Houstonfirst

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
February 16, 2023 – 3:00 P.M.
Partnership Tower, 701 Avenida de las Americas, Suite 200
Houston, Texas 77010
HOUSTON FIRST BOARD ROOM

The Board of Directors ("Board") of Houston First Corporation (the "Corporation" or "HFC"), a Texas local corporation created and organized by the City of Houston as a local government corporation pursuant to TEX. TRANSP. CODE ANN. §431.101 et seq. and TEX LOC. GOV'T. CODE ANN. §394.001 et seq., held a meeting at Partnership Tower, 701 Avenida de las Americas, Suite 200, Houston, Harris County, Texas 77010, on Thursday, February 16, 2023, commencing at 3:00 p.m.

Written notice of the meeting including the date, hour, place, and agenda for the meeting was posted in accordance with the Texas Open Meetings Act.

The following Board Members participated in the meeting: David Mincberg (Chair), Desrye Morgan (Vice-Chair), Sofia Adrogué, Elizabeth Brock, Reginald Martin, Paul Puente, Bobby Singh, Tom Segesta, Gerald Womack, Jay Zeidman, Mayor Pro-Tem Dave Martin, and Council Member Robert Gallegos, Ex-officio.

1. **Call to Order.** The meeting was called to order at 3:06 p.m., and a quorum was established.

2. **Public Comments.**

   Gilmer Castellon, Caring Commercial Cleaning, Inc.'s ("CCCI") Vice President, stated that his company was HFC's prime janitorial service contractor. Mr. Castellon added that his company was a small, local, certified minority-owned business. He also illuminated that CCCI's employees were excited to see their pay raises when they received their first paychecks and that CCCI was properly paying overtime if requested. Mr. Castellon also conveyed that CCCI's subcontractor had the same salary payment criteria as CCCI, as outlined in its contract. He also illuminated that CCCI employees were encouraging family and friends to apply for work and that increased wages had improved employee morale and attendance, causing turnover to drop to almost zero.

Council Member Robert Gallegos informed Mr. Castellon that an employee of the janitorial service told him they did not have bereavement leave or benefits. Mr. Gallegos asked if CCCI split janitorial employees between the contractor and subcontractor, The Cleaning Source ("TCS"). Mr. Castellon asserted that Mr. Gallegos' statement was correct and that a stipulation in the contract diversity goal caused the split. Desrye Morgan, Board Member, asked for clarification on Paid Time Off ("PTO"). Mr. Castellon responded that CCCI provided employees with five days of PTO, which employees could use for vacation, sickness, or bereavement. Gerald Womack, Board Member, asked how many employees CCCI hired were former Midwest employees. Mr. Castellon replied that CCCI and TCS hired over 80% of Midwest's former employees.

Elsa Caballero, Service Employees International Union of Texas ("SEIU") President, noted that SEIU lobbied with the City of Houston and HFC to pay $15 an hour to janitorial workers. She said that CCCI stated it had no intention of recognizing the workers' union, and she determined that CCCI partially paid employees. Ms. Caballero added that employees were previously provided vacation and PTO and reminded the Board that these were the same employees who worked during the pandemic and a hurricane. She also conveyed that SEIU sought that CCCI recognizes its current contract. Ms. Caballero indicated that if the contractor hired 80% of the employees previously with Midwest, they would be mandated to deal with SEIU. She also warned that CCCI appeared to apply a common union-busting tactic of splitting employees between two companies to avoid unionization and informed the Board that SEIU filed an Unfair Labor charge against CCCI.

Rhonda Green, an SEIU member, stated that she worked with Midwest for four years and transitioned to CCCI. She noted that earlier that day, she learned employees had PTO but did not have paid vacation, birthdays, or bereavement leave, which employees had previously. She also acknowledged receiving a wage increase.

Mr. Gallegos asked Mr. Castellon if CCCI had a contract with Sugar Land during October 2016, which Sugar Land terminated on May 7th, 2017, due to an inability to provide a required level of service. Mr. Castellon responded that his company terminated the agreement.

Paul Puente, Board Member, said someone told him that overtime was unpaid because, at times, it was unapproved.

