

**CITY OF GONZALES, TEXAS
ECONOMIC DEVELOPMENT CORPORATION MEETING
GONZALES MUNICIPAL BUILDING
820 ST. JOSEPH STREET
MINUTES – MAY 30, 2018 - 6:00 PM**

CALL TO ORDER, INVOCATION, AND PLEDGE OF ALLEGIANCES

Dewey Smith, Board President, called the meeting to order at 6:04 p.m. and led the pledge to the American and Texas flags. James Ryan offered a prayer. Mr. Smith certified a quorum with all seven Board members present; Dewey Smith, Tommy Cox, Gerri Lawing, James Ryan, James Hamilton, Steve Sucher, and Dan Blakemore.

PUBLIC COMMENTS

The public comments section of the meeting is for citizens to address the Gonzales Economic Development Directors (as a whole). No interaction will be held between the speaker and the GEDC.

There being no Public Comments, Mr. Smith directed the Board members to Agenda Item #1.

APPROVAL OF MINUTES

1. April 23, 2018 Meeting Minutes

G. Young informed the Board that she provided updated minutes with amendments to Agenda Item #3, clarification of Steve Sucher's question about the cost of demolition. His comment was to make sure that the building was insured in an amount to cover costs of demolition. Ms. Young removed reminder notes which she overlooked before including the minutes in the Board packets, and J. Ryan stated that he asked Ms. Young to change the interest rate of 4% to 0.4% interest on Agenda Item #4. J. Ryan moved to approve the minutes with exceptions noted. J. Hamilton seconded the motion. The motion passed unanimously.

PRESENTATION

2. Receive presentation from the City of Gonzales for infrastructure funding request. Discussion and no action

Tim Patek, Interim City Manager, requested that the GEDC Board consider budgeting funds for infrastructure improvements. He referenced a document listing the capital improvements needed. The City Engineer is in the process of updating the document and Mr. Patek will provide a copy for G. Young and the GEDC Board. He also asked that the GEDC Board consider relocation of utilities for buildings downtown and consider putting sprinklers in some buildings. J. Ryan expressed his concerns about qualifying projects under Type B Corporations. Ms. Young explained that Type B Corporations could fund certain types of infrastructure projects that are related to business development, job creation and retention. Water and wastewater improvements are allowable expenditures. When residential and business infrastructure is shared, Type B Corporations could only fund the percentage of business served by the infrastructure and not residential. Example: for a \$100,000 project, if 40% served is residential, then only 60% of the cost can be funded by Type B funds. With regards to downtown development, Ms. Young confirmed that the GEDC funds the Façade Improvement Program through Main Street and GEDC also funds a Utilities Relocation Grant for the relocation of utilities from the front to the back of buildings in the downtown area. Funding assistance for sprinklers in downtown businesses is supported through the Small Business Incentive Grant. The owners of the Stahl Building received \$10,800 for assistance to increase the waterflow into the building for the required sprinkler system for Come and Take It Bar and Grill.

D. Blakemore expressed concerns for the infrastructure, specifically the water line in the Industrial Park and the wastewater plant. Ms. Young suggested Community Development Block Grants (CDBG). Mr. Blakemore stated that grants are great if you get them but expressed concerns for time. G. Lawing stated that CDBGs are easy to apply for and receive and that Gonzales is the poster child for that program. Mr. Blakemore stated that existing infrastructure might not support the BYK expansion project. Ms. Young stated that application for the Texas Capital Fund was discussed for the City's infrastructure early on in the negotiations with BYK. Based upon information provided by the City Engineer, it was determined that the existing infrastructure was adequate to handle the BYK expansion. The infrastructure that BYK talked about was their infrastructure and the Texas Capital Fund couldn't be used for private sector infrastructure. It is used to improve infrastructure located in the public right-of-way.

