

SPECIAL JOINT MEETING OF THE HARLINGEN CITY COMMISSION AND
HARLINGEN COMMUNITY IMPROVEMENT BOARD (HCIB)

JULY 18, 2016

A Special Joint Meeting of the Harlingen City Commission and Harlingen Community Improvement Board (HCIB) was held Monday, July 18, 2016 at 12 Noon at City Hall, Town Hall Meeting Room, 2nd Floor, 118 E. Tyler Street, Harlingen, Texas. Those in attendance were:

Mayor and Commissioners

Mayor Chris Boswell

Michael Mezmar, Mayor Pro-Tem District 3

Richard Uribe, Commissioner District 1

Tudor Uhlhorn, Commissioner District 2

Ruben de la Rosa, Commissioner District 4

Victor Leal, Commissioner District 5

Harlingen Community Improvement Board

Jesse Robles, President

Paul J. Durant, Vice President

Deloria N. Davis, Member

Daniel Araiza, Member

John Guevara, Member

Daniel Villarreal, Member

ABSENT

Gina Cano-Monreal – HCIB Secretary

Staff Present

Dan Serna, City Manager

Amanda C. Elizondo, City Secretary

Richard Bilbie, City Attorney

Gabriel Gonzalez, Asst. City Manager

Sergio Villasana, Asst. Finance Director

Mayor Boswell and President Robles called the meeting to order and stated the agenda was duly posted accordingly to State law.

1) Approval of Minutes

a) Joint Special Meeting of the Harlingen City Commission and Harlingen Community Improvement Board of December 17, 2015.

b) March 4, 2016

Motion was made by Commissioner Uhlhorn and seconded by Commissioner Leal to approve both sets of minutes as presented. Motion carried unanimously.

Motion was made by Mr. Villarreal and seconded by Mr. Durant to approve both sets of minutes subject to removing the name of Joe Rubio Jr., past board member. Motion carried unanimously.

2) Presentation of the Financial Reports.

Sergio Villasana, Asst. Finance Director reported on the financial statements of the HCIB ending June 30, 2016; Assets - \$5,106,320; Liabilities – zero; Fund Balance - \$5,106,320; Revenues for the month of June - \$108,920; Total Expenditures - \$7,754; and Excess Revenues over Expenditures - \$101,166.

No action was taken on this item.

Mayor Boswell requested that Mr. Serna make a presentation on Items 5 through 13 which were related to actions in conjunction with the Convention Center Project. If at the conclusion of the discussion of the items, the Commissioners and 4B Board Members wanted to consult with the attorneys to ask legal questions regarding negotiations of these agreements; then they would convene into executive session so there would be no duplication of

explanations. He stated Items No. 3 and 14 would be discussed at the same time in executive session. Mayor Boswell then proceeded with Item No. 4.

- 4) Public Hearing as required by Section 505.159 of the Texas Local Government Code, relating to the proposed development, construction and equipment of an upscale public convention center within the City of Harlingen and the Harlingen Community Improvement Board (HCIB) expending of its funds on Project 2016-01 Public Convention Center.

Mayor Boswell announced this was a public hearing of the City Commission and the Harlingen Community Improvement Board. Anyone wishing to speak for or against this item could do so.

There being no comments, Mayor Boswell declared the public hearing closed. No action was taken.

Discussion of Items 5 through 13 is as follows:

Dan Serna, City Manager highlighted the Memorandum of Understanding with BC Lynd Hospitality, LLC for the construction of a convention center/hotel. The construction project consisted of 43,700 gross sq. ft. for the convention center at an estimated cost of under \$15,000,000. The cost is subject to change depending on the design of the project. The agreement includes a development fee of \$412,394; a design fee of \$321,243; a contingency amount of \$515,000 included in the total construction cost for the convention center, over \$12,000,000. The developer will construct an upscale hotel (150 guestrooms) adjacent to the convention center in a two acre tract of land within the same block. The proposed location for the convention center would be at the corner of "T" Street and Harlingen Heights or Brazil and Horizon Street. He went over a summary sheet of all the terms and conditions of the agreement which consisted of the City's and developer's responsibilities. The City will establish a \$500,000 "Working Capital Fund" which is apart from the construction amount. The working capital fund will be used to off-set any short falls for capital expenses during the first two (2) year period. The money that is left over in that fund will be put aside in an account that will be used throughout the project to cover any short falls.

