

AGENDA

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
March 26, 2020 – 3:00 P.M.
Live Video and Audio Conference Meeting
Join the Meeting [Here](#)

BOARD MEMBERS:

David Mincberg (Chair), Desrye Morgan (Vice-Chair), Sofia Adrogué, Elizabeth Brock, Nicki Keenan, Reginald Martin, Ryan Martin, Alex Brennan-Martin, Paul Puente, Bobby Singh, Tom Segesta, Gerald Womack, Jay Zeidman, Council Member Dave Martin, Ex-officio, Council Member David Robinson, Ex-officio

In accordance with the modified Texas Open Meetings Act provisions announced by Texas Governor Greg Abbott on March 16, 2020, this Agenda is posted for public information, at all times, for at least 72 hours preceding the scheduled time of the meeting online at <https://www.houstonfirst.com>.

Any questions regarding this Agenda, should be directed to Lisa K. Hargrove, General Counsel at either 713.853.8965 or Lisa.Hargrove@houstonfirst.com

Code of Business Conduct and Ethics – As a reminder, under Houston First Corporation's Code of Business Conduct and Ethics Policy, if you have a potential conflict of interest that you have not previously disclosed relating to a transaction or arrangement being discussed or voted on, you should notify the Chair and refrain from voting on the transaction or arrangement and recuse yourself from the discussion on the matter at hand. You should have received a copy of the Policy, but if not, let us know and we will provide one for you.

- I. Call to Order**
- II. Public Comments**
- III. Minutes – February 20, 2020**
- IV. Presentations, Reports, and Updates**
 - A. Report by Houston First Chairman
 - B. HFC President & CEO Update
 - W Hotel Update
 - C. Sales Report
 - D. Hilton Americas-Houston Hotel Report
 - E. Facilities Report
 - F. Chief Financial Officer Update
- V. Adjournment**

III. Minutes – February 20, 2020

MINUTES

HOUSTON FIRST CORPORATION

BOARD OF DIRECTORS MEETING
February 20, 2020– 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, February 20, 2020, 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 (Co-Chair), Nicki Keenan, Elizabeth Brock, Sofia Adrogué, Alex Brennan-Martin, Paul Puente, Ryan Martin, Tom Segesta, Bobby Singh, Gerald Womack, Jay Zeidman, Council Member Dave Martin, Ex-Officio, and Council Member David Robinson, Ex-Officio.

The Chairman of the Board called the meeting to order at 3:01 p.m. and a quorum was established.

1. **Public Comments.** Lynn Birdwell of Birdhouse Productions discussed a recent production called “Cup of Joe” starring Joe Jonas and actress Sophie Turner shot in Austin, Texas. Ms. Birdwell stated that this show should have been shot in Houston. She further expressed the need for a collective strategy for a creative industry economy. Additionally, she announced that a film finance seminar will be held in Houston at the end of April for serious investors and executive producers that would like to film in Houston. Ms. Birdwell further stated that she is seeking the support of HFC and all Houstonians to promote the Houston film industry and encouraged any interested Board Members to contact her for more information.

Paul Milton Farley thanked all Board Members and recognized several City Council Members with whom he has previously worked. Mr. Farley stated he is speaking as an introduction and welcomes the opportunity to work with anyone interested in building the creative economy of Houston through technology as the world grows more connected globally. Mr. Farley stated Houston needs an identity and while the city is currently driven by business, creatives and tech start-ups deserve a seat at the table in Houston.

Council Member David Robinson thanked Mr. Farley and stated that he personally looks forward to speaking with him soon.

Gerald Womack stated Mr. Farley's family has done a lot of great work in Houston and he also intends to reach out to him to further discuss his ideas.

Al Kashani thanked the HFC Board for its overwhelming support of the W Hotel project and stated that of all of the development projects his company is currently working on, this project is the most important. He also stated that he hopes other cities will use this project as a model because the W Hotel will bring over 300 superior jobs to Houston and generate billions of dollars for the local economy.