Ms. Young suggested approaching the Texas Department of Agriculture to discuss the needs of the community and apply for CDBG. S. Sucher asked when the City last successfully applied for CDBG. G. Lawing stated that Barbara Friedrich applied for and administered several CDBGs. Mr. Sucher asked what personnel resources the City had to support application and administration. Ms. Young stated that the existing staff would be responsible. Mr. Patek informed the Board that the City is preparing an RFP for the purpose of contracting with a grant writer for the City. Ms. Young stated that when it comes to the Texas Capital Fund, the State advises cities to contract with a company for that program. It is a difficult application and even more difficult program to administer. Mr. Sucher's observations about the grant business are that if the City is going to pursue it, they should be prepared to stay in it for the greatest success.

D. Smith moved to Action Item #4 because Mr. Binnion representing Action Item #3 was running late.

ACTION ITEMS

- 3.** Discuss and Consider an amendment to the repayment schedule in the Loan Agreement by and between WinBin Ventures and the Gonzales Economic Development Corporation

Ms. Young provided the following information, The Loan Agreement with Win Bin Ventures, LLC in the amount of \$150,00.00 based on \$10,000.00 per full-time employee hired by October 31, 2013. The term of the Agreement was for a period of 5 years with a 10-year amortization and a balloon payment due May 1, 2018. The borrowers had an exemplary payment history with one exception when the management company failed to make payments. Once notified, the borrowers immediately paid past due payments and the following month's payment as well. Mr. Binnion thanked the Board for a great relationship and provided an update regarding the challenges faced in 2015 and 2016 caused by the downturn in the oil and gas industry and damages from Hurricane Harvey. He asked that the Board eliminate the balloon payment and continue with monthly payments until payout in 5 years. J. Ryan asked if all property taxes and hotel motel taxes are current. Mr. Binnion confirmed. T. Cox asked if Mr. Binnion had a proposal. J. Ryan asked if the Board gave 1 point off Prime on the original note. Mr. Binnion could not remember. D. Blakemore moved to authorize Ms. Young to negotiate the balance of \$79,061.74 and return to the Board with the Agreement for Board action. J. Hamilton seconded the motion. T. Cox asked if there had been any bump in traffic due to the Junior High Rodeo. Jorge Margine, Manager, said they have 15 rooms rented to rodeo families and the rest to petroleum crews. He stated that they juggle events and rooms. D. Smith called for the vote. The motion carried unanimously.

- 4.** Discuss and Consider a renegotiation proposal from Cliff Anderson, Independent Theatre Supply, Incorporated for the Lynn Theater

Ms. Young provided a brief history and overview of the terms of the Agreement; Lease/Purchase Agreement signed October 2012 with a termination date 48 months from the commencement of the Agreement. \$1,000.00 monthly lease payments were to begin May 1, 2013. Delinquent payments have been an ongoing issue. On the authority of the Board, a default letter was sent by Jeff Moore, GEDC Attorney, on May 1, 2017. Mr. Anderson stated that Ms. Young contacted him to ask why they had not acknowledged the letter. He said he never received it. Ms. Young provided a copy of the letter and the signed receipts. Mary Anderson signed the receipt for the letter. Mr. Anderson apologized and stated that he had not seen it. Once the Agreement expired the payments went from \$1,000 per month to \$1,500 per month. Ms. Young met with Cliff and Mary Anderson on May 24, 2018 at which time they discussed the issues with the building and delinquent payments. Ms. Young asked the

