

MINUTES

HOUSTON FIRST CORPORATION

**BOARD OF DIRECTORS MEETING
JUNE 21, 2018 – 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 21, 2018, commencing at 3:00p.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, Elizabeth Brock, Katy Caldwell, Ryan Martin, Alex Brennan-Martin, Bobby Singh, Jay Tatum, Gerald Womack, and Jay Zeidman.

The Chairman of the Board called the meeting to order at 3:00 p.m. and a quorum was established.

1. **Public Comments.** None.
2. **Review and approval of minutes from prior meeting.** Following a motion duly seconded, the minutes of May 8, 2018 were approved as presented. Elizabeth Brock and Jay Zeidman were not present at the time of the vote.
3. **Presentations and Reports.**
 - A. **Flood Recovery Status.** Jim Brownrigg, Vice President and General Manager of Turner Construction, provided an updated on flood recovery and the proposed Guaranteed Maximum for construction. The project currently has 72 days to go and is on track. At this time, Manhattan Construction is working to improve the lighting in the Yellow Garage as well as electrical and escalator repair. Jim also provided an explanation of the overall project schedule: August 26, 2018- Box Office Opening; September 1, 2018- Performance Ready; September 22, 2018-Load in Date and work will continue through 2019. The project budget is also on track with a final Guaranteed Maximum Payment ("GMP") of \$64,828,815, plus an owner contingency of \$5,171,185 for a total of \$70,000,000. Jim further explained the use of an owner's contingency as items not originally included in the scope of services that may come up during the final stages of construction such as emergency generators.

The Chairman stated that his preference was not to personally have final approval of the owner's contingency, but prefer to bring the matter to the Board. Gerald Womack requested that the matter be brought to the Board as well, however, upon further discussion of critical timing issues, the Chairman and the HFC President & CEO, Brenda Bazan, may approve the owner's contingency, in exigent circumstances with notice to the Board at its next subsequent meeting.

Jim then discussed mitigation items within the GMP. Katy Caldwell asked what items were included, specifically floodwalls, which Jim confirmed were not included in the original estimate provided.

The Board Chair asked Wayne Klotz, who has provided services to HFC on a volunteer basis during the construction project, to discuss the status of the project. Wayne explained that he had full confidence in the construction team and was confident that the project would be completed on time and that the figures provided were accurate. Bobby Singh asked Wayne to discuss any potential risk he saw with the project and he explained that the only issue he could potentially see was future changes to elevation 41' by the City of Houston for purposes of FEMA reimbursement.

Roger Harris, HFC Development Specialist Manager, then provided an update on diversity spend related to project. The project has a 30% diversity goal and Manhattan Construction is currently on track to meet a 38% goal. Gerald Womack requested a breakdown of the ethnic backgrounds of the diverse groups represented and Roger stated there was a wide range of representation, but he would have to provide a report to distribute to the Board at a later date. Alex Brennan-Martin asked if the companies participating were new and a result of community outreach. Roger discussed the success of a recent opportunity day with over 100 small business participants, which Gerald Womack also attended and deemed a success. Ryan Martin thanked Roger for his efforts and acknowledged the Boards' request with regard to diversity and Bobby Singh asked that future presentations include the ethnic breakdown.

Peter McStravick thanked Sheila Turkiewicz for managing the construction project and operating the Theater District facilities as well as her team. He also thank Manhattan Construction, Turner Construction, and Roksan Okan-Vick for their hard work.

Peter McStravick further explained that construction would continue through May 2019 on the Theater District Garages. The agreement with Turner Construction will expire September 1, 2018 so he will bring an item to the Board in July or August to request that the agreement be extended through December 2019. He further explained that Gilbane had not utilized capacity during the initial phase of the project and HFC may allocate those funds to Turner Construction.

B. Financial Report. Frank Wilson, HFC Chief Financial Officer, requested that his time be used to have a representative from Deloitte go over the 2017 audit report. The Chairman then moved to Board business.

