

**MINUTES OF THE JOINT MEETING OF THE
TIRZ 17 REDEVELOPMENT AUTHORITY/MEMORIAL CITY REDEVELOPMENT AUTHORITY and
TAX REINVESTMENT ZONE NUMBER SEVENTEEN
CITY OF HOUSTON, TEXAS
BOARD OF DIRECTORS**

August 25, 2016

ESTABLISH QUORUM AND CALL MEETING TO ORDER.

The Board of Directors of the TIRZ 17 Redevelopment Authority/Memorial City Redevelopment Authority and Tax Reinvestment Zone Number Seventeen, City of Houston, Texas, held a regular joint meeting on Thursday, August 25, 2016, at 8:00 a.m., at the Four Points by Sheraton, 10655 Katy Freeway, Wycliffe Room, Houston, Texas 77024, inside the boundaries of the TIRZ, open to the public, and the roll was called of the duly appointed members of the Board, to-wit:

Position 1 – Marshall B. Heins

Position 2 – John Rickel

Position 3 – David P. Durham

Position 4 – Ann T. Givens, *Chair*

Position 5 – Zachary R. Hodges

Position 6 – Brad Freels, *Vice-Chair*

Position 7 – Glenn E. Airola, *Secretary*

and all of the above were present, with the exception of Directors Freels and Heins, thus constituting a quorum. Also present were Scott Bean and Linda Clayton, both of Hawes Hill Calderon, LLC; Jessica Holoubek, Allen Boone Humphries Robinson, LLP; and Michelle Lofton, ETI Bookkeeping Services. Others attending the meeting were Jennifer Curley and Gwendolyn Tillotson, COH - Economic Development Dept.; Amy Peck, District A; Muhammad Ali and Derek St. John, both of LAN; Edward Conger, Klotz Associates; Virginia Blake, McCall Gibson Swedlund Barfoot PLLC; Marlene Gafrick, MetroNational; Jim Shroff; John Jackson; Hugh Rawl; Dean Bixler; Ed Browne; Steve Otis; Virginia Gregory; Auggie Campbell; David Tresch; and Ray Driver. Chair Givens called the meeting to order at 8:00 a.m.

RECEIVE PUBLIC COMMENTS.

Ray Driver, Frostwood resident, thanked the Board for what it does for the community. He discussed drainage and flooding in the area and appreciates approval of the detention recommended to the City and hopes it will be of some help in the area for the flooding. John Jackson, Frostwood resident, stated he works on the drainage and flood task force for his neighborhood. He thanked the Board for listening to them on the flooding issues and urged the Board to continue with its CIP. Ed Browne discussed detention on north and south side of I-10. He requested the Board to look at adding to the detention pond for south side flooding relief. Steve Otis stated he lives near Perthshire and Gessner and his residence has flooded. He asked whether the Board has considered putting in drainage underneath Memorial City.

APPROVE MINUTES OF JULY 26, 2016 REGULAR MEETING.

Upon a motion duly made by Director Airola, and being seconded by Director Durham, the Board voted unanimously to approve the Minutes of the July 26, 2016, Board meeting, as presented.

8:07 a.m. Director Freels arrived meeting.

RECEIVE FINANCIAL AND BOOKKEEPER'S REPORT, INCLUDING PAYMENT OF INVOICES, REVIEW OF INVESTMENTS AND PROJECT CASH FLOW REPORTS.

Ms. Lofton presented the Bookkeeper's Report and went over invoices, included in the Board agenda materials. She stated she had received invoices from ABHR after report was done and was presenting them for payment. Upon a motion duly made by Director Hodges, and being seconded by Director Airola, the Board voted unanimously to accept the Bookkeeper's Report and approved payment of invoices, as presented.

FY2017 BUDGET.

Mr. Bean reported the budget is with the City and has not been acted on as of this date. Ms. Curley stated they have a meeting with the Mayor today to review the TIRZ 17 budget. No action from the Board was required.