Andersons to attend the Board meeting to discuss their proposal to either renew the Lease or continue month to month payments. D. Blakemore asked if Ms. Young waited from May 1, 2017 until April 2018 to contact the Andersons. Ms. Young stated that she had been in contact with the Andersons on several occasions; however, she did not list every time she talked with the Andersons. Mr. Anderson informed the Board that theater admissions have been declining for some time. Last summer was the lowest season in 12 years. More theaters are providing more comfortable seating and providing food services. The existing seating, installed in the 1980's, was not designed with comfort in mind. The fabric is old and foam cushions are flat. The chairs are past repair and need to be replaced. Due to new ADA mandates, audio equipment is required at an estimated cost of \$7,000. J. Ryan asked if Mr. Anderson knew what the costs would be to make improvements. Mr. Anderson provided the following information; 330 chairs in the theater could be reduced to 200 -250 chairs for correct spacing and comfortable seating at an estimated cost of \$300.00 each for recliners, \$150.00 each for rockers, and \$35.00 each for used market plush seating. T. Cox asked what kind of assistance Mr. Anderson needed for the marquee. Discussion included LED lighting versus neon. Mr. Anderson stated that neon is high voltage, fragile and susceptible to water damage or birds flying into the sign. He did not request a specific dollar amount for the marquee. G. Lawing asked if the Agreement is null and void. Ms. Young stated that it is no longer a Lease to Purchase Agreement. It is a Lease Agreement with monthly lease payments. Ms. Lawing asked if the Andersons live in Gonzales. They live in San Antonio. They have the theater in Gonzales, one in Hondo and another in Edna. Mr. Anderson has a theater supply business. T. Cox asked where Screen 1 is located asked for clarification if Mr. Anderson received approval to improve Screen 1. Mr. Anderson stated that never received approval although he repeatedly asked the prior to late 2015. Ms. Young stated that the only request received since 2015 is to remove and store some of the seating and to replace the tiles in the lobby. The Board approved the replacement of tiles or the application of a non-slick surface tape and the removal of chairs with the understanding that the chairs would be stored and not sold. Mr. Anderson opted not to remove chairs. T. Cox asked if Mr. Anderson had a specific goal for the theater that would give the Board a clearer understanding. Mr. Cox stated that financials would be helpful. G. Lawing asked what Mr. Anderson would like to happen with the situation. Mr. Anderson would prefer ownership, adding a bigger screen in front of the proscenium, and preserving the proscenium. Mr. Anderson said he didn't have luck with making improvements under the Agreement. Ms. Young stated that the improvements were approved but that he opted not to make the improvements. Mr. Anderson said that he decided not to make changes to the seating because the expiration of the lease was within a few months.

G. Lawing asked if the \$40,000.00 mentioned in Mr. Anderson's letter would be the purchase price if other things in the letter came into play. Mr. Anderson confirmed. J. Ryan mentioned the HVAC. Ms. Young asked if Mr. Anderson had been in contact with the three HVAC companies that she contacted. He said he had spoken with them but had not met with all of them. Mr. Cox stated that he felt the entire Board would like to see the theater be successful. J. Ryan suggested a shared responsibility to execute the portions to address the challenges in the building. G. Lawing requested that the Board tour the theater to see the dressing rooms and the challenges. Mr. Anderson agreed. T. Cox asked Mr. Anderson to put together a small proposal for the Board that would include a number of chairs and the dollar cost associated. Mr. Anderson indicated that he would prepare a proposal. J. Hamilton asked what the customer wants. Mr. Anderson stated that they receive complaints about the seating but they receive compliments about the picture, the sound and the upstairs experience. J. Ryan suggested following the Buckee's experience referencing the restrooms. Mr. Cox also pointed out deficiencies in the restrooms. S. Sucher asked if there are any other special events opportunities. Mr. Anderson stated that there is a 28' full stage behind the proscenium. Mr. Anderson considered a roll-up screen but the sound and picture would not be as good so he opted for the larger mounted screen. The screen can be removed for live performances and Mr. Anderson would consider doing that. T. Cox asked if live music performances could be revenue generators. Mr. Anderson said he had several successful events, in Hondo, with the Platters and one Country singer playing to a packed house; however, the ROI was not worth the time invested. D Smith asked for a motion. J. Ryan moved to table the item until a later date. G. Lawing seconded the motion. The motion passed unanimously. Mr. Smith referred the Board back to Item #3.

