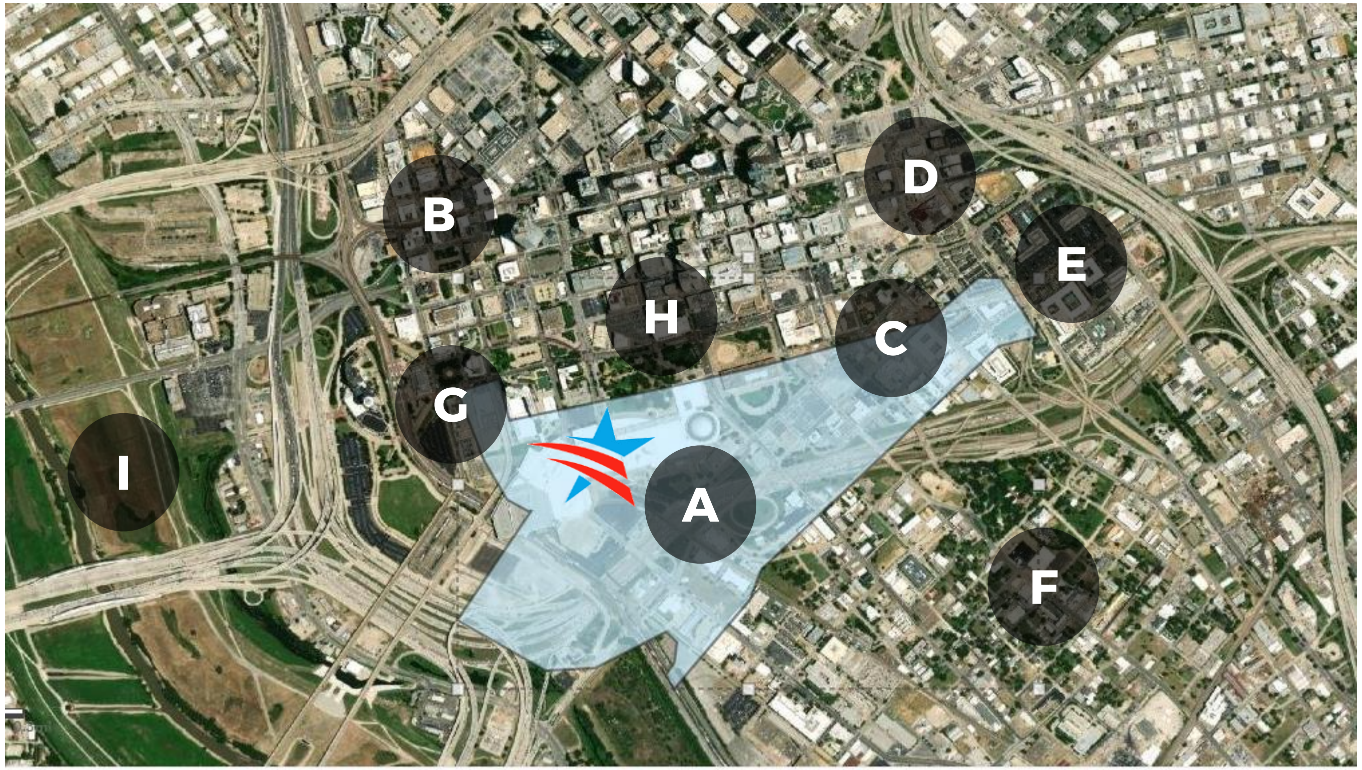
Many of the competitive cities are currently expanding (or have recently expanded) their convention centers and packages, including:

- Las Vegas Convention Center, Las Vegas NV
- Washington State Convention Center, Seattle WA
- Javits Center, New York NY
- Colorado Convention Center, Denver CO
- Indiana Convention Center, Indianapolis IN
- Henry B Gonzales Convention Center, San Antonio TX
- Kentucky International Convention Center, Louisville KY
- Expansions in the works include Austin, Orlando, Fort Worth, Cincinnati and others

The Why: Build on Downtown's Momentum

Downtown Dallas continues to emerge as a destination to live, work, play, and visit. A repositioned Convention Center will set the stage for a vibrant new district and can leverage the excitement and energy generated by this renaissance.