ENGAGEMENT LETTER WITH MCCALL GIBSON SWEDLUND BARFOOT, PLLC FOR PREPARATION OF AGREED-UPON PROCEDURES REPORTS.

Ms. Blake reviewed the engagement letter with McCall Gibson Swedlund Barfoot PLLC, included in the Board agenda materials. She reported the proposal is for a recurring basis for Agreed-Upon Procedures Reimbursement Reports. She stated the fees are based on hourly rate and an estimate will be provided prior to work being done. Upon a motion duly made by Rickel, and being seconded by Director Airola, the Board voted unanimously to approve the engagement letter with McCall Gibson Swedlund Barfoot PLLC or preparation of Agreed-Upon Procedures Reimbursement Reports and authorized the Executive Director to review each estimate and authorize the work to be done.

There was general discussion regarding the AUPs and the amounts due to the developer fluctuating prior to the meeting. Director Rickel stated McCall Gibson should be protecting the Board when doing AUPs and verifying the amounts. Ms. Blake stated it the amounts turned in by the developer prior to the meeting may have estimates and the amounts are not finalized until a few days before the meeting which could cause the change in amount due. Director Freels stated as long as the amounts are accurate, then the numbers are what they are.

AGREED-UPON PROCEDURES REPORT FROM MCCALL GIBSON SWEDLUND BARFOOT, PLLC FOR PHASE II REIMBURSEMENT OF COSTS PURSUANT TO DEVELOPMENT AGREEMENT WITH LIPEX PROPERTIES, LP; AUTHORIZE REIMBURSEMENT PAYMENT.

Ms. Blake presented the AUP for phase 2 reimbursement of costs pursuant to the development agreement with Lipex Properties. She went over page 1 and 2 and Schedules A and B, included in the Board agenda materials, and answered questions. Director Rickel asked whether she had verified Lipex Properties has no short term borrowing. Ms. Blake stated no; however, Lipex has stated they do not have

a loan. Director Airola stated the Authority should receive a certified document stating Lipex Properties has no short-term borrowings that have a percentage rate lower than the 4%. Ms. Gafrick stated they do not have a loan on this. Chair Givens asked Ms. Gafrick to provide a certified affidavit stating they do not have a loan. Director Airola states as our due diligence we should have a certified affidavit in our files. Ms. Holoubek stated the City has requested that the Authority delay payment until the CIP Budget is approved and MetroNational is amenable to this request. She stated she would recommend the Authority add a daily interest until payment is made. Upon a motion duly made by Director Givens, and being seconded by Director Hodges, the Board voted unanimously to approve the Agreed-Up Procedures Report for Phase II Reimbursement Costs Pursuant to Development Agreement with Lipex Properties, LP and authorized reimbursement payment with a daily interest adjustment subject to receiving an Affidavit verifying there is not a development loan and subject the City's approval of the budget.

AGREED-UPON PROCEDURES REPORT FROM MCCALL GIBSON SWEDLUND BARFOOT, PLLC FOR REIMBURSEMENT OF COSTS PURSUANT TO DEVELOPMENT AGREEMENT WITH T&C WAY PARTNERS, LLC; AUTHORIZE REIMBURSEMENT PAYMENT.

Chair Givens requested the record show Director Freels will not engage in conversation on this matter.

Ms. Blake reviewed the Agreed-Up Procedures Report for Reimbursement Costs pursuant to the Development Agreement with T&C Way Partners, a copy is attached as Exhibit A. She went over pages 1 and 2 and Schedules A and B, and answered questions. Ms. Holoubek stated the Developer does have a loan and that its interest rate is the same as allocated in the report. She reported T&C Way Partners is amenable in waiting up to 3 weeks for payment. Upon a motion duly made by Director Rickel, and being seconded by Director Airola, the Board voted to approve the Agreed-Up Procedures Report for reimbursement costs pursuant to the development agreement with T&C Way Partners and authorized reimbursement payment with a daily interest rate adjustment subject to the City's approval of budget. Director Freels abstained.

