

**Minutes of the Regular Board Meeting of the Gun Barrel City
Economic Development Corporation**

The Gun Barrel City Economic Development Corporation met in a regular Board meeting at the office located at 1720 West Main Street, Gun Barrel City, Texas, 75156 on Tuesday, December 20th, 2011 at 5:30 p.m. Rankin called the meeting to order with the following directors present: Baade, Spiegel, and Cavanaugh. A quorum was established. Janow and Cassady arrived late. Steve Webster was absent.

Citizens in attendance: Jack Thompson/EDC Consultant
Citizen's Comment: None

Item #1. Discuss and take action to approve the EDC board minutes of November 15th, 2011.
Spiegel made a motion to approve the minute from November 15th, 2011. Baade seconded. All directors voted 'aye'. Motion carried.

Item #2. Discuss and take action to approve the November financials.
Baade had reviewed the financials and reported nothing unusual for November. Rankin questioned a few items on the budget and would get together with Webster on the line item in question. Spiegel made a motion to approve the November financials. Baade seconded. All directors voted 'aye'. Motion carried.

Item #3. La Quinta discussion.
Kevin Patel had contacted the Curtis Webster by email requesting a meeting to discuss the possibility of the City assisting him in any way. Patel explained that he had been covering the expenses of the hotel from his own money and could not do it for much longer. He had made no profit from the hotel and did not want to see the hotel closed down and go back to the bank.

Thompson contacted Patel and discussed the issue. The hotel had been purchased in June 2010 for 2.8 million dollars. The usual rate of occupancy was 30% with monthly revenue running from 35-45 thousand. Patel claims he needs 60 thousand in revenue to break-even. The only time the hotel was full was on Canton Trade Day weekend. The lake being down had a big impact on his business. November through February was his worst months.

The hotel paid hotel/motel tax between 7-10 thousand dollars on a quarterly basis. Currently he paid 8,000 in interest to the bank, but would have to start paying a mortgage payment in June. Patel was going to the bank to see if he could refinance the hotel.

Patel owns the Comfort Suites in Mabank. Mabank has been paying 12,000 thousand a month, for the last three years, of his \$26,000 a month mortgage payment. This agreement expires this summer. Comfort Suites was doing better than La Quinta, because they had an agreement with Caterpillar Corporation for hotel rooms for their employees.

There had been very little marketing for La Quinta in GBC. Rankin felt that Comfort Suites had been marketed and advertised on a larger scale. As part of the franchisee agreement, La Quinta Corporation is responsible for the website, radio and TV ads that are ran on a national level. Patel has placed an ad with TX DOT's blue directional signs placed on Hwy 175 that advertise lodging, gas, and food. Rankin said Boren had offered 500 a month toward advertising and she had furnished suggestions to the directors for future events and marketing for La the Quinta.

The directors discussed different options to the hotel crisis and agreed that they could support a short term solution, but would need to come up with a long term solution. Spiegel said, "There would need to be an increase in his room occupancy rate from 30% to 40% for the break-even to occur and the EDC could not provide a way to increase the occupancy rate between now and the summer. He needs cash to defray the negatives now."

Steve Webster had sent his suggestions that included the EDC loaning Patel up \$50,000, dedicated to mortgage payments, for four months @ 1% interest with deferred payments and a second mortgage to the EDC. Perhaps the City could rebate the hotel/motel tax for four months with the funds being dedicated to marketing and signage.

Thompson said creating the PID for Heritage Cove would add an assessment fee to the La Quinta, but in the long term could bring events and attractions to the area. If some sustainable solution was not reached for La Quinta, the same problem would come up again regardless of who owned the hotel. Should Patel let the hotel go back to the bank, Thompson felt filling the hotel again would be next to impossible in the current economy and no sustainable solution in place to attract another buyer.