Recent/Planned Major Developments



A. I-30 Deck Park (proposed)

B. D2 Subway

C. Newpark Dallas

D. East Quarter Growth

E. Farmers Market Growth

F. Cedars Growth

G. Dallas Morning News Site

H. AT&T Discovery District Opening

I. Harold Simmons Park

Convention Center: Screening the Alternatives

1, ~~2A~~, 2B, 3A, ~~3B~~, 3C, 3D, 3E, ~~3F1~~, ~~3F2~~, ~~3F3~~, ~~3F4~~, ~~3G~~

Phase 1 Screen based on feedback and fatal flaws

1, 2B, ~~3A~~, 3C, 3D

Phase 2 Screen based on meeting goals and objectives

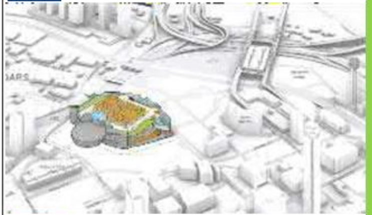
1, 2B, 3C, 3D

Develop and analyze a full range of alternatives (over 13)

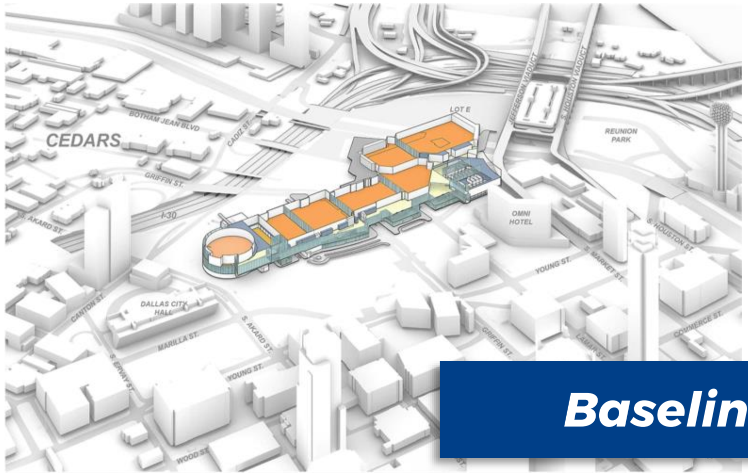
Advance the most promising alternatives for a more rigorous analysis (five alternatives)

Identify and advance the most promising alternatives for City Council review

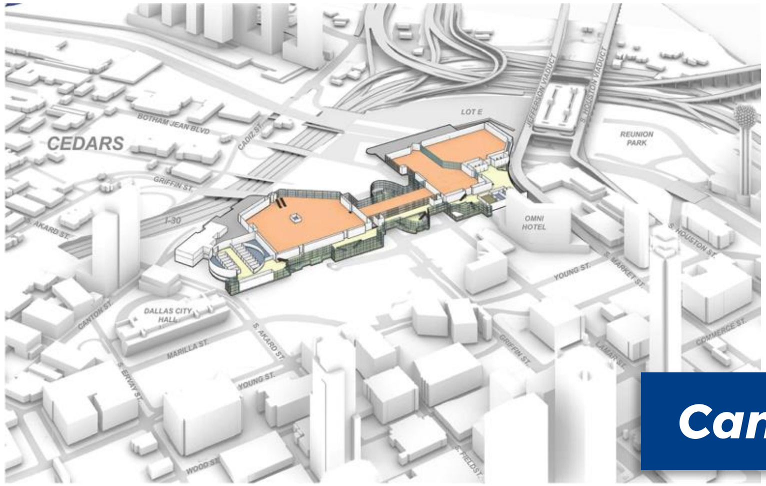
Convention Center: Baseline + Three Alternatives Identified

Big D	1 Baseline (Patch and Repair) 				
Bigger D	2A Campus 	2B Hybrid/Revised Campus 			
Biggest D	3A Flat East of Lamar 	3B Stacked 	3C Flat West of Lamar 	3D Flat Underground 	3E Flat East of Griffin 
	3F.1 Lot E + Hall F reuse 	3F.2 Lot E 	3F.3 Lot E Future Expansion Exhibit Halls on Level 2 	3F.4 Lot E Future Expansion Exhibit Halls on Level 0 	3G Former Reunion Arena Site (no graphic developed) 

