



**VILLAGE OF SCHAUMBURG**  
PROGRESS THROUGH THOUGHTFUL PLANNING

**MEMORANDUM**

Date: February 14, 2022  
To: Mr. Brian Townsend, Village Manager  
From: Lisa Petersen, Director of Finance  
Subject: 2022 Renaissance Schaumburg Hotel and Convention Center Business Plan  
For: FLAGG Committee

**Introduction**

In October, village staff met with the Renaissance property management team and the asset management team from Jones, Lang, LaSalle (JLL) to discuss the proposed 2022 Business Plan and Budget for the hotel and convention center. Subsequently, in January 2022, projections were revised in response to Cook county's vaccination requirements, which were expected to impact the first two months of 2022. This is expected to be a year of growth and recovery as business levels regain strength over the course of the year.

**Discussion**

The hospitality industry was decimated by the pandemic in 2020, while 2021 was better, as expected, it was far from fully recovered. This Business Plan is presented and compared to the prior year to reflect growth and demonstrate achievement of annual goals.

The property was open for all of 2021, although activity and occupancy was hampered in the first two quarters of the year. Associates were brought back and Marriott allowed the suspension of required contributions to FF&E and Capital escrow accounts, which provided for a total of \$759,896 to be transferred to the Village for debt service needs. The renovation and rebranding of Sam & Harry's to Schaumburg Public House is complete, and the refresh of Gather lounge will be finished in the coming weeks. Revenue exceeded budget by \$2.1 million or 11.8% and, due to the resulting activity, operating expenses were up \$919,000 compared to budget.

Below is a recap and status of the Top 5 priorities identified by the property management team in the 2021 Business Plan:

1. Achieve Budgeted Gross Operating Profit margin of 14.8%.  
*Status: Achieved, Gross Operating Profit margin was 22%*
2. Execute cost control to achieve earnings goal of \$1,637,000 thereby reducing the risk of requesting financial assistance from the Village.  
*Status: Achieved, financial assistance from the Village was not needed for operations in 2021.*
3. Achieve RevPAR of 127% compared to primary comp set.  
*Status: Missed, 2021 RevPAR compared to primary comp set is 114.8.*
4. Achieve Catering Sales goal of \$5.1 million.  
*Status: Achieved, Catering/Banquet Sales were \$7.8 million.*
5. Meet Budgeted Management wage target of 10.4% of Sales.  
*Status: Missed, Management wages are forecasted at \$2.15 million, which is 11.4% of Sales.*

From an operational perspective, the 2022 Business Plan is sound and based on the best intelligence available as the hospitality industry navigates recovery from the pandemic and the ever-changing landscape of variants and restrictions. The plan sets reasonable goals and is a good roadmap for 2022.

