

MINUTES OF THE BOARD OF DIRECTORS MEETING
TIRZ 17 Redevelopment Authority/Memorial City Redevelopment Authority
City of Houston, Texas

January 8, 2015

The Board of Directors (the "Board") of the TIRZ 17 Redevelopment Authority/Memorial City Redevelopment Authority (the "Authority") met in special session, open to the public, on January 8, 2015, at HEB Community Room, 9710 Katy Freeway, Houston, Texas 77055.

Board members in attendance:

Ann T. Givens, Chair
Brad Freels, Vice Chair
Glenn Airola, Secretary
Bob Tucker, Assistant Secretary
John Rickel, Director
David A. Hamilton, Director

Board members not in attendance:

Zachary R. Hodges, Director

Staff in attendance:

Don Huml - Executive Director

Consultants in attendance:

Rafael Ortega - Lockwood, Andrews & Newnam, Inc. ("LAN")
Jessica Holoubek and Kristen Hogan - Allen Boone Humphries Robinson LLP
("ABHR")
Gary Struzick, Wayne Klotz, Ed Conger, and William Conlan - Klotz Associates, Inc.
("Klotz")
Carlos Bujosa - Transwestern
Ramesh Gunda - Gunda Corporation, LLC

City of Houston (the "City") representatives in attendance:

Jennifer Curley
City Council Member Brenda Stardig

1. Call Meeting to Order

Having established that a quorum of the Board was present, Director Givens called the meeting to order.

2. Open Discussion Regarding Klotz Report Entitled “Feasibility Analysis Report for Additional Detention West of Gessner Road” dated December 10, 2014

Director Rickel gave an overview of the primary purpose of today’s meeting regarding the report prepared by Klotz dated December 10, 2014 (the “Report”), noting that the purpose of the report was to analyze the feasibility of acquiring and developing a 9.5 acre tract near the intersection of Westview Dr. and Conrad Sauer Dr., west of Gessner Rd. (the “Tract”), for a regional detention basin to improve drainage and flooding both inside and outside the boundaries of the Zone (the “Project”). He reviewed the Report’s executive summary, noting that the Report concludes that the Project is not economically feasible based on the cost of the Project as compared to the value of the property removed from the 100-year floodplain. Director Rickel reported that the Report was submitted to the City prior to having been approved by the Board. Director Rickel further stated that the Report references a cost/benefit analysis and that he has asked Klotz to provide him with the calculations used in such analysis, though no calculations had been produced to him as of the time of the meeting. He added that Klotz indicated there is no standard methodology for cost/benefit analyses. Director Rickel then noted standards utilized by the U.S. Army Corps of Engineers (“USACE”) to perform cost/benefit analyses on federal projects. He expressed concerns about the submittal of the Report to the City with summary conclusions that have no mathematical analyses to justify the results, including the lack of intangible benefits and other factors that should be considered in the analyses. Director Rickel also produced an email he received the previous evening from Gary Struzick that acknowledged that he had not actually performed an economic analysis to support his conclusion. In response to questions from Director Rickel, Mr. Ortega discussed the methodology that had been used by LAN for the RDS update which was a similar cost/benefit analysis used by HCFCF for federally funded projects. When specifically asked, Mr. Ortega stated that LAN did believe the project was economically justified, if the analysis had been performed similar to the previously discussed approach, but had performed no analysis to support the position.

Mr. Struzick next discussed the original scope of work for the Report, which was expedited to accommodate the timeframe for possible acquisition of the Tract. He discussed the five design options that were evaluated to determine the maximum detention volume. Mr. Struzick said Klotz further analyzed option five because it provides a benefit of removing 60 acre feet of water for an estimated cost of approximately \$21 million, including soft costs. He added that LAN worked as a subcontractor to Klotz on preparation of the Report.

The Board discussed additional factors that should be incorporated into a cost/benefit analysis based on existing circumstances, such as real estate prices, repeat storm events, timing and priorities for the Authority. Director Tucker added that he

would have liked for Klotz to have provided the Board with an opportunity to review the Report so that the Board could consider non-economic factors to be incorporated in the feasibility conclusion prior to submitting the Report to the City.

Mr. Struzick next discussed the USACE standards and reasons they are not applicable for analyzing Authority projects. He noted the Report indicates the Board may consider non-economic factors in determining the feasibility of the Project.

Ms. Curley then discussed the City staff's process for reviewing preliminary reports such as the Report. Ms. Curley indicated that she expected to coordinate with the Authority to address questions prior to scheduling a meeting to review the Report with the City's Chief Development Officer. She said such process is designed to provide an opportunity for review and comment on preliminary reports prior to the reports being finalized and submitted to the Chief Development Officer.