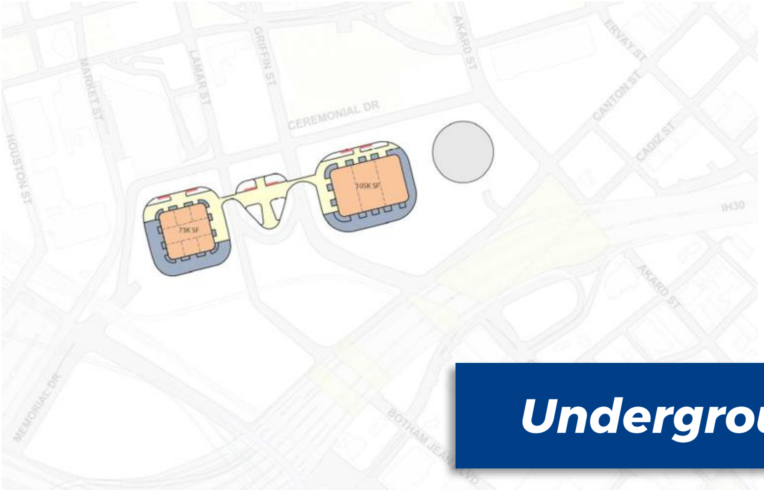
Convention Center: Baseline + Three Alternatives Identified



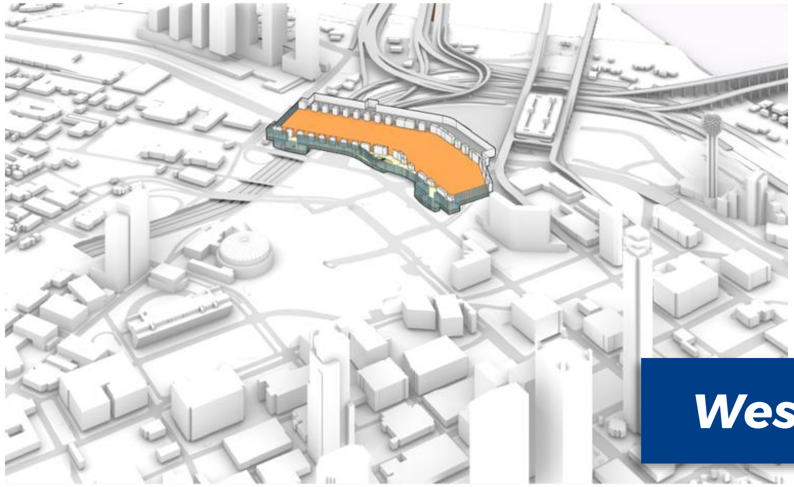
Baseline



Campus Hybrid



Underground



West of Lamar

Summary: Rating of Options

🟢 Substantially meets the goal

🟡 Partially meets the goal

🔴 Substantially does not meet the goal

Goals/Objectives	Baseline	Campus/Hybrid	West of Lamar	Underground
Meets CC Program Needs	🔴	🟢	🟢	🟢
Improves District	🔴	🟡	🟢	🟢
Connects to Downtown	🟡	🟢	🟢	🟢
Connects to Cedars	🔴	🟡	🟢	🟢
Development Potential	🟡	🟡	🟢	🟢
Economic Impact	🟡	🟡	🟢	🟢
Construction Phasing	🟡	🟡	🟢	🔴
Overall Ranking:	🟡	🟡	🟢	🟢

Financing Structures: Project Financing Zone (PFZ)

Project financing model established on September 13, 2013, through Senate Bill 748 as part of the 83rd Texas Legislature