Michael Heckman, HFC's President and CEO, stated that HFC was aware of the issues mentioned earlier when they occurred and that HFC was investigating the concerns.

Reginald Martin, Board Member, inquired about the Minority/ Women Business Enterprise requirements for CCCI's contract. The response was 40%. Ms. Caballero illuminated that employees told her they applied for jobs with CCCI, but received payments from CCCI and TCS. Mr. Martin raised concerns about having two companies pay employees for the same work because it could lead to overtime, vacation, and vesting problems. He then requested that HFC investigate both companies.

David Mincberg, Board Chair, suggested sending the matter back to HFC, who would promptly report its findings to the Board.

Mr. Womack reminded the staff that the Board voted for CCCI because they agreed to provide identical services and employee benefits as Midwest. He then asked Lisa Hargrove, HFC's General Counsel, to review CCCI's contract for remedies for a contractor's failure to perform and to examine the meeting minutes from when the Board approved CCCI's contract to confirm any relevant agreements.

Bobby Singh, Board Member, asked how much Midwest paid its employees. Ms. Hargrove responded that the minimum was not $15 an hour; however, as of January 1st, 2023, the minimum increased to $15 an hour as part of the solicitation for the new contract.

Sofia Adrogué, Board Member, thanked attendees for their presence and indicated her interest in HFC's report.

Ms. Caballero reiterated that she wanted to be clear that her concerns were not limited to pay and benefits; they included respecting a workforce's choice to unionize.

3. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the December 5th, 2022, meeting minutes were approved as presented.

4. **Board Business.**
   A. Consideration and possible approval of a loan from Equitable Financial Life Insurance Company for the Hilton Americas-Houston Hotel to be secured by a deed of trust lien against the Hilton Americas-Houston Hotel and Avenida South Garage.

   Frank Wilson, HFC's Chief Financial Officer, stated that management worked on refinancing a $125 million loan with AIG to achieve a lower interest rate. According to Mr. Wilson, the Federal Reserve started raising interest rates in March of 2022, totaling a 4.5% increase in rates as of January 2023, and the current loan rate was 7.57%. He explained that Mike Melody, Walker Dunlop's Managing Director, evaluated fifteen insurers/vendors to assist with refinancing, and HFC determined Equitable Financial Life Insurance Company ("EFLIC") was the best option. Mr. Wilson explained that EFLIC offered a seven-year refinancing plan, which included a fixed seven-year loan with a 6.44% interest rate and prepayment flexibility.

   Mr. Melody added that the original financing occurred in 2013 and matured in 2020. He also highlighted that due to COVID, HFC could only receive a twelve-month extension in 2020 instead of a new ten-year fixed-rate loan. He also noted that Hilton Americas-Houston was in a better financial condition and could find a better deal. Additionally, Mr. Melody indicated that the seven-year agreement was the best option because it had a lower spread and a lower fixed rate.

   Stephen Jacobs, a Locke Lord LLP Partner, provided that the loan-related resolutions were attached to the agenda item. He also illuminated that once HFC applied, it would need to pay a non-refundable processing fee of $75,000, a good faith deposit of $1,265,000, and a commitment fee of $125,000 upon closing. Mr. Jacobs added that the loan included a prepayment option after two years to pay up to $25 million.

Following a duly seconded motion, Board Members unanimously passed a resolution to acquire a loan from Equitable Financial Life Insurance Company for the Hilton Americas-Houston Hotel secured by a deed of trust lien against the Hilton Americas-Houston Hotel and Avenida South Garage.

B. <u>Consideration and possible approval of additional Design Services with Gensler and the issuance of a new job order with Chamberlin Houston, LLC for the Hilton Americas-Houston Hotel Roof Overlay Project and for a waterproofing project for the Hotel's loading dock.</u>

Jacques D'Rovencourt, Hilton Americas-Houston Hotel's General Manager, reported that the sixth-floor roof overlay project concluded at the end of 2022; however, the building still required a roof overlay for floors 8, 18E, 20, and 25W, and the resealing of the loading dock floors. Mr. D'rovencourt also emphasized the importance of continuing with Gensler and Chamberlin Houston, LLC for continuity and quality. He also noted that Chamberlin met its 25% diversity goal for last year's project and that Chamberlin would also have a new 25% diversity goal for the next phase of work. Mr. D'rovencourt indicated that FM Global Properties Insurance provider would inspect the sixth-floor roof overlay soon, and Mr. D'Rovencourt was hopeful for a reduction in property insurance costs after the inspection. He also added that the Hilton Americas Houston Hotel had a twenty-year roof.