BOND REFUNDING ANALYSIS FROM AUTHORITY FINANCIAL ADVISOR.

This item was tabled.

PROPOSAL FROM LAN FOR DRAINAGE ANALYSIS.

Mr. St. John presented the proposal for drainage analysis, included in the Board agenda materials, and answered questions. He stated this is the first step for the detention solution south of I-10. He reported this effort advances components of the preliminary engineering phase to secure no-objection/approval from Harris County Flood Control District. Chair Givens stated she wants to make sure that we move forward diligently and not hastily and is hopeful that Flood Control will give us their blessing on this. Director Rickel suggested the proposal be a not to exceed amount of \$99,652, instead of a lump sum amount. Upon a motion duly made by Director Rickel, and being seconded by Director Freels, the Board voted unanimously to approve the proposal from LAN for initial preliminary engineering and detailed impact analysis in an amount not to exceed \$99,652.00, and contingent upon the City approving the FY2017 budget.

Director Freels suggested submitting a Board letter to City stating we are approving certain items subject to City's approval of the budget. Ms. Holoubek stated she would send a letter to the Mayor's office stating we are eager to being our projects.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY, WITH REGARD TO PENDING OR CONTEMPLATED LITIGATION; AND CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE OR VALUE OF REAL PROPERTY.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTIONS REGARDING PRIVATE CONSULTATION WITH ATTORNEY, WITH REGARD TO PENDING OR CONTEMPLATED LITIGATION AND REGARDING THE PURCHASE, EXCHANGE, LEASE OR VALUE OF REAL PROPERTY.

An executive session was not called.

ADJOURNMENT.

There being no further business to come before the Board, Chair Givens adjourned the meeting at 8:47 a.m.



Chair Ann Givens

List of Exhibits:

- A. Agreed Upon Procedures Report for T&C Way Partners LLC, dated August 25, 2016

MEMORIAL CITY REDEVELOPMENT AUTHORITY
REPORT ON APPLYING AGREED-UPON PROCEDURES TO
PUBLIC IMPROVEMENT LAND COSTS REIMBURSABLE
TO T&C WAY PARTNERS, LLC (COMPANY)

AUGUST 25, 2016

MEMORIAL CITY REDEVELOPMENT AUTHORITY
REPORT ON APPLYING AGREED-UPON PROCEDURES TO
PUBLIC IMPROVEMENT LAND COSTS REIMBURSABLE
TO T&C WAY PARTNERS, LLC (COMPANY)

AUGUST 25, 2016

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SCHEDULE OF PUBLIC IMPROVEMENT LAND COSTS
REIMBURSABLE TO T&C WAY PARTNERS, LLC
(COMPANY)

A

SCHEDULE COMPARING ACTUAL REIMBURSABLE
COSTS WITH ESTIMATES OF THE DEVELOPMENT
AGREEMENT

B

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August 25, 2016

Board of Directors
Memorial City Redevelopment Authority
City of Houston, Texas

Independent Accountant's Report
on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of Memorial City Redevelopment Authority (the "Authority") on the invoices and schedules submitted by T&C Way Partners, LLC (the "Company") for funds advanced to the Authority for the purpose of acquiring land for Public Improvements. The responsible parties for this report are the intended users of the report. This agreed-upon procedures engagement is for the purpose of complying with the requirements of the Agreement and was performed solely to assist you in evaluating the reasonableness of those costs. This report is not to be used for any other purpose.

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Board of the Authority or the City. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose. The procedures performed are summarized as follows:

- A. We reviewed certain schedules and supporting documents submitted on behalf of the Developer in substantiation of the costs to be reimbursed. Our review included all documentation supporting items, amounts, and proof of payment for which reimbursement was requested. In addition, we reviewed all agreements provided to us relative to the reimbursement request.

- B. We prepared a schedule to calculate interest at the interest rate in the Authority's Development Agreement.
- C. We prepared a reimbursement report for the benefit of the Authority, including the accountant's report and schedule of amounts reimbursable to the Developer, and have compared the amounts for approved costs with the actual reimbursable costs to complete the project.