Elizabeth Brock thanked Mr. Kashani for his patience and stated that HFC is excited for the project. Mr. Kashani stated he recently attended the Grammy Awards and people were discussing the W Hotel in Houston. He stated that this project is about changing lives and he hopes that he can accomplish this goal with the help of HFC.

2. **Review and approval of minutes from prior meeting.**

Following a motion duly seconded, the meeting minutes of January 16, 2020 were approved as presented.

3. **Presentations and Reports.** [The Chairman of the Board requested that item 3D be taken out of order and discussed first.]

A. **Report by Houston First Chairman.** The Chairman of the Board did not have a report. Vice Chair, Desrye Morgan, stated she was overwhelmed with the number of activities HFC arranged for Black History Month and congratulated staff on a job well done. She stated she was unable to attend the outdoor festival held on Avenida Plaza, but received a number of pictures and videos which she has shared with Mayor Turner.

B. **HFC President & CEO Update.** Brenda Bazan informed the Board that her full report will be sent electronically and discussed some of the highlights.

Ms. Bazan stated there has been a 54% increase in convention sales due to larger events being booked and an increase in the total number of site visits. Additionally, representatives from PCMA are currently visiting Houston in preparation for the 2021 conference.

Ms. Bazan attended the City of Houston Champions of Diversity Ceremony last week along with several Board Members. Both the Hilton Americas-Houston Hotel and Harrison Kornberg Architects, LLC and ARUP Texas, Inc., a joint venture, were recognized at the ceremony.

She also announced that the HFC Marketing team was recognized by the annual HSMIAI Adrian Awards for its Apollo 11 50th anniversary campaign. Miller Outdoor Theatre will also be recognized tomorrow night by AIA and staff members Roksan Okan-Vick and Shawn Hauptmann will both receive awards.

Ms. Bazan also informed Board members that the Tourism Summit will take place on April 30, 2020 at the George R. Brown Convention Center.

She then discussed the corporate culture survey conducted by the Human Resources department. Staff members were asked to provide adjectives that best describe HFC's corporate culture and approximately 50% of employees participated. Ms. Bazan stated that the results of the survey were then compiled to create a word cloud with the most frequently used words. Ms. Bazan stated that the results showed there was room for improvement and she and the executive team are evaluating next steps. A cross functional team of employees reevaluated HFC's corporate values and established the following core values: respect all; embrace partnerships; pursue fulfillment; be a passionate ambassador; and own it. The new values were shared with all employees at the "One Team, One Vision" team building event and employees were also given an opportunity to pledge their commitment to the new values by signing the "H" monument on display. A pilot program for individual development plans has been underway and Ms. Bazan further discussed a number of events and trainings that will take place in 2020.

Tom Segesta congratulated staff on taking this first step and thanked Ms. Bazan for her vulnerability. He also asked if she could provide a pace report for 3rd quarter. Ms. Bazan stated she will report back to the Board.

Desrye Morgan stated she appreciates the overall report, but asked for further clarification on the survey results. She also stated that it's important to ensure the changes made address all comments and recommended outside review by a third party.

Sofia Adrogué asked why survey participation was so low and Brenda Bazan asked Tim Moyer, Human Resources Director, to address the Board.

Tim Moyer stated 60%-70% participation in corporate wide surveys is common, but explained that another employee engagement survey will be conducted in 3rd quarter 2020 by an outside third-party.

Elizabeth Brock stated that her company has a number of field employees so that could impact survey results as well.

Bobby Singh stated that self-reflection is very hard, but HFC should look at 3rd quarter and build on those results.

Gerald Womack stated it's important that all staff members from top to bottom be involved with the process. He also stated that he is glad HFC has an HR professional in place.

Desrye Morgan stated that the HFC team is very important and the Board does not say that enough. She further explained that she wants employees to feel like HFC is a great place to work and that their talents are recognized.

Ryan Martin stated that this is a great start, but the adjectives do not address the heart of the problem and challenged staff to dig deeper into the survey results.

