

**WORK SESSION MEETING OF THE IRVING CITY COUNCIL
MEETING MINUTES
June 9, 2010**

The Irving City Council met in work session June 9, 2010. The following members were present/absent:

Attendee Name	Organization	Title	Status	Arrived
Herbert Gears	Irving City Council	Mayor	Present	
Allan Meagher	Irving City Council	Councilman	Present	
Lewis Patrick	Irving City Council	Councilman	Present	
Rick Stopfer	Irving City Council	Councilman	Present	
Sam Smith	Irving City Council	Councilman	Present	
Joe Philipp	Irving City Council	Councilman	Present	
Rose Cannaday	Irving City Council	Councilwoman	Present	
Roy Santoscoy	Irving City Council	Councilman	Present	
Mike Gallaway	Irving City Council	Councilman	Present	

Mayor Herbert Gears called the meeting to order at 10:35 a.m.

DISCUSSION TOPIC

1 Introduction of City Council Cycle Participants

Linda Murray, Executive Assistant, introduced the following City Council Cycle participants:
Carol Boyer, ICVB Office Manager
Nancy Webb, Water Customer Service Supervisor

3 Entertainment Venue Equity and Public Finance Structure

Brenda McDonald, Director of Real Estate and Development, introduced the Entertainment Venue Team presenting today.

Speakers include the following:

Charles Cotten, Principal, CSE Commercial Real Estate - Mr. Cotten gave a background on the project, indicating that there will be three key components of success for this venue: 1) public spaces, 2) restaurants, and 3) a concert hall. The venue will allow for major festivals, secured and controlled access, adequate, affordable and accessible parking as well as quality food and entertainment. The Entertainment Venue is said to increase revenues to the Convention Center as well as occupancy and demand for the hotel that will be associated with the Irving Convention Center. A public referendum to authorize hotel revenue tax and project specific parking and ticket tax was held and passed by 66% of the voters in November 2007. A development agreement and lease was formed between the City and Las Colinas Group (LCG) in December 2008. Mr. Cotten confirmed that the planning and design phase of the project is almost complete; the next phase includes financing discussions before construction. The Team plans to open the Entertainment Venue Summer 2012.

Steve Croxton, Managing Director, Jeffries & Company - Mr. Croxton provided an overview of the financing for the project. Jeffries & Company has been retained by the Las Colinas Group (LCG) to raise \$50 million in private equity financing. They have conducted initial due

diligence in partnership with management counsel and LCG's various partners and third-party consultants. The company is currently drafting marketing materials to capture interest of potential investors, is managing the investor diligence process and will negotiate optimal transaction structure between parties within the allocated timeframe provided.

Mr. Croxton defined the risks that have been assessed quantitatively and operationally. Quantitatively, construction is one of the highest elements of risk, but he noted that the City and its partners have gone to great diligence to mitigate construction delays through the design process. Operationally, the question is "When you open the Venue will they come?" The Innovation Group has examined the market demographics and according to Mr. Croxton, based on that examination, the Team believes people will come to the Venue.

Councilman Philipp questioned the financing range and asked if Jefferies & Company could raise more than \$50 million.

Mr. Croxton stated that there is flexibility in the financing range, but if significantly more financing needs to be raised, the Team will need to re-evaluate the financing numbers. He noted that the projections are based on a five-year time frame which includes the initial ramp up and stabilizing years with 30% expected rate-of-return for investors.

Mayor Gears noted that the City will maintain ownership of the property and the investors are receiving a financial return.

Michael Soll, Executive Vice President, The Innovation Group - Mr. Soll indicated they are an international feasibility and assessment group. The Innovation Group was tasked with the following: 1) a feasibility assessment/validations, and 2) a projected tax revenue estimate for the proposed mixed use entertainment development which would include a variety of restaurants, several live entertainment facilities and a small retail segment. Their approach and methodology was to examine the key areas of interest to include food and beverage, entertainment, suites and hotel villas, sponsorship and retail.

Mr. Soll stated that the food and beverage interest is important to the overall viability of the Venue and described the meal time analysis for lunch and dinner visitors per square foot.

He also gave a financial comparison of the planned projections and The Innovation Group's evaluation for cash flow and revenue, noting a \$14 million difference in the two projections.

Councilman Philipp asked how the City's alcoholic beverage ordinance for restaurants affected the food mixed beverage calculations and questioned the penetration rate.

Mr. Soll confirmed that the projections include both inside and outside of the venue restaurants, noting that the proposed restaurants are eating venues before drinking venues.

Mayor Gears stated that all restaurants outside of the venue must comply with the alcoholic beverage ordinance for restaurants which details that at least 60% of sales must be from food and no more than 40% of sales may come from alcohol sales.