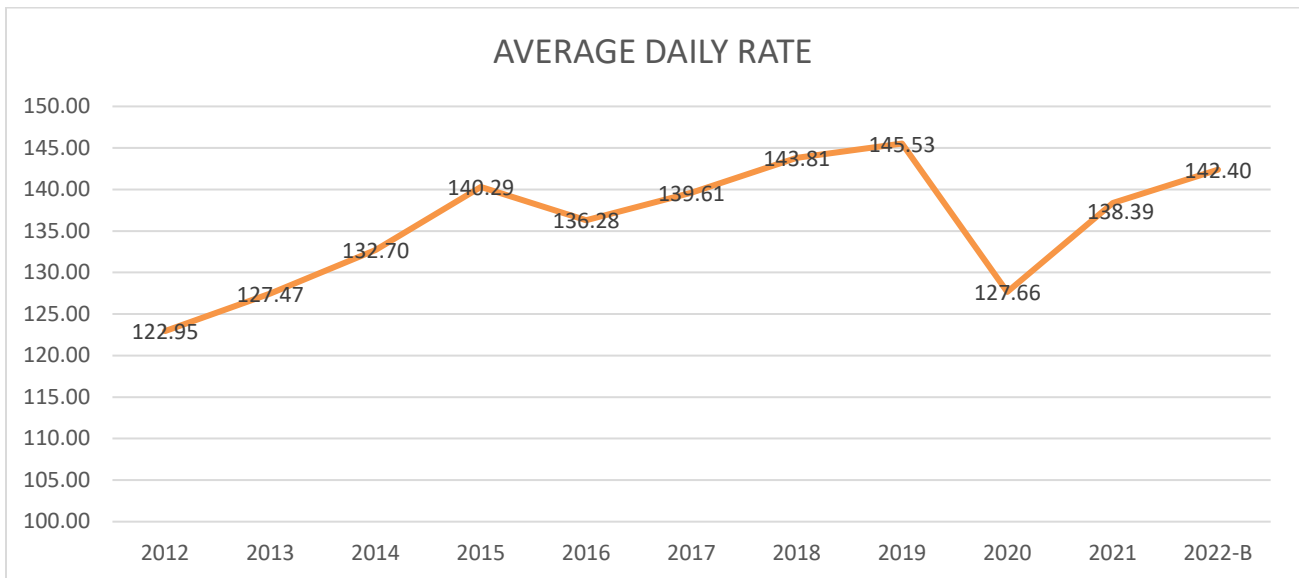
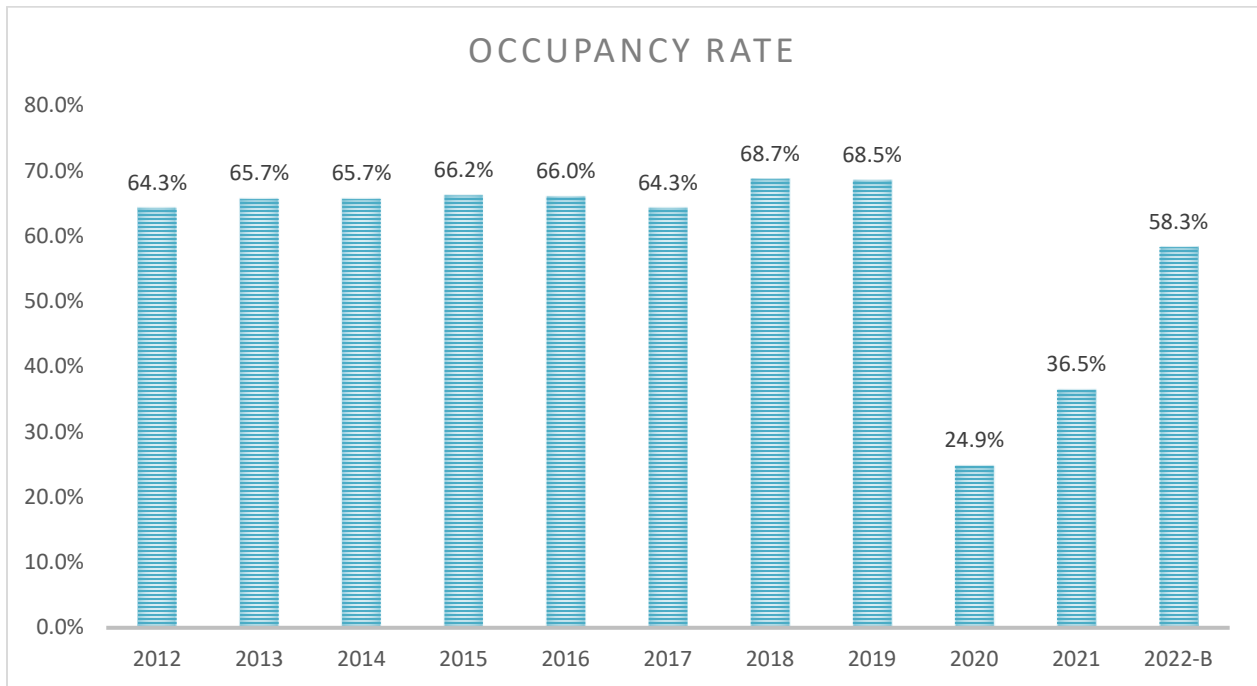
The Top 5 priorities set for this year are:

1. Achieve Budgeted Gross Operating Profit of \$8.4 million.
2. Achieve RevPAR of \$83.99.
3. Achieve Catering Sales Goal of \$15.1 million.
4. Successful full first year in operation of new Schaumburg Public House with Revenue Target of \$2.0 million.
5. Achieve 82 Engagement Index through a focused strategy led by the “Here to Stay” initiative.