Brenda Bazan stated there is a lot of work to be done, but staff is very focused on the matter.

- C. Chief Financial Officer Update. Frank Wilson stated there is a negative variance in revenues compared to expenses as a matter of timing. He also stated revenues were up \$4.4 million year-over-year in the month of January. Additionally, there is a change in the forecast for the Hilton budget related to the guestroom renovation. Hotel occupancy taxes are below budget for the first quarter, but HFC has received revenue from Airbnb. All major expenses are at or below budget and HFC has paid back its loan from Regions Bank in full and is now focusing on adding to reserves. Mr. Wilson also stated that he is closely monitoring the impact of the Coronavirus.
- D. Financing Update. Tom Fish and Mike Melody of Walker & Dunlop discussed their recommendation for AIG Asset Management to refinance the loan for the Hilton Americas-Houston Hotel and Avenida South Garage. Mr. Melody stated after a lengthy RFP process, the incumbent lender, AIG Asset Management, provided the most competitive loan terms. He also stated given the volatile nature of the market, they recommend that HFC act quickly.
- E. W Hotel Update. Rob Jackson stated that subsequent to the Boards' vote in January, the Public Affairs Department conducted an informational campaign with all offices of City Council regarding the W Hotel project. Mr. Jackson stated there were many questions raised, but several members of City Council are in support of the project and none are opposed. He also informed the Board that an RCA has been drafted, but stated it is the Mayor's discretion to decide when a vote will take place.

4. **Board Business-Consent Agenda**

[Items 4A, 4B, and 4D were removed from the consent agenda. Item 4C was approved unanimously under the consent agenda.]

- A. *Consideration and possible approval of a loan from AIG Asset Management to be secured by a deed of trust lien against the Hilton Americas-Houston Hotel and garage.*

Following a motion duly seconded, there was discussion.

Ryan Martin thanked Walker & Dunlop and stated HFC's concerns are operational so securing a loan with the terms discussed is commendable as it will provide HFC with enough time to address operational matters and stated that the Finance Committee was impressed.

Desrye Morgan asked for further clarification on the interest rate spread and Mr. Melody clarified that the value was based on the second tranche, if utilized.

Gerald Womack asked if there will be any opportunity to engage diverse firms to conduct the appraisal or environmental report. Tom Fish stated that all due diligence items are conducted by firms on a pre-approved list vetted by the lender,

AIG. He further explained that he understands the concerns of the Board and will make every effort to accommodate their requests.

Council Member Dave Martin asked what is the appraised value of the Hilton. Mr. Melody stated an appraisal has not been conducted and will be completed prior to closing, however, an appraisal was completed approximately six years ago and the asset is worth upwards of \$240 million.

Bobby Singh asked for additional clarification regarding the request of the Board. Staff clarified that should they decide to draw down on additional funds, no further Board action would be taken, but there will be discussion and approval of expenditures.

Following a motion duly seconded, a loan from AIG Asset Management to be secured by a deed of trust lien against the Hilton Americas-Houston Hotel and garage was approved unanimously.

Chairman Mincberg thanked Walker & Dunlop for an exceptional job in providing HFC a financing facility that is well-priced in today's market.

B. Consideration and possible approval of the 2020 Investment Policy.

Following a motion duly seconded, there was discussion.

Desrye Morgan asked that staff provide a brief overview of the 2020 Investment Policy.

Frank Wilson stated that HFC's Investment Policy mirrors that of the City of Houston. He stated HFC has attached the list of approved brokers and there were a few other slight changes made in the City policy that were not appropriate for HFC. Mr. Wilson stated HFC's overall investment goal is prudent safety.

Ms. Morgan requested that staff evaluate the broker list as many of the firms included are outdated.

Gerald Womack asked if Williams Capital was included on the list of approved brokers, and staff confirmed that they are not included.

Following a motion duly seconded, the 2020 Investment Policy was approved unanimously.

C. Consideration and possible approval of additional funding for Harrison Kornberg Architects, LLC and ARUP Texas, Inc. for continued FEMA consulting services.