The directors asked Thompson to go back to Patel and ask him to get his franchisee fees lowered and negotiate his mortgage with the bank, but insure Patel the EDC was willing to assist with some financial support. Spiegel said he had talked with Boren and Boren was in favor of helping the La Quinta, but suggested a complete audit of the books. Rankin had provided a print out comparing taxable receipts between Comfort Suites and the La Quinta. She asked the directors to review the report. The directors would call a special meeting if necessary.

Item #4. PID discussion.

TO: Gun Barrel City EDC Board Members

FROM: Jack Thompson, CECD

DATE: December 19, 2011

RE: Public Improvement District for Heritage Cove

During the Summer of 2011, Orasi made a presentation to the GBC EDC Board regarding possible public improvements for Heritage Cove. The public improvements would involve two areas of the Heritage Cove project; one is the retaining wall around the lake, and the other is streetscape improvements along Heritage Cove Parkway.

The improvements around the lake would include a new retaining wall around the portion of the lake fronting the development and park-like improvements such as a hike/ bike trail, landscaping, accessibility to the lake and a gazebo/covered picnic area. Improvements for the street would include street lights, sidewalks, landscaping, and signage.

The costs for these improvements are high and there will need to be a mechanism in place to provide for the regular maintenance of the improvements. The financing mechanism that has been considered and studied for this project is a Public Improvement District (PID). A PID is a defined district that has an additional tax assessment placed on the properties within the district to pay for public improvements such as public parking, streets, water and sewer lines, public art, lighting and sidewalks. Additional information on how a PID works is attached.

A meeting with the new property owner of the remaining undeveloped tracts occurred in October and they were receptive to the idea of implementing a PID to improve the area. Orasi has conducted a PID analysis to determine how many property owners and land value holders it would take to initiate a PID as well as the value of the district and how much revenue different assessment rates would generate. The various assessment scenarios are attached to this memo.

The total amount of the assessment depends on the length of time the board would like to see this process take. Another scenario exists that would allow the EDC to borrow the upfront money to pay for the improvements and then be reimbursed by the PID. This exists through the Texas Leverage Fund, which loans money to Economic Development Corporations. Additional information on the leverage fund is attached to this memo. According to the State's quick analysis of the GBC EDC's revenue, the EDC is able to borrow up to \$1.8 million. The State would have to do a more complete analysis before giving a more accurate amount from which the EDC could borrow.

Under the scenario of borrowing funds with the PID reimbursing the EDC, the EDC could take a loan for \$600,000 to pay for improvements along Heritage Cove Parkway such as sidewalks, lighting, signage, landscaping and an engineering overview plan for the retaining wall to make the development more inviting for people. Making these improvements would help the marketability of the undeveloped sites as well as create more taxable value for the PID. The PID would reimburse the EDC for costs associated with securing the loan and would eventually make the loan payments. A couple of financial scenarios are attached to this memo for your review. Eventually, a second phase would begin with the construction of the retaining wall and park features.

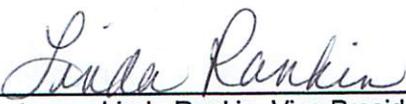
If the board did not want to take this route, then the PID could pay for the improvements as the funds come available.

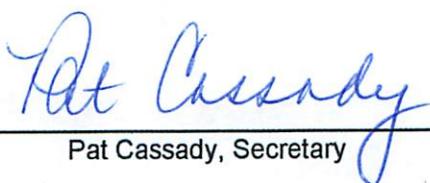
The directors instructed Thompson to meet with the new property owner to see if he was interested in the PID and if he was on board for a PID, then Thompson would contact the owners of the movie theatre and explain the PID to them. PID had to have 50% of property owners and 50% of property value before the directors could implement a PID. If they were on board Thompson would contact the remaining owners of Heritage Cove to explain the PID to them.

Rankin informed the directors that she had received an email for Applebee's stating that they will not have their schedule for next year filled out until after January 1st, 2012.

Spiegel made a motion to adjourn the meeting at 6:28 p.m. Rankin seconded. All directors voted 'aye'. Motion carried.

Adjourned:6:28

Approved by: 
Linda Rankin, Vice President

Attest by: 
Pat Cassidy, Secretary