

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING

June 20, 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, June 20, 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, Reginald Martin, Ryan Martin, Gerald Womack, Bobby Singh, Jay Zeidman, and Council Member David Robinson, Ex-officio.

The Chairman of the Board called the meeting to order at 3:04 p.m. and a quorum was established.

1. **Public Comments.** Elaine Reyes, Managing Director of Deloitte, addressed the Board and stated that there were no corrections or misstatements in the HFC 2019 Annual Audit. Ms. Reyes also thanked Frank Wilson and the Finance Department for their efforts in completing the audit process.

Bill Franks provided an update on the W Hotel Development. Mr. Franks stated that the project team has made a lot of progress thus far, but they are still negotiating several key terms, including the room block agreement and insurance requirements. Mr. Franks stated that he and his team are eager to move forward with the project because it's important to the City of Houston.

Al Kashani also addressed the Board regarding the W Hotel Development. Mr. Kashani stated he is excited about the W Hotel and very close to finalizing a deal with HFC, but he has some concerns with several items not originally included in the term sheet. He also discussed the strenuous insurance requirements under the agreement. Mr. Kashani stated Houston is his home and he is committed to investing in the city, but he wants to ensure that he is treated fairly. Mr. Kashani requests the Board's support in finalizing the agreement.

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Ira Mitzner came before the Board to express his support for a subvention for the 2021 PCMA Annual Meeting. Mr. Mitzner explained that the PCMA is the master association of meeting planners in the U.S. and discussed the tremendous opportunity for future convention business. According to Mr. Mitzner, the last time the event was held in Houston was 1981 so this would be a wonderful opportunity to showcase the Convention District and all that Houston has to offer. The Marriott Marquis is in support of the convention district fee to raise funds for the event and Mr. Mitzner believes a lot of other downtown hotels will too.

Dennis Matthews of Revolution Interactive briefly discussed his experience working as a diversity partner on the Houston AR Scanner application. Ryan Martin congratulated Mr. Matthews on his work and stated he had an opportunity to use the application and thinks it's a great product.

Nick Massad Jr., Chairman of American Liberty Hospitality and former Chairman of the Greater Houston Convention & Visitors Bureau, also expressed his support for PCMA. Mr. Massad stated that hosting the PCMA Annual Meeting is a once in a generation opportunity and many meeting planners have been to Houston, but most of whom have not seen Houston since the transformation of the downtown Convention District. Mr. Massad stated hosting an event of this scale will cost some money, but he is working hard to get 100% participation from all downtown hotels.

2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the meeting minutes of May 16, 2019 were approved as presented.

3. **Presentations and Reports.**

A. **Report by Houston First Chairman.** Chairman Mincberg discussed a recent event he attended for the Indo American Chamber of Commerce at the Hilton Americas-Houston Hotel ("Hotel"). The event was a great success with at least 800 attendees. Chairman Mincberg stated he spoke about the importance of trade between Houston and India. He then asked Board Member Bobby Singh to share a few words.

Bobby Singh thanked the HFC Board for its sponsorship support. The event included many distinguished guests such as the U.S. Ambassador and Mayor Sylvester Turner. Mr. Singh stated that the event was a great opportunity to highlight HFC as Chairman Mincberg spoke in front of many major news outlets. He also informed the Board that the Indo American Chamber recognized the Hotel as Business Partner of the Year and Chairman Mincberg received a beautiful plaque on behalf of Houston First Corporation.

Chairman Mincberg announced that the Board retreat will take place Tuesday, July 9, 2019 from 5:00 p.m. until 9:00 p.m. He is still working on an agenda with Brenda Bazan that will be circulated prior to the retreat.

Chairman Mincberg informed the Board that he is engaged in discussions with the Greater Houston Convention Visitors Bureau ("GHCVB") and working diligently to

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define the roles of each organization. Discussions are on-going and he will be in touch with Board Members to provide input in the weeks to come.

- B. HFC President & CEO Update. Brenda Bazan began with an update on the Hurricane Harvey Recovery Project ("Project"). The Project will be substantially complete at Wortham Theater by the end of June and work at the Theater District Parking Garages is also near completion. Mitigation in the garages will roll over into April 2020.

Ms. Bazan stated that construction for the Hotel guestroom renovation will begin next Monday and should be complete by the end of the year. She also recognized the Hotel for receiving an outstanding rating on quality assurance for the 11th year in a row.

Work is taking place at the Avenida South Garage after the Memorial Day weekend fire. The garage is in sound structural shape, however, there is still visual damage and HFC is working with its property insurance carrier to complete the repairs.

According to Ms. Bazan, Saltgrass Steakhouse will be open by the end of September. She also discussed the new Welcome Center, inclusive of Launch and a grab and go food concept, Avenida Eats. Ms. Bazan stated she has viewed the space and is very excited for the opening in July.