Discussion was held in regards to the terms and conditions of the agreement and assurances on the terms of losses and debts. Mr. Serna stated the City will have final approval of the annual budget ahead of time. The City would approve the budget and would know if there was a profit or not. The City will have access to all the records and would audit the records.

Mr. Serna highlighted the Land Purchase Agreement and stated the City will purchase an eight (8) acre tract of land out of the 11.25 acre tract located on the corner of "T" and Harlingen Heights or Brazil and Horizon Street. The exact location of the eight (8) acres tract is to be determined. The City will have final selection of the site depending on the final design of the convention center. The cost of the land is eight (8) dollars per square foot, a total \$2,787,840 including a 150-day inspection period from the effective date. An Ernest Contract in the amount of \$10,000 will be applied to the purchase of the land. It will be contingent on the execution of the development agreement/lease agreement. The City will pay for the survey and closing costs. Once all the agreements are in place, the City must approve the construction documents. He recommended approval of all the agreements as presented.

Ms. Anne Entrekin Burger, Financial Advisor with First Southwest gave a presentation on the issuance of the Proposed Certificate of Obligation, Taxable Series 2016 for the City of Harlingen. She stated this bond issue would not be done on a tax exempt basis. The taxable bonds provide more latitude relative to management agreements/contracts. The initial numbers were about 5% per taxable rate about a year and a half ago. They were anticipating a 4.9% taxable interest rate and when they reviewed the numbers utilizing the curb market scale as of July 11, 2016, the new market interest rate for a taxable bond with the City's credit rating is a 3.5%. This is an indication of the current financial market of the global condition and anticipated a potential 3.5% taxable interest rate.

Ms. Entrekin also highlighted the funding that would be derived from the 4B, Hotel Occupancy Tax, and TIFRZ(s) 1, 2, and 3 that could be utilized to help pay the debt service. The projections had been done by the developer based on the potential hotel occupancy and projected room rates to estimate the projected cash flow. There could be potential fluctuations, but based on the projected assumptions it led them to believe that there would be a capacity of approximately \$13,545,000 with a possible interest rate of 3½% true interest cost versus 4½%

or 4.9%. Projected Taxable Certificates of Obligation would be \$13,545,000; 4B unallocated 2015/2016 Budget of \$650,000; and unutilized Fund Balance from the TIFRZ(s) 1, 2, and 3 of \$1,750,000. The fund balance will be utilized to finance the estimated land cost. As per the Attorney General's perspective the half million dollars capital reserve and the \$150,000 project marketing budget cannot be funded from Certificates of Obligation. Staff is recommending allocating this amount to the 4B unallocated budget. This will allow for the placement of the remaining amounts in the taxable assets evaluation to fund the project cost and make up the difference to the land cost. The funds could be use for construction contingency, cost of issuance, design fee and project manager expenses.

Mayor Boswell stated since the City entered into the MOU in December with BC Lynd Hospitality, LLC, the interest rates have improved. The City has secured the availability in the TIFRZ(s) Fund Balances which makes it more attractive to do this project in terms of the cost to the City. The primary funding source for the detainment of the debt will be about half of the income stream for the 4B Corporation. The City Manager is proposing to leave the fund balance of \$2,000,000 for other projects that the 4B Corporation might want to do.

- 5) Discuss and approve a resolution by the Board of Directors of the Harlingen Community Improvement Board authorizing a project funding agreement between the City of Harlingen and the Harlingen Community Improvement Board relating to the Proposed Convention Center; and approving other matters in connection therewith. (HCIB)

Mr. Noel Valdez, Bond Counsel with the Law Firm of McCall, Parkhurst & Horton L.L.P. gave a brief explanation of tax certificates versus non-tax exempt certificates. There are a lot of undo restrictions especially with a private public partnership. Issuing taxable bonds allows for more flexibility with the IRS to enter into a type of agreement that makes sense to the City. This is a good opportunity to take advantage of the good rates. Approval of the project funding agreement will obligate the 4B Corporation to participate in the financing of the debt for the Proposed Convention Center Project. Exhibit A specified what the 4B Corporation will contribute to the project with some modifications.