The attached Schedule A, titled "Schedule of Public Improvement Land Costs Reimbursable to T&C Way Partners, LLC (Company)", sets forth their reimbursable costs. This reimbursement is in accordance with the terms and conditions of the Development Agreement between the Authority and the Company dated March 14, 2014.

Under the agreement, the Company contribution of \$4,500,000 for public improvement land costs is to be reimbursed from available tax increment in the project area. We calculated interest on the principal due as \$499,869.86 at 4.5% through August 31, 2016. The following changes were made to the original schedule:

- 1. We calculated interest in accordance with the Development Agreement. In that agreement, the interest rate is to be the lesser of 4.5% or the rate of interest imposed by the Developer's lender. The Developer has indicated that 4.5% is the rate to be used. That calculation resulted in an increase of \$499,869.86.

We reviewed the increment calculation provided by the tax collector for the current reimbursement. We have calculated the current reimbursement amount of \$880,321.70, applying interest of \$499,869.86 and principal of \$380,451.84. The balance of principal due after the current payment is applied is \$4,119,548.16.

If the reimbursement is not made on August 31, 2016, we have calculated a per diem of \$554.79 to be added to the amount of interest in the report.

Schedule B compares the actual reimbursable costs due the Developer with the Development Agreement estimated land costs. Additional Annual Payments are to be made for 10 years from the effective date based on Project Tax Increment Revenue.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the aforementioned reimbursable costs. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Directors and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited. This report should not be associated with the presentation of any financial data of the City or the Authority except to comply with filing requirements as required by the respective agreements.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

AUP Report 2016 T&C Reimb

MEMORIAL CITY REDEVELOPMENT AUTHORITY
SCHEDULE OF PUBLIC IMPROVEMENT LAND COSTS
REIMBURSABLE TO T&C WAY PARTNERS, LLC (COMPANY)
AUGUST 25, 2016

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

<u>DESCRIPTION</u>	<u>TOTAL REIMBURSABLE COST</u>
Company Contribution for Public Improvement Land	
0.4959 Acres for Public Improvement Extension of Town & Country Way from Town & Country Blvd. west toward Beltway 8	
Amount Paid by Developer	\$ 4,500,000.00
TOTAL AMOUNT REIMBURSABLE TO T&C WAY PARTNERS, LLC AS OF AUGUST 31, 2016	\$ 4,500,000.00

* Interest rate in accordance with the Development Agreement dated March 14, 2014

<u>ACCRUED INTEREST AT 4.5%*</u>	<u>TOTAL REIMBURSABLE</u>
\$ <u>499,869.86</u>	\$ <u>4,999,869.86</u>
<u>\$ 499,869.86</u>	<u>\$ 4,999,869.86</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS
WITH ESTIMATES FROM THE DEVELOPMENT AGREEMENT
AUGUST 25, 2016

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

<u>DESCRIPTION</u>	<u>ESTIMATED COSTS</u>	<u>REIMBURSABLE TO T&C WAY PARTNERS, LLC AS OF AUGUST 31, 2016</u>	<u>ESTIMATED ADDITIONAL COST TO COMPLETE</u>
PROJECT ITEMS			
Company Contribution for Public Improvement			
Land Cost	\$ 4,500,000	\$ 380,452	\$ 4,119,548
Developer Interest		499,870	
TOTAL PROJECT ITEMS	\$ 4,500,000	\$ 880,322	\$ 4,119,548

TOTAL ACTUAL COSTS TO DATE AND ESTIMATED ADDITIONAL COST TO COMPLETE	ACTUAL OVER (UNDER) ESTIMATE	% VARIANCE OVER (UNDER) ESTIMATE
\$ 4,500,000	\$ -	0.00%
<u>499,870</u>	<u>499,870</u>	100.00%
<u>\$ 4,999,870</u>	<u>\$ 499,870</u>	