The Houston Insider Program continues to grow and has more than 1,500 members. The Tourism Department is now doing in-person certifications with hotels, real estate developers, and various other groups. Jorge Franz was recently the guest speaker at an event for the Hotel Lodging Association where he discussed the Houston Experience Marketplace and Houston Insider Program.

Brenda Bazan informed the Board that planning for the World Petroleum Congress ("WPC") 2020 is going well. The WPC organizing committee has already surpassed its original fundraising goal of \$14 million and raised \$15 million and the organizing committee recently traveled to Russia to update WPC on the status of the event. According to Ms. Bazan, diversity participation is a high priority for the event team and they intend to host an expo similar to the one held during the Super Bowl.

Gerald Womack stated he wants to be sure that HFC is looking into the business opportunities for small and minority vendors from the early planning stages. Chairman Minberg asked that Ms. Bazan reach out to Michael Heckman and WPC Chairman, Jeff Shellebarger, so that they could provide an update at the next Board meeting.

Ms. Bazan stated a legislative session summary was included in the folder provided to Board members for their review.

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She also recognized HFC Community Relations Manager, Arcy Muñoz, who was named by the Houston Business Journal as one of their 2019 "40 under 40."

In conclusion, Ms. Bazan informed the Board that she would begin informal discussions with HFC employees as a follow-up to the listening tour conducted in 2018. She also thanked everyone for their support during her absence.

- C. HFC CFO Update. Frank Wilson informed the Board that HFC management participated in leadership training at Rice University. There are also training sessions coming up for all HFC employees on unconscious bias.

Mr. Wilson stated collections for hotel occupancy taxes ("HOT") are below budget, but a contract has been signed between the City of Houston and Airbnb. HFC will receive additional revenues, but the exact impact cannot be determined until October.

All major expenses are below budget, however, there is a new line item for debt services, which HFC will likely have to draw down on in the future.

Mr. Wilson stated the HFC 2020 Budget process is being moved up this year and discussed the budget timeline.

Bobby Singh suggested that HFC staff provide a separate line item for convention business.

Vice Chair Desrye Morgan stated in light of the volatility of the market and predictions of a recession, where is HFC is conducting a stress test? Mr. Wilson stated he will provide additional information, but informed the Board that he continues to evaluate market conditions.

4. Board Business—Consent Agenda.

- A. Consideration and possible approval of the Houston First 2018 Annual Audit. This item was approved unanimously on the Consent Agenda.

- B. Consideration and possible approval of sponsorship agreements with RCM Entertainment, L.P. d/b/a Lone Star Sports & Entertainment for the Advocare Texas Kickoff and Academy Sports & Outdoors Texas Bowl games.

Alex Brennan-Martin provided background on the Advocare Texas Kickoff and Academy Sports & Outdoors Texas Bowl games. He stated that HFC and the GHCVB have been sponsors of both games for several years. Additionally, both games will take place during low periods for hotel business and have proven very successful.

Bobby Singh asked the amount and term of the sponsorship and Mr. Martin stated the agreement would be \$300,000 for one year.

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Nicki Keenan asked John Solis about the economic impact of each game and Mr. Solis explained that each game is tracked differently based on the schools competing, but generally there will be between 17,000-20,000 room nights per game.

Gerald Womack asked about diversity participation and Roger Harris stated he was unfamiliar with the event, but is willing to work with Michael Heckman and his team to determine what opportunities are available.

Paul Puente asked if HFC could create a diversity component to the sponsorship agreements and Mr. Solis clarified that this is not a service contract, but a sponsorship agreement with the Houston Texans.

Desrye Morgan made a motion to amend the item so that funding is contingent on good faith efforts to work with small and minority vendors.

A motion was made to approve sponsorship agreements with RCM Entertainment, L.P. d/b/a Lone Star Sports & Entertainment for the Advocare Texas Kickoff and Academy Sports & Outdoors Texas Bowl games, contingent upon good faith efforts to work with small and minority vendors. The motion passed unanimously.

- D. Consideration and possible approval of a 2021 Convening Leaders Host City Agreement with the Professional Convention Management Association ("PCMA"), inclusive of Event Budget, for the 2021 PCMA Annual Meeting.

Bobby Singh stated he supported items 4D and 4E, but he wanted to be clear on HFC's financial commitment. John Solis explained that the overall event budget for PCMA is \$ 4 million. Various sources will contribute funding for the event including, hotel fees, State Event Trust Funds, sponsorships, HFC and possibly the GHCVB.

Peter McStravick discussed the convention district fee and explained it was HFC's intent to solicit 100% participation from downtown hotels, however, the arrangement is completely voluntary. HFC believes it will collect funds in the amount of \$2.5-\$3.2 million based on a fee of \$2.00 per room night with 25% attrition. As mentioned, hotels and/or hotel guests may opt-out of paying the convention district fee and groups with existing contracts will not be required to pay.