For the record, Exhibit "A" of the resolution was not included in the agenda packet. The discussion of this item was delayed to allow staff to make copies for the City Commission and 4B Board Members.

Mayor Boswell and President Robles proceeded with Items No. 3 and 14.

- 3) Executive Session pursuant to Chapter 551, Subchapter D., V.T.C.A., Government Code Section 551.071 to consult and seek legal advice from Assigned Counsel regarding the Development Agreement with BCLR Harlingen Construction, LLC, Lease Agreement with BCLR Convention Services, LLC and Purchase and Sale Agreement with Ezequiel Reyna, Jr. for the development of the Public Convention Center Project.
- 14) Executive Session pursuant to Chapter 551, Subchapter D., V.T.C.A., Government Code Section 551.071 to consult and seek legal advice from Assigned Counsel regarding an agreement to extend the Asset Purchase Agreement with Interstate Holdings with regard to the Baxter Building Renewal Project.

At 12:54 P.M., Mayor Boswell announced the City Commission would convene into executive session to discuss Items No. 3 and 14.

Motion was made by Commissioner Leal and seconded by Commissioner De La Rosa to convene into executive session to discuss Items No. 3 and 14. Motion carried unanimously.

At 12:55 P.M., President Robles announced the Harlingen Community Improvement Board would convene into executive session to discuss Items No. 3 and 14.

Motion was made by Mr. Durant and seconded by Mr. Villarreal to convene into executive session to discuss Items No. 3 and No. 14. Motion carried unanimously.

At 1:38 p.m., Mayor Boswell announced the City had completed its executive session on Items No. 3 and 14.

At 1:39 p.m., President Robles announced the Harlingen Community Improvement Board had completed its executive session on Items No. 3 and 14.

President Robles referred to Item No. 5 for clarification of the modifications to the resolution (Exhibit "A").

- 5) Discuss and approve a resolution by the Board of Directors of the Harlingen Community Improvement Board authorizing a project funding agreement between the City of Harlingen and the Harlingen Community Improvement Board relating to the Proposed Convention Center; and approving other matters in connection therewith. (HCIB)

Mr. Valdez stated the 4B Corporation would be approving the project funding agreement through a resolution to participate in the financing of the Proposed Convention Center. He referred to Pg. (3) of the resolution and stated the expectant issuance of Certificates of Obligation is approximately \$13.5 million. Exhibit "A" specified the terms of how the 4B Corporation would participate. Change No. 1 indicated the funds would be available and there would be no transfer from the Corporation to the City. Letter "A" would be deleted and Letter "B" would be not to exceed \$1.3 million from the unallocated current 2016 4B Budget. Everything else would remain the same.

Motion was made Mr. Guevara and seconded by Mr. Araiza to approve the resolution authorizing a project funding agreement between the City of Harlingen and the Harlingen Community Improvement Board relating to the Proposed Convention Center and approving other matters in connection therewith subject to the changes. Motion carried unanimously.

- 6) Consider and take action to approve a resolution authorizing a project funding agreement between the City of Harlingen and the Harlingen Community Improvement Board relating to the Proposed Convention Center; and approving other matters in connection therewith. (City Commission)

Motion was made by Commissioner De La Rosa and seconded by Commissioner Leal to approve a resolution authorizing a project funding agreement between the City of Harlingen and the Harlingen Community Improvement Board relating to the Proposed Convention Center; and approving other matters in connection therewith subject to the changes. Motion carried unanimously.

- 7) Discuss and approve a Development Agreement with BCLR Harlingen Construction, LLC, for the development, construction and equipment of an Upscale Public Convention Center within the City of Harlingen. (City Commission)

Motion was made by Commissioner De La Rosa and seconded by Commissioner Uribe to approve the Development Agreement with BCLR Harlingen Construction, LLC, for the development, construction, and equipment of an upscale public convention center within the City of Harlingen. Motion carried unanimously.

- 8) Discuss and approve a Convention Center Lease and Operation Agreement with BCLR Convention Services, LLC for the lease and operation of an Upscale Public Convention Center within the City of Harlingen. (City Commission)

Motion was made by Commissioner Uhlhorn and seconded by Commissioner Leal to approve a Convention Center Lease and Operation Agreement with BCLR Convention Services, LLC for the lease and operation of an upscale public convention center within the City of Harlingen. Motion carried unanimously.

