

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING

March 21, 2019 – 3:00 P.M.

Partnership Tower, 701 Avenida de las Americas, Ste. 200

Houston, Texas 77010

HFC 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, Houston, Harris County, Texas, 77010, on Thursday, March 21, 2019, 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, Nicki Keenan, Paul Puente, Alex Brennan-Martin, Jay Tatum, Gerald Womack, Ryan Martin, Jay Zeidman, and Council Member Dave Martin, Ex-officio.

The Chairman of the Board called the meeting to order at 3:03 p.m. and a quorum was established.

1. **Public Comments.** [Item was taken out of order]. Ed Melton, Chief Executive Officer of 7th Echelon, is the diversity partner with Jones Lang Lasalle ("JLL") for the Hilton Americas-Houston Hotel ("Hotel") Guestroom Renovation Project. Mr. Melton explained that he recently had the opportunity to attend the JLL North American Conference in Washington D.C. where he discussed his experience working with JLL and HFC.
2. **Review and approval of minutes from prior meeting.** [Item was taken out of order]. Following a motion duly seconded, the meeting minutes of February 21, 2019 were approved as presented. Ryan Martin was not present for the vote.
3. **Presentations and Reports.** [Items 3B-3D were discussed after Board Business.] [Items 3E-3G were removed from the agenda.]
 - A. **Discovery Green Master Plan.** Barry Mandel, Executive Director of Discovery Green Park, began the presentation with a short video clip of the development of Discovery Green and the downtown area. According to Mr. Mandel, Discovery Green has flourished as a result of the downtown living initiative and the impact

HFC has made in transforming Avenida de las Americas. On average, the park receives between 1.2 million-1.5 million visitors a year.

Mr. Mandel further discussed the Discovery Green Master Plan. The project will include changes to the sidewalks to create a uniform outdoor walking experience on Avenida Houston, new playground equipment, a walkway surrounded by oak trees with floating stick lights, additional signage on the park perimeter, and more women's restroom facilities. The master plan also includes a large investment in future programming and art installations.

In conclusion, Mr. Mandel noted that the development of Discovery Green has led to \$1.2 billion in economic development in the downtown area, which is a great example of the impact that private and public entities can have in the community when they work together.

- B. CFO Financial Report. Frank Wilson, Chief Financial Officer, provided a brief report of HFC financials through February. He further noted that HOT collections are on budget and the overall net income trend for HFC is positive.

Mr. Wilson announced that the Hotel is ranked #1 on Fortune's 100 Best Companies to Work for in 2019 and is ranked #1 in best places to work for diversity. Additionally, the Hotel is ranked #1 on the Big Box ratings.

Mr. Wilson concluded his financial report with a progress report on the Hurricane Harvey Reconstruction Project.

- C. Purchase Orders between \$50,000-\$250,000. Frank Wilson noted that six new items had been added to the report and that several of the firms are minority and women owned businesses.

Gerald Womack asked about the procurement process for Turner Public Relations.

- D. Legislative Report. Rob Jackson, Chief Policy Officer, noted that the Texas Legislature has been in session for 73 days and the legislative session will end on May 27. Mr. Jackson stated that HFC is actively tracking 257 bills related to HOT, the Major Events Trust Fund, firearms, tourism, the Open Meetings Act and Public Information Act, the Texas Imaging Film Incentive Program, and several marijuana related bills. According to Mr. Jackson, several bills have already been received by the House and will reach the Senate thereafter. He further noted that an important budget meeting that will impact the Houston Film Commission and tourism is forthcoming.

Sofia Adrogué asked if there were any issues that HFC should be made aware of regarding HOT. Mr. Jackson explained that many of the bills that had been filed deal with access to local HOT.

Mr. Jackson also explained that several bills related to short-term rentals have been filed that mandate online travel companies collect local HOT, in addition to regulatory bills that would allow homeowners associations to limit short-term rentals in certain neighborhoods.

Mr. Jackson reported that several Hurricane Harvey recovery bills have been filed, however, many are loan-based programs and very few would provide grants.

E. Community Sponsorship Report. [Item removed].

F. Diversity Update-2018 Year End. [Item removed].

G. 2018 Visit Houston Update. [Item removed].

4. **Board Business.** [Items 4A-4G taken out of order]. [Board member Desrye Morgan recused herself from items 4B & 4C].

A. Consideration and possible approval of Third Amendment with Houston Downtown Park Corporation regarding Discovery Green Park.

Gerald Womack asked about the diversity commitment of Discovery Green. Mr. Mandel explained that as a non-profit organization Discovery Green is not subject to any such requirement, however, the park currently operates at 52% diversity.

A motion was made to approve a Third Amendment with Houston Downtown Park Corporation regarding Discovery Green Park. The motion passed unanimously.

B. Consideration and possible ratification of a \$50 million subordinate debt facility, including immediate draws, to fund Houston First capital projects.

Katy Caldwell noted that the Governance, Audit, and Finance Committee recommended items 4B and 4C.

Frank Wilson explained that the City of Houston advertised for an interim, variable rate credit facility secured by a subordinate lien on HOT and pledged parking revenues. The credit facility selected is J.P. Morgan Chase and they will enter into an agreement for seven years. Mr. Wilson explained that the facility will be structured as interest only, tax-exempt or taxable notes and the proceeds will pay for long lead equipment and materials for the Hilton Americas-Houston Hotel Guestroom Renovation Project and certain Hurricane Harvey recovery expenses.

Mr. Wilson explained that there was a large team involved in the solicitation and HFC made several recommendations of diverse participants.

A motion was made for the ratification of a \$50 million subordinate debt facility, including immediate draws, to fund Houston First capital projects. The motion passed unanimously.