5. Discuss and Consider establishing policy and procedures for the collection of outstanding loan payments.

Ms. Young stated that it is her understanding that City Council wants the Board to establish policy and procedures regarding the collection of outstanding loan payments. Ms. Young explained that she sends email reminders, follows up with phone calls and in person visits with local borrowers. D. Blakemore expressed his concerns regarding bookkeeping for the Loans based on an Agreement signed in 1997. After a lengthy discussion Mr. Hamilton stated that he would like to know what other EDCs do and how they operate. He sees an opportunity

for the Board to turn a corner and to modernize on several levels. D. Blakemore moved to table the item until after the Training/Workshop. T. Cox seconded the motion. The motion passed unanimously.

6. Discuss and Consider authorizing staff to engage the assistance of GEDC Legal Counsel in the development of Policy for the Purchase and Sale of Real Property

J. Hamilton stated that the Board needs clarification, as discussed in the previous conversation so that there are more productive conversation and direction for what the Board wants to accomplish for the community. G. Lawing moved to authorize staff to engage the assistance of GEDC Legal Counsel in the development of Policy for the Purchase and Sale of Real Property. D. Blakemore seconded the motion. T. Cox asked how many properties the Board owns to make it necessary to engage the attorney. D. Smith stated it would be a universal policy to address future consideration of sale or purchase. S. Sucher expressed his concerns about the amount of time and money spent on this type of issue. He asked if there is a trade association or other way to guide Ms. Young. Ms. Young stated that State Statute governs EDCs requirements for the sale and purchase of real property. She explained the differences between EDCs, Cities and private real estate. Cities are required to go out for bids, EDCs are not. She spoke with the auditor in Laura Zella's office. Ms. Young asked the auditor how fair market value is determined. He stated that fair market value is what the highest bidder is willing to pay. D. Smith called for the vote. D. Smith, T. Cox, G. Lawing, J. Ryan, D. Blakemore, J. Hamilton and S. Sucher voted Aye. Mr. Sucher stated that he is voting in favor but he thinks there are other resources than legal counsel. The motion carried unanimously.

7. Discuss and Consider moving \$100,000.00 from the Money Market Account into a 12-month Certificate of Deposit at Randolph Brooks and moving the remaining balance to Sage Capital Bank checking account

At the April 23, 2018 Board meeting, J. Ryan suggested that the Board consider moving money from the Money Market Account at RBFCU to a CD in order to receive a higher interest rate. Mr. Ryan stated that he believes the Board should seek quotes from local banks. Approximately 90% of the GEDC funds are at Sage Capital Bank, the only community-based bank. Mr. Ryan is concerned that the City and GEDC are probably 1% of the total deposits at Sage Capital and he is concerned with placing "all eggs in one basket." T. Cox asked if Sage is FDIC insured because at one time, FDIC insured up to a \$1,000,000.00. Sage is FDIC insured; however, per the Depository Contract, Public Funds must be additionally insured by government securities. Mr. Ryan does not want to commit a lot of money to a CD. That is why he looked at a 12-month CD. The hurdle rate of 2.4% should be mentioned when seeking quotes. The agreement with Sage expires April 30, 2020. There may be 2 and 8 rate hikes by that time. Mr. Ryan advises at least 6 months operating funds in a bank other than Sage Capital Bank. Mr. Ryan mentioned the Investment Policy listed on the City's website. D. Blakemore asked if the Board should seek quotes from RBFCU. D. Smith asked for motion so that the Board can have a discussion. J. Ryan moved that the Board seek quotes for \$100,000.00 12-month CD. D. Blakemore seconded the motion. G. Lawing asked why the Board must have a motion. Mr. Ryan stated that he is seeking the Board concurrence. Mr. Hamilton recognized the action as a check and balance system. D. Smith called for the vote. The motion carried unanimously.