Mr. Mitzner informed the Board that a similar type of self-assessed fee has been utilized at the Hilton Hotel in Orlando to offset major convention business. He further explained that the convention district fee will serve as a good vehicle to pay for PCMA and may be used for future events.

Reginald Martin asked if there has been any analysis on booked business and opt-out rates and Mr. Mitzner stated Florida is sub five percent so relatively low.

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Desrye Morgan asked how hotel guests would know they could opt-out of paying the convention district fee and Mr. McStravick stated the information would be included on the website.

Ryan Martin stated it is important for HFC to implement the convention district fee in a way that doesn't impact business negatively. He also inquired as to why HFC chose to apply a flat fee rather than a percentage.

Nicki Keenan stated the devil is in the details. She also stated because the fee will be assessed for an actualized 12-month period, HFC must look at corporate and leisure travelers who will push back. Additionally, Ms. Keenan stated HFC cannot lose sight of that fact that the City of Houston has the highest HOT, so HFC should be creative in its approach.

There was additional discussion about the impact of hosting the PCMA Annual Meeting and future business opportunities.

Gerald Womack asked if HFC would be financially responsible for the total event budget of \$4 million if it was unable to implement the convention district fee and Mr. McStravick confirmed.

A motion was passed to approve the 2021 Convening Leaders Host City Agreement with the Professional Convention Management Association ("PCMA"), inclusive of Event Budget, for the 2021 PCMA Annual Meeting. The motion passed unanimously.

- E. Consideration and possible approval of an agreement with the International Association of Exhibitions and Events ("IAEE") for the 2023 Annual Meeting & Exhibition to be held in Houston, Texas, inclusive of the Event Budget.

John Solis stated that the IAEE is an industry event similar to PCMA for meeting planners that works closely with the event planners. Attendance is slightly lower, however, hosting IAEE will also create many future business opportunities. According to Mr. Solis, the overall event budget will not exceed \$800,000.

A motion was made to approve an agreement with the International Association of Exhibitions and Events ("IAEE") for the 2023 Annual Meeting & Exhibition to be held in Houston, Texas, inclusive of the Event Budget. The motion passed unanimously.

- F. Consideration and possible approval of a Valet Parking Services Agreement with Sovereign Services of Houston, Inc. at the Hilton Americas-Houston Hotel.

There was discussion of the Valet Parking Services solicitation.

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Paul Puente asked for information on wages and Reginald Martin stated the Operations Committee reviewed this item and wages range from \$7.25/hr to \$14.00/hr.

Roger Harris also explained why the diversity goal under the contract was reduced based on the amount of divisible work.

Jacques D'rovencourt stated Sovereign Services has been a strong partner at the Hotel for many years and discussed their ability to park cars quickly during guest check-in as well as large banquets.

Sofia Adrogué stated she is really impressed with the valet service of Sovereign Services and their diverse workforce.

A motion was made to approve a Valet Parking Services Agreement with Sovereign Services of Houston, Inc. at the Hilton Americas-Houston Hotel. The motion passed with Vice Chair Desrye Morgan opposed.

- G. Consideration and possible approval of reallocated funding for Harrison Kornberg Architects, LLC and ARUP, Texas Inc., a joint venture, for two new task orders for the continued repair and replacement of damages to the Wortham Theater and Theater District Parking Garage due to Hurricane Harvey.

Peter McStravick gave a brief overview of the Hurricane Harvey Recovery Project. Bobby Singh informed the Board that this item was approved unanimously by the Operations Committee and it is a reallocation of existing dollars for the project.

Gerald Womack asked if the reconciliation would negatively impact HFC's FEMA reimbursement and Mr. McStravick explained that HFC has not had any formal conversations with FEMA, but is working with FEMA consultants and they are aware of the changes.

A motion was made for approval of reallocated funding for Harrison Kornberg Architects, LLC and ARUP, Texas Inc., a joint venture, for two new task orders for the continued repair and replacement of damages to the Wortham Theater and Theater District Parking Garage due to Hurricane Harvey. The motion passed unanimously.

- G. Consideration and approval of funding for remediation and any required repairs to Avenida South Garage resulting from the Memorial weekend fire incident. This item was approved unanimously on the Consent Agenda.

5. Executive Session.

"Pursuant to Texas Government Code Section 551.071 and 551.074, the Board of Directors will convene in a closed session to consult with Houston First attorneys to seek advice on certain legal matters in which the duty of the attorney is governed by the State Bar of Texas Rules of Professional Conduct and to deliberate certain personnel matters,

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including the appointment, employment and duties of the President and Chief Executive Officer of the Greater Houston Convention Visitors Bureau.

The Board entered Executive Session at 4:38 p.m. and returned at 5:05 p.m. No action was taken.

6. **Adjournment.** The meeting was adjourned at 5:06 p.m.