C. Consideration and possible approval of the issuance of City of Houston, Texas Convention & Entertainment Facilities Department Hotel and Occupancy Tax and

Special Revenue and Refunding Bonds, Series 2019, and providing for the payment thereof.

Council Member Martin asked about the total debt outstanding for HFC and the impact restructuring would have on HFC's debt rating. The Board asked HFC's financial advisor, Drew Masterson, to provide additional information.

Ryan Martin thanked Frank Wilson and the Finance Department for their efforts during this difficult financial time for HFC.

A motion was made to approve the issuance of City of Houston, Texas Convention & Entertainment Facilities Department Hotel and Occupancy Tax and Special Revenue and Refunding Bonds, Series 2019, and providing for the payment thereof. The motion passed unanimously.

D. Consideration and possible approval of a Security Services Agreement with Andy Frain Services, Inc.

Mitch Miskowski, Purchasing Agent, stated that the encumberment firm, Andy Frain Services Inc., was selected in the Security Services Request for Proposals.

Bobby Singh asked about the diversity goal for the security services contract. Mr. Miskowski stated that Andy Frain had committed to meet the 25% diversity goal set for the contract and that they had met a 23% diversity goal in the previous contract term. Mr. Singh asked if HFC could amend the motion to require Andy Frain meet a 27% diversity goal to make up the percentage points they failed to earn.

Assistant General Counsel, David Stephenson, explained that the solicitation had already been advertised with a 25% diversity requirement so HFC could not amend the motion.

Roger Harris and a representative from Andy Frain Services Inc. addressed the operational challenges faced during the previous contract term.

Gerald Womack echoed the sentiments of Mr. Singh and added as a Board member it's important to see constant growth so that firms are not only meeting, but exceeding diversity goals.

A motion was made to approve a Security Services Agreement with Andy Frain Services Inc. The motion passed unanimously. Chairman David Minckberg was not present for the vote.

E. Consideration and possible approval of an interim guaranteed maximum amount for the DPR Construction for the Guestroom Renovation Project for the Hilton Americas-Houston Hotel.

Peter McStravick introduced Dennis Pathcakos of JLL to discuss the Hotel Guestroom Renovation Project timeline.

Mr. Pathcakos explained that the project schedule has been compressed and will run from June through December 2019.

Bobby Singh asked about opportunities for diversity participation. Mr. Pathcakos explained there are a number of opportunities including installation, demolition, tile, flooring, electrical, etc. On April 2, 2019, JLL will host an outreach event for subcontractors interested in participating in the project.

A motion was made for an interim guaranteed maximum amount for the DPR Construction for the Guestroom Renovation Project. The motion passed unanimously.

- F. Consideration and possible approval of subvention related to a historically significant Houston-specific feature film in development. Rick Ferguson, Executive Director of the Houston Film Commission, discussed the feature film 24th. Mr. Ferguson stated that the film is a historical drama about the African American 24th United States Infantry Regiment stationed at Camp Logan in Houston, Texas. The film includes a star-studded cast of writers, producers, and actors including Trai Byers of the tv series Empire along with Aja Naomi King of How to Get Away with Murder.

Mr. Ferguson explained that the film was set to shoot in the fall of 2019, however, due to the stipulations of the film's investors, filming was moved up to the summer of 2019; thereby excluding the film from approximately \$900,000 in film incentives granted by the State of Texas under the Texas Imaging Incentive Program as a matter of timing. Mr. Ferguson further explained that the production is now looking to film in Atlanta as an alternative. Mr. Ferguson asks the Board to consider investing in this project.

David Mincberg stated that he asked Mr. Ferguson to present this information and that it was a unique opportunity for Houston.

Bobby Singh stated that the HFC Board should be made aware of these types of opportunities and that the film project appeared to be best in class with an all-star winning team so HFC should consider investing in the project.

Nicki Keenan asked if Mr. Ferguson could define the economic impact that this film project would bring to the City of Houston.

David Mincberg clarified that should the Board approve a subvention, there is no guarantee that the film will be filmed in Houston.

Gerald Womack stated that Texas should consider alternatives outside of the traditional film incentive program. He also inquired about the West Coast Film Initiative and their participation in soliciting this project.

David Mincberg stated that the motion should be amended to state, "subvention of 22.5% of \$4 million, but in any event, not to exceed \$900,000. "

A motion was made for a subvention of 22.5% of \$ 4 million, but in any event, not to exceed \$900,000 related to a historically significant Houston-specific feature film in development. The motion passed with nine in favor and two opposed.

5. **Executive Session.**

Executive (closed) session pursuant to Texas Government Code Section 551.071 for the purpose of consultation with Houston First Counsel regarding a settlement offer.

Before the Board entered Executive Session, Chief Development Officer of the City of Houston, Andy Icken, provided background information on the inception of Convention and Cultural Services Inc.

The Board entered Executive Session at 3:20 p.m. and returned at 4:20 p.m.

6. **Board Business Cont'd.**

G. **Consideration and possible approval of a payment of \$440,000 for attorneys' fees related to the settlement between the City of Houston and Municipal Employees Pension System and release of claims.**

A motion was made for the approval of a payment of \$440,000 for attorneys' fees related to the settlement between the City of Houston and Municipal Employees Pension System and release of claims. The motion passed with eleven in favor and four opposed.

7. **Announcements.**

A. **Report by Houston First Chairman.** None.

B. **Report by Houston First President.** Brenda Bazan announced that the Hilton Americas-Houston Hotel was named the 2018 Hotel of the Year for managed hotels.

Ms. Bazan also announced the upcoming Houston Tourism Summit on April 25, 2019 and the University of Houston March Madness Watch Party on Avenida Houston March 22. She also informed Board Members that they should have received their new Houston First lapel pens.

8. **Adjournment.** The meeting was adjourned at 5:35 p.m.