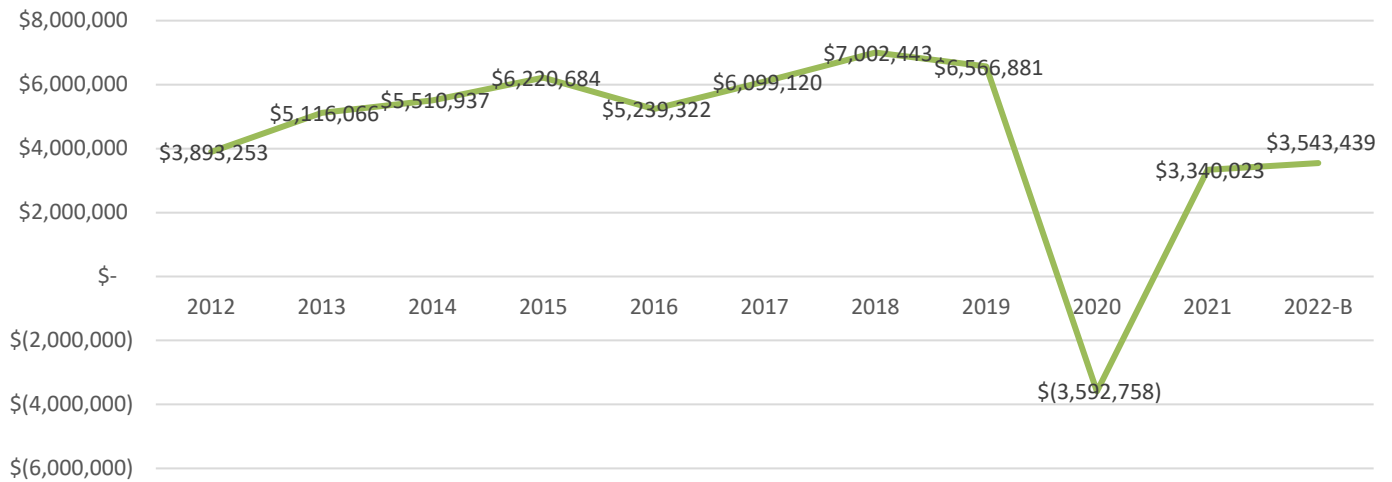
The capital projects planned for 2022 are listed below:

<b>2022 CAPITAL PROJECTS</b>	
<b>Project</b>	<b>Estimated Cost</b>
High Speed Internet Access investment	364,000
Ballroom renovation- design fees	216,700
Hotel Discretionary (projects \$25k or less)	181,500
Replace Computer Equipment	88,500
Parking lot seal coating	60,000
Funding from FF&E Escrow	910,700
Parking lot restoration (phase 3 of 3)	400,000
Chiller replacement (phase 1 of 3)	79,000
Funding from Capital	479,000
<b>Total</b>	<b>1,389,700</b>

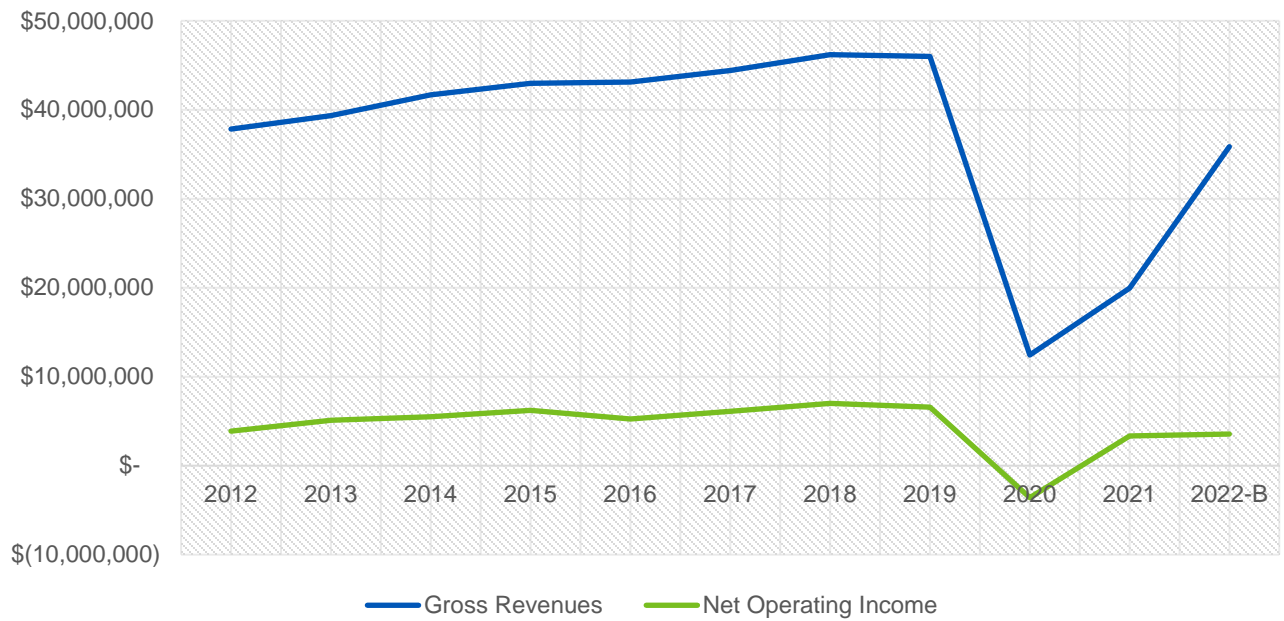
Following is a 10-year history of key statistics for the Renaissance Schaumburg Hotel and Convention Center:



### NET OPERATING INCOME/(LOSS)



### GROSS REVENUES vs NET OPERATING INCOME



Historical Results & 2022 Budget (in millions)	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Budget	% Change to PY
Sales Revenue	42,989	43,117	44,421	46,194	45,998	12,440	19,950	35,837	79.6%
Operating Expense	21,183	20,591	21,066	21,415	20,983	7,778	8,558	17,946	109.7%
Departmental Profit	21,806	22,526	23,355	24,778	25,015	4,662	11,392	17,891	57.0%
Administrative Charges	10,443	11,181	11,362	11,233	11,603	6,997	6,999	10,424	48.9%
Fixed Charges	5,142	6,106	5,894	6,543	6,845	1,258	1,053	3,924	272.6%
Net Operating Income/Due to Owner	6,221	5,239	6,099	7,002	6,567	(3,593)	3,340	3,543	6.1%

While 2021 was a difficult and challenging year, it is important to understand the measures that the Village took to ensure there are adequate reserves to cover operational shortfalls and debt service requirements. On January 13, 2021, the Village closed on a forward direct purchase agreement with Morgan Stanley to purchase (in the future) refunding bonds related to the hotel and convention center. As a result, the village received an up-front payment of \$24.6 million, thereby increasing reserves and providing liquidity and flexibility while the hospitality industry recovers.

Below is a 3-year forecast of funds available for debt service, it reflects 10% increases in Property income transferred to the Village and 5% increases in Village-allocated revenue. While there is still a structural deficit, there are reserves available to cover the deficits. Additionally, if the hospitality industry recovers more quickly than assumed and returns to pre-pandemic norms, Net Operating Income/Due to Owner will return to normalized levels.

Hotel & Convention Center Fund Debt Service Obligations	Budget	Forecast	Forecast	Forecast
	2022	2023	2024	2025
Net Operating Income/Due to Owner	3,543,439	3,897,783	4,287,561	4,716,317
Village-allocated Tax Revenue	5,537,028	5,813,879	6,104,573	6,409,802
Interest Income	250,000	300,000	300,000	300,000
Bond Proceeds	-	-	-	-
Total Revenue	9,330,467	10,011,662	10,692,135	11,426,119
Debt Service	13,260,214	14,351,339	14,651,714	14,975,250
Total Expenses	13,260,214	14,351,339	14,651,714	14,975,250
<b>Net Income/(Deficit)</b>	<b>(3,929,747)</b>	<b>(4,339,676)</b>	<b>(3,959,580)</b>	<b>(3,549,131)</b>
Cash & Investments 12/31/21	35,631,578	31,701,831	27,362,154	23,402,575
Ending Cash	31,701,831	27,362,154	23,402,575	19,853,444

The following documents are included for additional information:

- Business Outlook and Strategy Summary
- Balanced Scorecard
- 2022 Budget Goals & Objectives
- Recommendation from Jones, Lang, LaSalle, asset managers

### **Recommendation**

Staff recommends the Village Manager recommends approval of the 2022 Business Plan for the Renaissance Schaumburg Hotel and Convention Center.