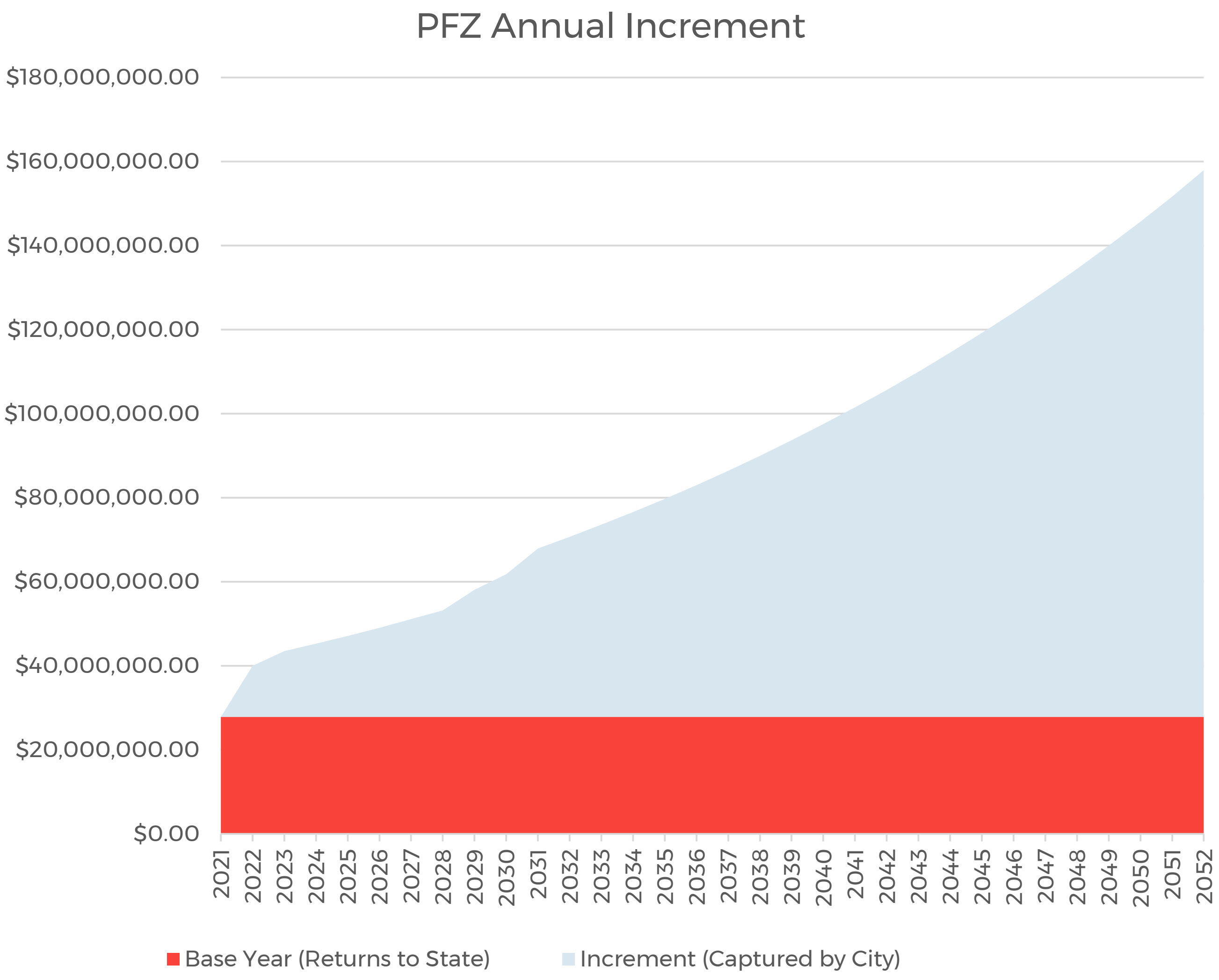
Amends the Texas Tax Code ("Code") to add Section 351.1015 which authorizes the City of Dallas and the City of Fort Worth to designate certain areas within their jurisdictions as areas eligible to receive the state's portion of certain revenues

- Code defines those revenues as "incremental hotel-associated revenue" (Hotel Occupancy Tax (HOT), state sales tax and mixed beverage tax revenues collected from hotels)
- Revenues can be used to help finance the acquisition, lease, construction, improvement, enlargement and equipment of qualified projects within the zone
- City Council, based on staff recommendations, can adopt an ordinance designating a PFZ and provide the adopted ordinance to the Texas State Comptroller
- Upon notification of the adoption of the ordinance, the Comptroller is required to deposit incremental hotel-associated revenue into a separate suspense account to be held in trust for the municipality creating the zone
- Increment can be provided to the municipality for up to 30 years
- Municipality has five years to begin the project, or the increment is recaptured by the state