Following a motion duly seconded, additional funding for Harrison Kornberg Architects, LLC and ARUP Texas, Inc. for continued FEMA consulting services was approved unanimously under the consent agenda.

D. Consideration and possible approval of a contract with Griffin Partners, Inc. for Owner Representative Services in connection with the development of the W Hotel.

Following a motion duly seconded, there was discussion.

Roksan Okan-Vick discussed the pre-proposal meeting for the Owner Representative Services RFP. She also outlined the highlights of the W Hotel project and the responsibilities of the firm selected.

Frank Wilson further discussed the solicitation process and stated that eleven proposals were received and upon review and scoring of all proposals submitted, the selection committee recommended Griffin Partners, Inc. He stated the fees proposed for three years are \$1.2 million and the firm also proposed a 28% diversity goal.

Roger Harris stated that the original diversity goal was 15%, but Griffin Partners, proposed that its diversity partner, Sage Consulting, serve as lead on the project. Mr. Harris then introduced members of the project team.

Alex Brennan-Martin stated he is pleased with staff's improvement in conducting the procurement process in accordance with the HFC Procurement Manual. He stated that the Benefits, Compensation, and Finance Committee discussed this item at length and he agrees with staff's recommendation.

Gerald Womack raised concerns with the 15% diversity goal. He also stated that he has a lot of respect for Mr. Griffin and the work he completed at Partnership Tower and Avenida Houston, but HFC continues to go back to the same firm and there are a lot of other capable businesses in Houston. Mr. Womack also questioned the length of time that the solicitation was advertised and stated that had HFC advertised for longer, other proposers may have been able to participate.

Lisa Hargrove stated there is no set time that proposals are advertised and the length may vary. However, the solicitation process was compressed to thirteen days in order to be responsive to the development schedule. Upon City Council approval, certain requirements regarding the review of documentation will be triggered and HFC staff was led to believe that the item would be called upon for a city council vote at the end of January.

Rob Jackson stated that this is the second time the solicitation has been issued and, even though it was advertised for much longer, HFC only received three proposals.

Desrye Morgan asked why the item was not discussed at the Operations Committee and also noted that professional service contracts should be posted at least twenty-one days. She stated while she respects staff's willingness to be responsive to the development schedule, this solicitation should not be rushed and HFC could have requested a best and final offer.

Bobby Singh stated he has strong reservations and also stated that staff agreed to bring contracts with diversity goals under a certain threshold to the Procurement Committee. He also stated he has not seen any solicitation conducted in thirteen days, as general practice is around three weeks.

Ryan Martin stated he previously voted in favor of the item at the Committee level, but interviews, best and final offers, etc. should take priority when staff is working hand and hand with a project team.

Elizabeth Brock asked for further clarification on the 15% diversity goal. Mr. Harris stated that typically the goal would have been set higher for this type of contract, but Griffin Partners would only serve in an advisory role.

Tom Segesta stated you cannot underestimate the value in having someone who knows the building already and stated having Griffin Partners oversee this project is a tremendous benefit to HFC.

Paul Puente suggested that staff create a formula to set diversity goals to eliminate setting arbitrary goals.

Bobby Singh asked if there were any conflicts with the project team and staff confirmed there were none.

Council Member David Robinson stated that the Board has heard a lot of comments from the selection committee, excluding Luther Villagomez, and he feels good about the recommendation of Griffin Partners, but the item should have also been reviewed by the Operations Committee.

Following a motion duly seconded, a contract with Griffin Partners, Inc. for Owner Representative Services in connection with the W Hotel failed. Four Board members voted in favor (Alex Brennan-Martin, Jay Zeidman, Tom Segesta, and Nicki Keenan) and six opposed (Paul Puente, Bobby Singh, Gerald Womack, Ryan Martin, Elizabeth Brock, and Desrye Morgan). Sofia Adrogué, was not present for the vote.

5. **Adjournment**. The meeting was adjourned at 5:19 p.m.