C. Chairman's Report. This item was taken out of turn. The Chair's report was made after an update on 4 Houston Center.

D. Comicalooza. This item was taken out of turn. This presentation was made after the completion of committee business.

4. **Consideration of, and possible action on, approval of the 2017 Annual Audit.** Elene Reyes from Deloitte discussed the 2017 Annual Audit. She reported that the audit was free from any material misstatements. She discussed some of the cash outflows associated with Hurricane Harvey and explained that the hotel occupancy tax had decreased, however, venue revenues had increased. Elene pointed out some of the differences in revenues and expenses between 2016 and 2017. Katy Caldwell asked Elene to explain more about the impact of the new leasing standards, effective January 1, 2020. Elene explained that under the new standards, leases would be capitalized on the balance sheet and could cause an increase to assets for the lease of a building and corresponding liability, but the gross up to the balance sheet would not impact HFC's bottom line.

A motion was made and duly seconded to approve the 2017 Annual Audit. The motion passed unanimously. Elizabeth Brock and Jay Zeidman arrived at 3:36 p.m. and were present at the time of the vote.

5. **Consideration of, and possible action on, approval of a Guaranteed Maximum ("GMAX") for the Construction Manager-at-Risk Services Agreement with Manhattan Construction Company for response and recovery related to Hurricane Harvey for certain Theater District facilities.** Peter McStravick explained the calculations as discussed by Jim Brownrigg. A Motion was made and duly seconded to approve a guaranteed maximum for the Construction Manager-at-Risk Services Agreement with Manhattan Construction. The motion passed unanimously.

6. **Consideration of, and possible action on, adoption of a Code of Conduct for Vendors.** Lisa Hargrove, HFC General Counsel, introduced attorney Gene Locke. Gene Locke discussed the Code of Conduct for Vendors previously reviewed by the Procurement Committee. The intent behind the code of conduct is to ensure all vendors who seek to enter into business with HFC be placed on equal footing and comply with the law generally, but also uphold a standard of conduct that removes potential bad actors. The Code of Conduct for Vendors will be followed up by a draft Procurement Manual.

Ryan Martin stated this was a great step in the right direction for increasing transparency in the procurement process and Gerald Womack thanked Gene Locke for his efforts.

A motion was made and duly seconded to approve the Code of Conduct for Vendors. The motion passed unanimously.

7. **Consideration of, and possible action on, approval of a Parking Access and Revenue Control System Agreement with Tiba Parking Systems for the Theater District Parking Garage.** Mitch Miszkowski gave a presentation of the solicitation. He noted that HFC received a total of six responses that were scored based on the selection criteria included in the solicitation. T2 Systems and Tiba Parking Systems received the top two scores and made presentations to the selection committee, who then re-scored the proposals and Tiba Parking Systems was selected. Some of the key points noted by the selection committee in making their decision was the standardization

of parking systems between Theater District Parking and Convention Center Parking and Tiba Parking Systems ability to meet the 10% diversity goal for the project.

A motion was made to discuss and duly seconded. Gerald Womack expressed some concerns with the contract and not working with a consultant to make sure HFC has the best technology given the value of the contract. He would like the Theater District Parking systems and airport parking systems to be unified. As a result, he stated that he could not support the contract today as presented.

Frank Wilson served on the selection committee and explained that he had spoken with the Theater District Parking Manager about the possibility of having the same software as the airport system. He also noted that the selection committee had the expertise of staff managing the parking garages, Smart City, and Republic Parking Systems. Elizabeth Brock asked what managements' explanation was with regard to the unification of the airport parking systems and Frank Wilson explained that option was no longer viable. There was further discussion regarding the selection committee and Jay Zeidman stated that he felt relying on HFC staff chosen by Brenda Bazan was sufficient for awarding the contract. Bobby Singh asked about any material changes during the evaluation process of the top two firms and the diversity goal for this contract. Frank Wilson and Mitch Miskowski both stated they were pleased with the 10% diversity goal based on the amount of divisible work for this contract. Alex Brennan-Martin asked about the project schedule, which has a sixty day implementation schedule.

A motion was made and duly seconded to vote on the Parking Access and Revenue Control System Agreement between Tiba Parking Systems and HFC. The motion passed with Gerald Womack and Elizabeth Brock voting no.