Financing Strategy: Proposed Funding Sources

Funding Sources	Range of Revenue Sources	Note
Debt Restructuring	$250 - $500 M	CES working with Bond Counsel
Project Financing Zone (PFZ)	Approx. $2.2 B	State Funds Redirected to City of Dallas
2% Hotel Occupancy Tax Increase	Approx. $1.5 B	New visitor fee
Monetization of Public RE (CC Sites)	$100 - $240 M	Leverages existing under-utilized assets
Total Proposed Funding Sources	$4.0 B - $4.4 B	

Dallas Project Financing Zone Projections



	Base Year (Returns to State)	Increment (Captured by City)
2021	$28,000,000	$0
2022	$28,000,000	$12,000,000
2023	$28,000,000	$16,000,000
2024	$28,000,000	$17,000,000
2025	$28,000,000	$19,000,000
2026	$28,000,000	$21,000,000
2027	$28,000,000	$23,000,000
2028	$28,000,000	$25,000,000
2029	$28,000,000	$30,000,000
2030	$28,000,000	$34,000,000
2031	$28,000,000	$40,000,000
2032	$28,000,000	$43,000,000
2033	$28,000,000	$46,000,000
2034	$28,000,000	$49,000,000
2035	$28,000,000	$52,000,000
2036	$28,000,000	$55,000,000
2037	$28,000,000	$59,000,000
2038	$28,000,000	$62,000,000
2039	$28,000,000	$66,000,000
2040	$28,000,000	$70,000,000
2041	$28,000,000	$74,000,000
2042	$28,000,000	$78,000,000
2043	$28,000,000	$82,000,000
2044	$28,000,000	$87,000,000
2045	$28,000,000	$91,000,000
2046	$28,000,000	$96,000,000
2047	$28,000,000	$101,000,000
2048	$28,000,000	$107,000,000
2049	$28,000,000	$112,000,000
2050	$28,000,000	$118,000,000
2051	$28,000,000	$124,000,000
2052	$28,000,000	$130,000,000

Financing Structure: Project Financing Zone (cont.)

Benefits

Redirects tax revenues from the State of Texas to the City of Dallas.

Does not create new taxes or fees, even on users/visitors.

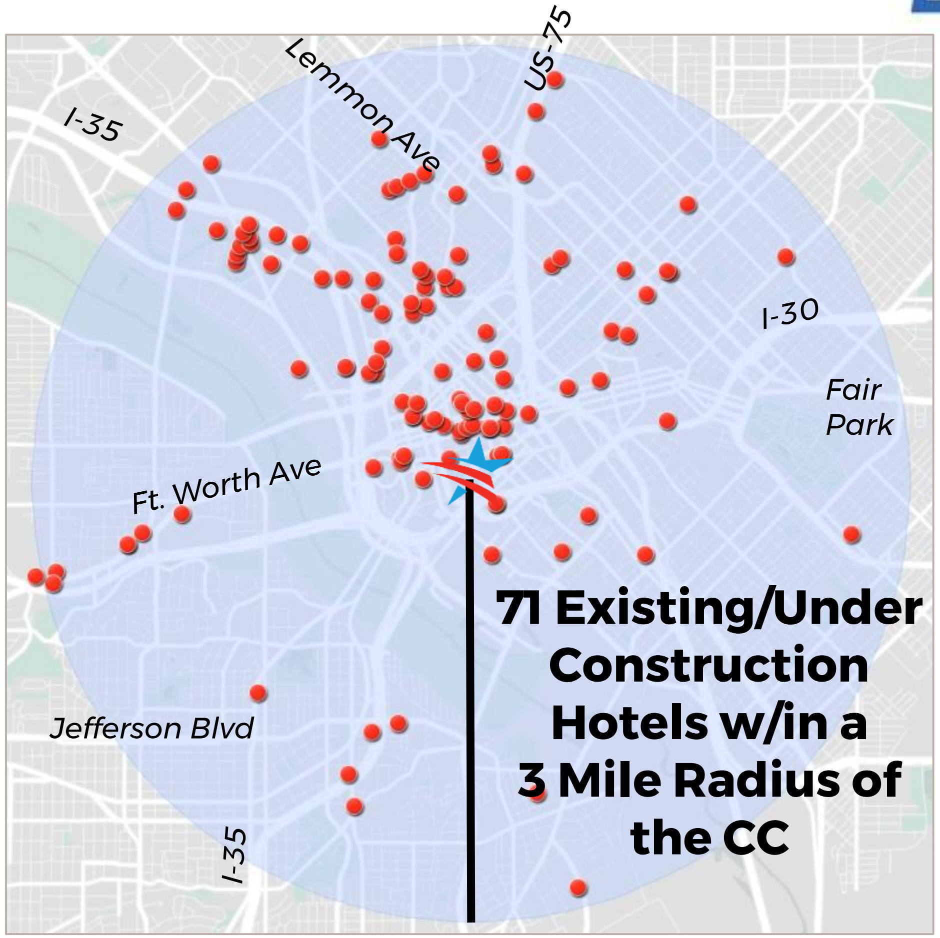
From within a **designated 3-mile zone**, **incremental hotel-associated state tax revenue** (Hotel occupancy, mixed-beverage, and sales tax) above the established base-year amount is returned to CES for **up to 30 years** for a Convention Center project.