Mr. D'Rovencourt further explained that resealing and waterproofing work was needed for six bays of the Hotel's loading dock because the sealant was weathered and deteriorated, and the flooring was original. According to Mr. D'rovencourt, the expected work bays included four receiving bays, one composting bay, and one compacting bay.

Following a duly seconded motion, Board Members unanimously passed a resolution for additional Design Services with Gensler and issued a new job order with Chamberlin Houston, LLC for the Hilton Americas-Houston Hotel Roof Overlay Project and a waterproofing project for the Hotel's loading dock. Jay Zeidman was absent from the vote.

C. <u>Consideration and possible approval of funding for a Task Order(s) with Elevator Repair Service, Inc. for the replacement of the Glass Elevator in Jones Hall for the Performing Arts.</u>

John Gonzalez, HFC's Senior Vice President and General Manager, reported that the elevator capital project went before the Operations Committee on Tuesday, February 14th, 2023, and was unanimously approved. According to Mr. Gonzalez, the approved capital project would cost $503,471 and coincide with foundation renovations at Jones Hall scheduled for the Summer of 2023, with an expected completion date of September 5th, 2023. He also highlighted that the glass elevator was Jones Hall's original elevator, that the renovation would increase elevator speed, and that the elevator was Jones Hall's only ADA access mechanism to the building's upper levels.

Following a duly seconded motion, Board Members unanimously passed funding for a Task Orders(s) with Elevator Repair Service, Inc. for the replacement of the Glass Elevator in Jones Hall for the Performing Arts. Jay Zeidman was absent from the vote.

5. **Presentations, Reports, and Updates.**

A. Houston First Chairman Report

Mr. Mincberg reported that people were increasingly returning to the downtown area, and he expects to see an exceptional 2023, which would benefit businesses, hotels, and HOT taxes.

According to Mr. Mincberg, Lynn Wyatt Square's grand opening would soon occur, aiding downtown's western side. He also stated that Memorial Park had its grand opening for its two new land bridges on Saturday, February 11th, 2023, which he believed were astounding and likely to become new landmarks.

B. HFC President & CEO Report

Mr. Heckman reported that the momentum from 2022 carried into 2023. He also highlighted that HFC continues to promote and enhance Heritage Month through programming throughout the month with events on the Avenida each Saturday.

Mr. Heckman transitioned into reporting that the James Beard Chef Action Summit was held from January 29th to 31st with attendees from forty-two states. He added that media attendance included USA Today, Wall Street Journal, Tasting Table Profile Magazine, Hispanic Executive, and Siege Hublot. Additionally, he said that Houston had top-tier media coverage, both domestic and international.

Mr. Heckman shifted into covering that the Final Four would commence its move-in and signage installation from March 21st to the 30th. He also conveyed that the Men's Final Four Fan Fest would be from March 31st to April 3rd, and its move-out would be from April 3rd to the 4th. He added that the 2023 National Association of Basketball Coaches ("NABC") Convention would be held concurrently with the Final Four events from March 30th to April 3rd, with their move-in from March 21st to the 29th and move-out on April 4th.

Mr. Heckman thanked Todd Holloman, HFC's Vice President of Venues and Live Events, for co-chairing the 2023 NCAA Final Four Ancillary Events Committee and Holly Clapham, HFC's Chief Marketing Officer, for chairing the 2023 NCAA Final Four Marketing Committee. He added that HFC would be hosting the Media Welcome Event. Ms. Clapham clarified that the event would be held on March 31st on the rooftop of Post Houston with approximately 400 to 450 media outlet attendees.

Mr. Heckman recounted that evaluators eliminated Houston from contention for the 2024 Democratic National Convention bid; however, Houston was an option for the 2028 Republican National Convention. He urged that HFC's goal for 2023 was to refill the funnel for revenue and that HFC had four imminent site visits for out-year conventions and was engaging with third-party lead generators. He added that HFC was strategizing for medical and life sciences conventions and meetings because of Houston's well-known medical center.