8. **Consideration of, and possible action on, approval of the U.S. First Robotics 2021 and 2022 proposed financial commitments.** Mike Waterman, GHCVB Chief Sales & Marketing Officer, gave the presentation. He discussed some subvention items and defined them as items that were paid by the City of Houston to bring conventions to Houston. He explained that U.S. First Robotics extension through 2022 would be the same as the current four-year agreement. The agreement will include some additional assurances to avoid performance pitfalls and the financial commitments are as follows: (i) \$350,000 maximum based on 109% total room night attainment for bleacher seating and (ii) \$65,000 maximum based on 71% total room night attainment to lease space in Minute Maid Park. The expenses are eligible for reimbursement through the Texas Event Trust Fund. Approval has already been received from the State for 2017 and approval is pending for 2018.

Katy Caldwell asked about room nights and Mike Waterman explained that room nights are about 8,000 on peak Wednesday through Sunday with 24,000 room nights total for the year.

A motion was made and duly seconded to approve the U.S. First Robotics 2021 and 2022 proposed financial commitments. The motion passed unanimously.

9. **Executive (closed) session pursuant to Texas Government Code Section 551.072 for the purpose of deliberations regarding real estate.** Before Executive Session, Peter McStravick recognized Theldon Branch of Bud's BBQ. Theldon Branch thanked Brenda Bazan and her

staff for their commitment to working with him to resolve the issues with his restaurant. The Board went into Executive Session at 4:06 p.m. and returned from Executive Session at 4:29 p.m.

A motion was made and duly seconded to approve a Second Amendment to the Lease Agreement between Bud's Barbeque Company, LLC and HFC. The motion passed unanimously.

10. Executive (closed) session pursuant to Texas Government Code Section 551.071 for the purpose of consultation with the Houston First General Counsel regarding litigation matters. The Board went into Executive Session at 4:31 p.m. and returned from Executive Session at 5:02 p.m.
11. Comicpalooza. Michael Heckman gave a presentation on Comicpalooza. There were 51,000 people in attendance. Additional safety measures were implemented this year, but everything went smoothly. There were a number of high-profile guest in attendance that brought great exposure to Comicpalooza such as Ruth Carter, Costume Designer for the movie Black Panther, and Tom Holland, Spiderman. Comicpalooza received a lot of great publicity in the media. The Houston Chronicle ran a six page editorial on the event. Michael Heckman recognized Steve Miller, Steven Karpas, John Kagander, Remington Wiley, Rosario Lopez and his entire staff for their tremendous efforts in making the event a great success. Ryan Martin praised the team for its efforts and creating a high-profile event unique from music festivals that attendees can enjoy on an annual basis. Ryan was curious to know the number of attendees from other countries and Michael Heckman explained that they were still trying to compile that data, but he mentioned some attendees traveled from as far as China. Bobby Singh asked about the increased security and Michael Heckman explained discussed some of the specific security measures put in place and also noted that despite the increased security there were no complaints.
12. Updates. Peter McStravick gave an update on 4 Houston Center and explained that the lease will expire August 31, 2018. HFC previously signed a ten-year lease at 4 Houston Center, however, when HFC aligned with the GHCVB and the plans for creating Partnership Tower came to fruition, HFC had to break the lease and was charged a termination penalty. HFC has received a total of three extensions and negotiated the penalty amount down from \$7,000,000 to approximately \$1,660,000.
13. Chair's Report.
 - Brenda Bazan discussed the work of the City of Houston Mayor's Office, Houston Rockets, and HFC in preparing a bid for the Democratic National Convention ("DNC"). Houston is one of three cities, including Miami and Milwaukee, in the running to host the DNC in July 2020. Brenda described the bid book in general with its intricate details to make it uniquely Houston and the use of Houston sourced materials. Additionally, the site committee will receive ipads to access the bid materials electronically with a decorative case that is also created by a Houston designer. Brenda praised Holly Clapham and her team and the HFC sales team for their hard work and ability to put together such a well done presentation in just three weeks' time. The winner will be announced in early 2019.

- The Chairman announced that the Houston Public Library Foundation was looking for board members.
- Gerald Womack requested an update on the on-going investigation of the Houston Film Commission. Brenda Bazan announced that she would contact the board members individually to provide an update and that she would do so promptly.

14. **Adjournment.** The meeting was adjourned at 5:29 p.m.