Enabled by local government code Chapter 351, must be initiated by City Council and approved by State Comptroller.

Value

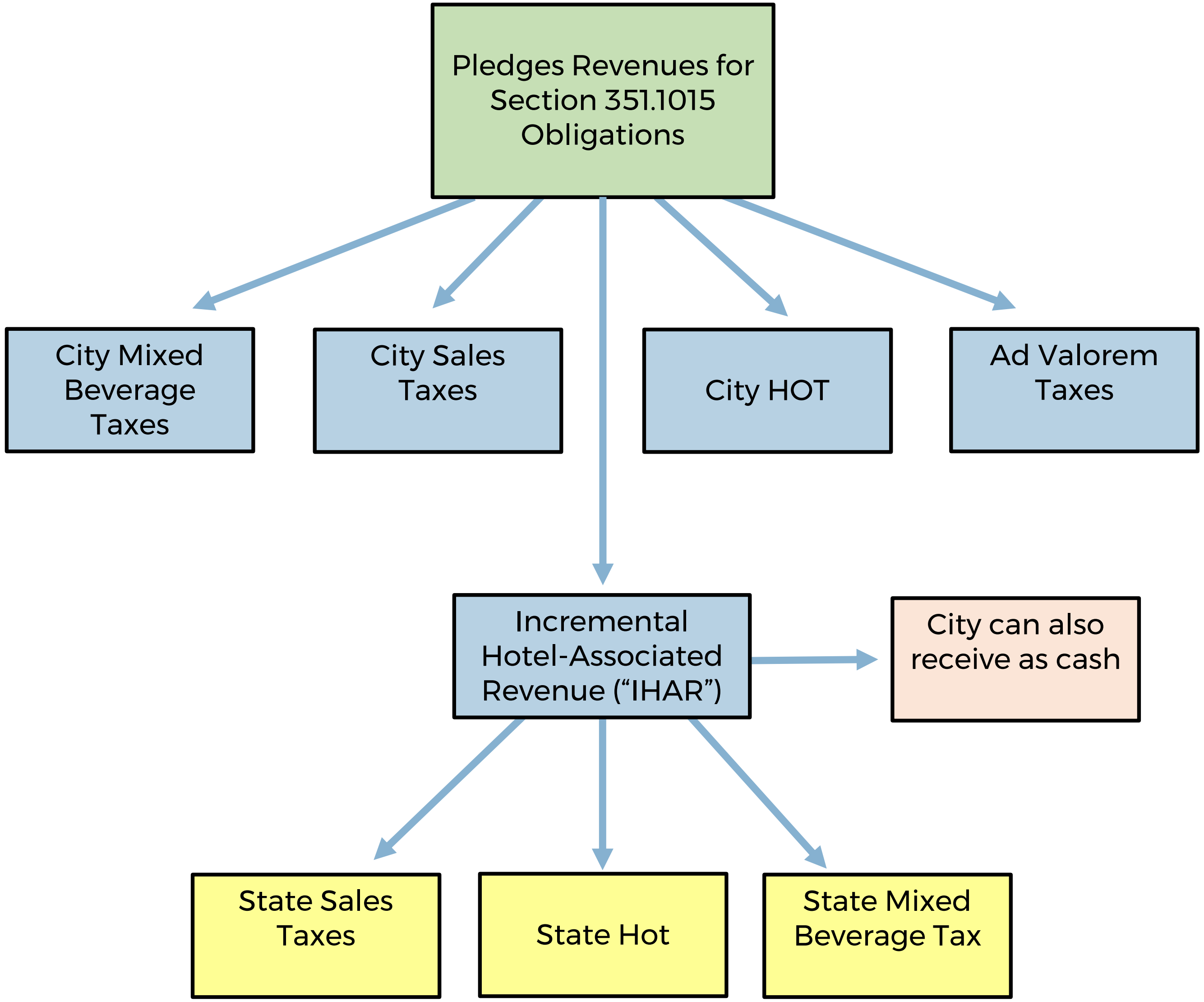
~ $2.2 B

Total PFZ Increment Revenue (2021$), 30-Yr



*These numbers represent conceptual, order-of-magnitude estimates that are appropriate for a master plan.

Financing Structure: Project Financing Zone (cont.)



Project Benefits

Convention Center Project Creates the Opportunity To:

- **Nearly double annual attendance** via the addition of new events and somewhat larger events, on average
- **Generate ~330k additional annual hotel room nights** in Dallas by stabilization, bringing annual total to ~700k hotel room nights
- Yield **50-100K jobs** (construction and permanent), up to **$2.5 B in property taxes** and **$30-50B** in total spending over 30 years
- Improve operating efficiency to bolster Convention and Event Services (CES) **continued operation as an enterprise department without reliance on the General Fund**
- **Redirect state taxes** back to Dallas, **capture new visitor and user fees**, and **leverage existing assets** to renovate or reconstruct the Convention Center

Summary of Analysis

Benefits of the Project Financing Zone (PFZ)

- A PFZ will redirect State of Texas hotel tax revenue to fund a City of Dallas venue project for 30 years
- The Texas Tax Code permits a PFZ in Dallas to be used only for convention center projects
- The PFZ is projected to generate up to $2.2 B (2021$) over 30 years
    - *Projection assumes rooms revenue return to pre-pandemic levels by 2024, then increase by historical 4.1% annual inflation-adjusted growth rate*
- Initiating the PFZ now maximizes increment captured by capitalizing on COVID-induced reduction in tax revenue
- The City of Dallas has five years to initiate the project upon approval of the PFZ, and may decline to use the PFZ at no risk should the project not move forward

Alternatives Analysis

- Alternative 3C - West of Lamar best meets the goals and objectives of the master plan

Next Steps

- Should the Economic Development Committee recommend City Council action for the adoption of the Project Financing Zone Ordinance, staff would schedule the item for the October 13, 2021, City Council agenda.