8. Discuss and Consider a proposal from Texas A & M Community Development for the development of an Economic Impact Analysis

James Hamilton stated in the April 23, 2018 Board meeting that he would like to see more information about the Texas A & M economic impact analysis, which Ms. Young talked about in her staff report. The Texas A & M proposal is considerably less than the previous two proposals reviewed by the Board. City staff would be responsible for taking the surveys and sending information to Texas A & M to create reports. GEDC could contract for a 1-year or 3-year contract. The 1-year contract would cost an estimated \$5,000 and the 3-year contract would cost approximately \$15,000.

T. Cox inquired about the status of litigation over the J B Wells Park and Arena. Ms. Young stated that she is not part of the discussion and that the Mayor would be the source for that information. G. Lawing moved to discuss and consider a proposal from Texas A & M Community Development for the development of an Economic Impact Analysis. D. Blakemore seconded the motion. During the April 23, 2018 Board meeting, the Board felt that this type of expenditure was the responsibility of the City because the Board had already invested heavily in J B Wells in the past. A lengthy discussion included who would perform the surveys, cost of the survey, and whether to accept or deny the proposal. D. Smith stated that if the vote is "Aye" the member is voting for funding the proposal and a "Nay" vote is against the proposal. The motion failed with 7 Nays to 0 Ayes.

COMMITTEE/FINANCIAL REPORTS

9. Financial Report – James Ryan

Mr. Ryan reported that two projects remain behind and that the default interest rate is Prime plus 0.4% for Holiday Inn Express. T. Cox asked when the default letter was mailed. Ms. Young stated that the letter went out on May 1, 2017. Mr. Cox asked if Sleep Inn was included in the default. Ms. Young said that they were not. The discussion included questions by the Board as to why default letters were not sent for both loans and the requests for development of policies and procedures.

J. Ryan reported that revenues are running ahead and expenditures running behind. If revenue collections continue the trend for the year, Mr. Ryan projected that the collections would run approximately \$96,000.00 over. GEDC has \$255,000 in non-performing loans and carries reserves of \$396,000. T. Cox asked if Tropical Fusion is paying interest only. Ms. Young stated that the payment remains the same.

- a. GEDC Projects Update – Ms. Young stated that Mr. Hamilton asked at the April 23, 2018 meeting for the Board to review all the projects/loan agreements. She updated the Board regarding the bi-weekly payments for Come and Take It Bar and Grill. Ms. Young asked if the Board would consider reviewing projects at another meeting, possibly the Training/Workshop, due to the time it will take. J. Hamilton stated that he didn't mind waiting until another meeting. G. Lawing stated that it would be very beneficial to review the active projects hitting the highlights of each but did not want to review the projects at the Training/Workshop. Mr. Cox asked if the Board members can review documents in the GEDC office. Ms. Young confirmed.

10. Hwy 183 Beautification Committee – Tommy Cox

Mr. Cox stated that the Committee has not met; however, he wants to meet with Ms. Lawing to discuss possible assistance from GVEC.

11. Staff Update – Chamber of Commerce Board Meeting, Website update - Genora Young

Ms. Young and D Smith attended the Chamber of Commerce Board Meeting and received positive comments. Ms. Young shared a picture of BYK from the 1964 Apache High School Manual. She planned to post it on FB as a "Throw-back Thursday" item. Ms. Young spoke with the Susan Alford at DuBose Insurance to schedule an insurance adjuster to examine the roof at the Lynn Theater. Ms. Young will give the 2016 -2017 Annual Report at the next City Council meeting. She thanked D. Smith, S. Sucher, and G. Lawing for their input on the Website. T. Cox asked if Ms. Young had an intern or assistant. She does not.

ADJOURN

D Smith called for a motion to adjourn. Before a motion, S. Sucher complimented Ms. Young for covering a lot of ground especially with all the things that are coming at her. Ms. Young thanked the Board for their commitment and service.

J. Hamilton moved to adjourn. G. Lawing seconded the motion and the motion passed unanimously.

Dewey Smith, President

Gerri Lawing, Secretary