Roksan Okan-Vick, HFC's Urban Development Officer, reported on the construction status of Lynn Wyatt Square. She stated that construction was on an aggressive pace for completion in early April, with an opening in late April or early May 2023. She also noted that the garden construction was progressing, and workers constructed the area with geofoam. Ms. Okan-Vick expressed that the restaurant building was the most significant on-site, three-dimensional design created. She also indicated that 14 large trees would be on the property, seven of which had arrived, and seven more were arriving soon.

Mr. Wilson reported on Major Revenues and Expenses through January 31st, 2023, except for HOT, which was through February 10th, 2023. He added that HOT had exceeded the budget by $535,545 and expected to collect another $500,000 before the end of February. He also revealed favorable revenue variances, including the Hilton Americas-Houston Hotel's Net Cash of $1,775,000, which was 47.6% better than expected, and that the GRB Food and Beverage maintained a Net Cash of $795,895, which was 40.5% better than expected. According to Mr. Wilson, the Theater District Parking was also better than budgeted by $59,415.

Mr. Wilson explained that expenses were well-managed. He stated that the most considerable variance was in personnel due to the legacy pension liability, which HFC had yet to expense. He noted that GRB Food and Beverage was over budget by $495,587, caused by the strength of GRB's Food and Beverage revenue and in connection with hiring a new Human Resources director for the Levy team.

Mr. Heckman updated the Board on the status of MATCH, which the Operations Committee discussed earlier in the week. He disclosed that HFC had an eight-year agreement for MATCH funding, which expires in September 2023. He explained that discussions were ongoing regarding a possible extension, as requested.

Mr. Heckman described that the legislative session was underway, and HFC would pay close attention to any bills that could affect HFC's business. He reported that Houston Week in Mexico would be from May 8th through May 12th, which Mayor Turner would lead. According to Mr. Heckman, HFC was redeveloping visithouston.com to be on the leading edge of technology. Additionally, he urged that the Destination Development Plan was a 2023 priority, which would commence in the next couple of months, and start looking at assets. He then concluded his updates by stating that HFC was in the process of completing facility assessments.

Mr. Puente commented on the schedule for janitorial employees. He said one of the janitorial employees informed him that they were paid once a month and asked if HFC and the contractor could address the issue during their discussions.

Mr. Puente inquired into HFC's involvement in promoting Hispanic Heritage events, such as Ballet Folklóriko Los Angelitos at Miller Outdoor Theater on April 14th and the Mariachi Festival at the Wortham Theater Center from August 18th through the 20th. He recently learned that a Mariachi Festival in Tucson, Arizona brought in over 100,000 people to the event in one day, Los Angeles brought in over 17,000 in one day, Albuquerque brought in over 12,000 in one day, and San Antonio brought in over 10,000 in one day compared to Houston with only 2,600 attendees. He emphasized that Houston needs to investigate how it could improve and would like HFC to support these events.

Mr. Heckman committed to examining all the facts and reporting his findings to the Board. He said HFC continued communication with the Mariachi team, and several ways exist to support their event.

Mr. Gallegos said he communicated with the Mariachi Festival team and asked if there was a possibility of advertising the event on the Wortham Theater marquis.

C. Infrastructure Maintenance

Mr. Heckman conveyed that the Texas Department of Transportation installed lights on seven bridges before the Super Bowl in 2017 in participation with the Montrose Management District, which maintained the lighting after the project's completion. According to Mr. Heckman, the Montrose Management District went inactive in late 2018 or early 2019, which caused HFC to assume responsibility for the Montrose Bridges' maintenance. He also highlighted that the Montrose Bridges' lights had malfunctioned in recent years, which experts determined was caused by a system failure. He added that next week, there would be an RFQ for a lighting consultant to inform HFC of the best options, which management would report to the Board.

Mr. Mincberg asked Ms. Hargrove to circulate the agreement for HFC to maintain the lighting of the Montrose Bridges to the Board Members.

6. Adjourn. The meeting adjourned at 4:42 p.m.