- If approved by City Council, Convention and Event Services staff, working with the City Controller's Office, would provide the requisite ordinance and correspondence to the Texas Comptroller of Public Accounts before November 13, 2021

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GOV THE FUTURE

THE FUTURE OF COMMUNITY DESIGN

Urban Shift to Remote Work Leaves Many Workers Behind

A new report outlines the economic toll brought on by the pandemic in our largest cities, showing how pre-existing inequities became worse for lower-paid workers, while leaving white-collar workers largely unscathed.

September 15, 2021 • Jake Blumgart

A newsstand vendor in Times Square in New York City — the type of worker who relies on the white-collar economy for a livelihood, but has been left behind when so many fled to work remotely during the pandemic. (CHOONGKY/Shutterstock)

Before the pandemic, the economies of most large American cities focused on attracting highly paid professionals to work in downtown office towers. A vast system of lower paid service workers, from waiters and hairdressers to newsstand owners and unionized janitors, supported the firms in those skyscraper canyons.

COVID-19 threatens to upend that model, with all its inequities and opportunities. The highly paid professional jobs at the center of this political economy went remote with stunning rapidity, while the service workers that catered to them did not enjoy that luxury.

A new paper published in the National Bureau of Economic Research (NBER) seeks to show the economic toll of the shift to remote work, and the end of commuting, for those in big cities whose jobs could not move.

"As remote work potential was realized, a lot of highly skilled workers left cities, moved to other parts of the country, and started to work remotely," says Lukas Althoff, one of the authors of the paper and a Ph.D. economics student at Princeton University. "As a consequence, workers in service jobs in those big cities were left behind, had less work to do, and suffered earnings losses that were much higher than those of other workers in the U.S."