Director Freels reiterated that the Board is committed to proceed only with those projects that are economically defensible and beneficial for the property within the Zone. He added, however, that the process for evaluating feasibility should be identified and utilized consistently. Director Freels inquired about the methodology used by Klotz to prepare the feasibility report on the Conrad Sauer detention basin project, which report was prepared on behalf of MetroNational. Mr. Struzick added that Klotz used the same methodology for the Report that was used in the Conrad Sauer detention basin feasibility report. He confirmed after being questioned by Director Freels that such an economic analysis was prepared for the Conrad Sauer project. Director Airola requested Mr. Struzick to provide the Board with a copy of that economic analysis prior to the next Board meeting. Director Freels also requested that Klotz use the exact same methodology that was used for the Conrad Sauer project in completing an economic benefit analysis for the Westview tract. Executive Director Don Huml reminded the Board that not all public infrastructure projects are based on the cost to benefit ratio. Mr. Huml cited parks and quality of life projects as an example, and stated that the Conrad Sauer Basin Project was approved for not only the drainage component, but many intangible benefits to the surrounding community.

In response to questions from the Board, Mr. Ortega discussed the method that LAN would use to perform an analysis of the Project. Mr. Ortega said LAN's analysis would be more similar to the analysis used for the Regional Drainage Study ("RDS"), which incorporates repetitive losses and follows a process similar to applicable processes used in the USACE standards. Director Hamilton discussed the purpose of engineering feasibility analyses to provide a technical report with an explanation of the factors utilized for the report. Mr. Struzick discussed the City's relatively standard method for cost/benefit analyses, which was used for preparation of the Report. He recommended scheduling a meeting with the City to discuss the standards for preparing feasibility reports with cost/benefit analyses.

Director Givens inquired about whether other ongoing projects impact the cost/benefit analysis of a particular project. Discussion ensued regarding the importance of ensuring that the Authority's engineers are using the same methodologies and standards for Authority projects.

After discussion, the Board directed Klotz to prepare three cost/benefit analyses based on (1) methodology used for the Conrad Sauer detention basin feasibility report, (2) City standards for cost/benefit analyses, and (3) methodology used for the RDS. Mr. Ortega said LAN will coordinate with Klotz on the standards used for the RDS that are similar to the USACE standards. The Board requested that LAN should be prepared to support the analyses performed by Klotz or otherwise provide a written explanation of the reasons it does not support the analyses. The Board also directed Klotz to provide a copy of the cost/benefit analysis previously performed for the Conrad Sauer detention basin project. Mr. Struzick said Klotz will incorporate comments from today's meeting and complete an updated report prior to the January 27, 2015, regular Board meeting. He requested that any additional questions or comments be provided as soon as possible. The Board concurred to review the report at the January 27, 2015, meeting to determine whether it is feasible to proceed with the Project prior to submitting the report and Board recommendations to the City. Mr. Struzick said Klotz should be able to complete the additional work under the current proposal previously approved by the Board, and he will notify Mr. Huml if costs exceed the current budget.

3. Convene in Executive Session Pursuant to Section 551.072, Texas Government Code, to Deliberate the Purchase, Exchange, Lease or Value of Real Property

At 8:55 a.m., Mr. Huml announced the Board would convene in executive session to deliberate the purchase, exchange, lease or value of real property. All attendees left the meeting except the Board members, Mr. Huml, Ms. Curley, Ms. Holoubek, Ms. Hogan, Mr. Ortega, and Mr. Struzick.

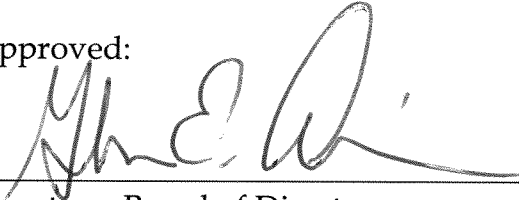
4. Reconvene in Open Session and Authorize Appropriate Action Regarding the Purchase, Exchange, Lease or Value of Real Property

At 9:22 a.m., Mr. Huml announced the Board would reconvene in open session. Upon reconvening in open session, no action was taken.

5. Adjournment

There being no additional matters for the Board's consideration, Director Rickel moved to adjourn the meeting. Director Airola seconded the motion, which passed unanimously.

Approved:

A handwritten signature in black ink, appearing to be 'M. E. A.', written over a horizontal line.

Secretary, Board of Directors

TIRZ 17 Redevelopment Authority City of Houston, Texas