- 9) Discuss and approve a purchase and sale agreement between the City of Harlingen and Ezequiel Reyna, Jr. for the acquisition of land necessary for a Public Convention Center within the City, being an approximately 8.0 acre tract of land out of the 11.25 acre tract described as being Lot 1, Block 1, of Harlingen Heights II Subdivision, an addition to the City of Harlingen, Cameron County, Texas, according to map or plat thereof recorded as Document No. 2008-53902, in the official Public Records of Cameron County, Texas, the boundaries of which are to be selected solely by the Purchaser. (City Commission)

Motion was made by Commissioner De La Rosa and seconded by Commissioner Uribe to approve a purchase and sale agreement between the City of Harlingen and Ezequiel Reyna, Jr. for the acquisition of land necessary for a Public Convention Center within the City, being an approximately 8.0 acre tract of land out of the 11.25 acre tract described as being Lot 1, Block 1, of Harlingen Heights II Subdivision, an addition to the City of Harlingen, Cameron County, Texas, according to map or plat thereof recorded as Document No. 2008-53902, in the official Public Records of Cameron County, Texas, the boundaries of which are to be selected solely by Purchaser. Motion carried unanimously.

- 10) Consider and take action to hire a Project Manager during the design and construction phase of the Public Convention Center. (HCIB)

Mr. Serna requested to hire a project manager to oversee the project specifically for the Convention Center Project. The City would advertise the position and it would be a temporary full time position. He recommended approval.

Motion was made by Mr. Villarreal and seconded by Mr. Durant to authorize the City Manager to hire a project manager during the design and construction phase of the Public Convention Center. Motion carried unanimously.

- 11) Consider and take action to hire a Project Manager during the design and construction phase of the Public Convention Center. (City Commission)

Motion was made by Commissioner Leal and seconded by Commissioner De La Rosa to authorize the City Manager to hire a project manager during the design and construction phase of the Public Convention Center. Motion carried unanimously.

- 12) Consider and take action to approve the use of Hotel Motel Occupancy Tax Revenues for the repayment of debt for the Public Convention Center. (City Commission)

Motion was made by Commissioner Uribe and seconded by Commissioner Leal to approve the use of Hotel Motel Occupancy Tax Revenues for the repayment of debt for the Public Convention Center. Motion carried unanimously.

- 13) Discuss and approve a resolution expressing official intent to reimburse costs of development, construction and equipment of a Public Convention Center within the City from obligations to be issued by the City of Harlingen and other matters related thereto. (City Commission)

Motion was made by Commissioner Uhlhorn and seconded by Commissioner Uribe to approve a resolution expressing official intent to reimburse costs of development, construction and equipment of a Public Convention Center within the City from obligations to be issued by the City of Harlingen and other matters related thereto. Motion carried unanimously.

- 15) Consider and take action to approve an agreement with Interstate Holdings to extend the Asset Purchase Agreement between the Harlingen Community Improvement Board and Interstate Holdings for one year with regard to the Baxter Building Renewal Project. (HCIB)

Motion was made by Mr. Guevara and seconded by Mr. Araiza to approve an agreement with Interstate Holdings to extend the Asset Purchase Agreement between the Harlingen Community Improvement Board and Interstate Holdings for one year with regard to the Baxter Building Renewal Project. Motion carried unanimously.

- 16) Consider and take action to approve the agreement between the Harlingen Community Improvement Board and Interstate Holdings to extend the Asset Purchase Agreement between the Harlingen Community Improvement Board and Interstate Holdings for one year with regard to the Baxter Building Renewal Project. (City Commission)


Motion was made by Commissioner Uhlhorn and seconded by Commissioner Leal to approve the agreement between the Harlingen Community Improvement Board and Interstate Holdings to extend the Asset Purchase Agreement between the Harlingen Community Improvement Board and Interstate Holdings for one year with regard to the Baxter Building Renewal Project. Motion carried unanimously.

There being no further business to discuss, Mayor Boswell and President Robles adjourned the meeting.

CITY OF HARLINGEN


Chris Boswell, Mayor

Harlingen Community
Improvement Board


Jesse Robles, President

ATTEST:


Amanda C. Elizondo, City Secretary