The paper finds that cities with higher population densities tended to specialize in the kind of highly paid service jobs that easily made the transition to remote work. In 2020, that consumer demand was removed from central business districts, and often the city as a whole, causing a sharp reduction in employment hours for lower paid workers. (The authors tested their hypothesis by removing San Francisco and New York from their data set, to see if the findings were similarly robust without those unusually dominant job hubs. They were.)

By January 2021, those workers in the densest commuting zones who weren't able to go remote accounted for almost 60 percent of all work hours lost in the U.S. economy — even though they only account for 41.1 percent of the nation's workforce. Smaller cities were not as affected, mostly because they didn't have the same number of highly paid workers who could shift to remote work.

This is another instance of COVID-19, and our response to it, heightening pre-existing inequalities instead of acting as a great leveler.

Which Way Will Housing Prices Go?

It is still unclear how dramatically the pandemic will reshape America's living and working patterns in the long term. But as the delta variant rages, and many employers again delay a return to the office, the possibility of a full return to the pre-pandemic norm seems increasingly unlikely. The paper's data only goes through January 2021, but Althoff says he has seen no strong evidence of a reversal since then, despite frequent headlines about rebounding housing prices in coastal cities.

"[In our paper], we see population outflows are pretty stable and we don't see population flooding back into cities," says Althoff. "I just looked at rental prices in the bigger U.S. cities and they still substantially lag — especially compared to overall U.S. price growth. Compared to overall rental prices, which reflect general inflation, they're not picking up at all."

The paper postulates that perhaps this trend could permanently lower housing prices in cities like New York, Seattle, and Washington, D.C., making it less onerous for people of a variety of incomes and classes to comfortably live in such places. But a recent article in the *Financial Times* raises concerns even about that outcome. Average rental prices in Manhattan remain well below their pre-pandemic peak — although still expensive at around $3,000 a month — while costs in the more working-class Bronx borough are already higher than they were pre-COVID.

For worker advocates like Stephen Lerner, one of the architects of the Justice for Janitors unionization campaign, it is important to not just read these findings as a call to return to the 2019 norm. He emphasizes how unequal this economic model has proven, especially as housing costs have skyrocketed, leaving even unionized, blue-collar service workers struggling to afford convenient shelter.

"The idea that everything is based on luring us back to where we were is a mistake," says Lerner, a fellow at Georgetown University's Kalmanovitz Initiative for Labor and the Working Poor. "This is an opportunity to ask what should the economy look like going forward versus bemoaning that it may be worse than it was before. Before was completely unacceptable."

Lerner says there are proven ways to boost outcomes for these workers, like increasing the minimum wage and encouraging union drives. (In many of these cases local officials may have limited power, especially if they are handicapped by an unfriendly state government.)

He also points to innovative policy approaches that have emerged from the pandemic. In New York City, for example, a $2.1 billion fund for excluded workers was created to support those ineligible for federal benefits. He also points to bills that cap the charges delivery apps can extract from local restaurants and protect tips for workers from employer skimming.

Public Officials Have Work to Do

For Richard Schragger, author of *City Power*, the NBER research is not surprising and it is easy to overinterpret. For policymakers, he emphasizes the lessons that he distilled in his book, which are that tax breaks and other traditional economic development incentives have little track record of success. Instead, he encourages local politicians to focus on basic provision of services to encourage people to stay within their borders. Clean streets and consistent trash collection may be boring, but they go a long way to convince residents to stay.

Schragger also says that he is not worried about the future of superstar cities like New York and San Francisco. The amenities that attracted people to them — their walkability and the diverse businesses allowed by residential density — are not going away. Perhaps office space could be converted into housing, and perhaps many office workers will return when the pandemic finally dies down.

For those cities that were already struggling before the pandemic — from Birmingham, Ala., to Cleveland — Schragger says the rise of remote work may be a further setback. But it is a modest threat compared to the already grievous blows landed by urban sprawl, white flight, and balkanized regional budgets.

“The phenomenon that we’re talking about already happened, without a pandemic, in a much bigger way because of suburbanization,” says Schragger, professor at the University of Virginia. “We’re seeing a mini-version of that happening very quickly. What the pandemic did was arrest momentum for those places that managed to bring back *some* of those white-collar jobs.”

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