Councilman Gallaway asked how many different restaurants were proposed.

Mr. Soll confirmed that 12 outlets including street vendors are planned.

Councilman Santoscoy questioned the viability of 220 event nights and noted his concern with the naming rights revenues projected in today's economy.

Mr. Rittvo, Director, Food and Beverage Division, The Innovation Group, stated that they looked at comparable venues, with dual scale events, and confirmed that 220 events is reasonable, noting that some of the additional nights include smaller acts, charitable events, etc.

Jorge Garza, Managing Director, Estrada Hinojosa & Company- Mr. Garza spoke in regards to the financing of this project. He indicated that the primary sources of payment for the Venue Project will be from the following sources: 1) Private Partnership Equity, 2) Private Partnership rent and other payments, 3) Hotel Occupancy Taxes (HOT) from visitors, 4) Voter-approved Brimer Taxes (2% Brimer HOT), and 5) Attendees and consumers at the Venue. He gave an overview of the guiding principles used to development the financing options in today's market.

Councilman Philipp asked what contingencies were reviewed and put into place in the event of economic down turns.

Mr. Garza stated that the Team looked at the developer's projections, an ERA study, revised projection by The Innovation Group and stress tests. He noted that the scenarios will show downward trends that can be withstood before the contingencies will be affected.

Lance Etcheverry, Managing Director, J.P. Morgan Securities Inc., presented two scenarios to fully fund the Venue project using Brimer tax and state tax with the use of Hotel Occupancy Taxes (HOT) as cushions.

Mr. Etcheverry described Scenario 1 as three series of bonds for 40 years with an average cost of 8.5%. He summarized the bond funding, noting that the funding is limited to Brimer HOT with one unrated bond. He gave an overview of the impact on the city for bond A.

Councilman Stopfer questioned the validity of the current PKF Consulting study and their projections.

Mr. Etcheverry described the most recent PKF Consulting study, noting the reserves and contingencies are based on the current projections and coverage levels. He then described Scenario 2, noting this option maximizes use of tax-exempt debt, does not included an unrated bond, and is a 30 year debt service. He summarized the financing and described the debt service schedule.

Mr. Etcheverry stated that they recommend Scenario 2 which maximizes the use of tax-exempt debt with the least cost while minimizing the risk of the 7% HOT.

Mr. Garza suggested an alternate payment structure which makes interest only payments first, making obligations to use revenue stream lower and pay off as much as possible in year 10 to mitigate possible down turns in the economy.

Mayor Gears clarified that no city funds have been contributed or invested in this project. He confirmed that the 2% HOT can only be used on this project, the remainder being extracted from revenue collected from operating the venue. Although the city has invested \$0, the city will get revenue annually and the project will increase property values. Mayor Gears stated that no issues with the city's budget can be fixed with the Entertainment Venue as most revenues, legally, are only available for the Venue and may not be used to supplement the convention center budget. He stated that the Council needs to decide if we believe the projections.

Brenda McDonald presented the following timeline for future Entertainment Venue discussions and actions:

- **June 9** - City Council work session - initial financing presentation
- **June 23** - Audit and Finance Committee - financing discussion
- **June 24** - City Council Resolutions: Live Nation Agreement and authorization for additional legal services by Vincent and Elkins
- **July 8** - City Council Resolutions -amendments to development agreement and lease (if required), approval of concessionaire documents (if required)
- **July 15 - July 22** - Ratings presentations completed
- **July 23** - City Council approval of bond sale, validation suit, Preliminary Offering Statements (POS), levy of parking and ticket tax
- **August 19** - Special City Council Meeting - price bonds.
- **September 27** - closing on bonds and equity
- **October 7** - City Council meeting to approve bond documents for refunding /pricing of refunding (if 40 year structure required).

Council recessed at approximately 1:40 p.m.

Council reconvened at approximately 2:15 p.m.

Upon reconvening Councilman Smith was absent for the remainder of the meeting.

2 Review of Regular Agenda

2 City Manager's Strategic Plan Update

City Manager Tommy Gonzalez showed the following video:

City Source Video: Irving Fire Fighters provide assistance to the Special Olympics Games

Mr. Gonzalez also announced that the Irving Police Department had the most participants in the MADD walk-a-thon. He applauded all departments for their participation and volunteerism to the community.

- 26** Resolution -- Temporary Use Permit #G1006-0084 - to Allow a Farmers Market at Irving Mall - Property Located at 3602 West Airport Freeway - Four Seasons Markets, Applicant - Simon Malls, Owner

Ken Bloom, Chief Planner, presented the temporary use permit request for a farmers market at the Irving Mall, noting the staff's support of this will generate needed consumer traffic at the location.

- 27** Resolution -- Approving Special Sign Permit S1001-0038 to Allow the Use of Electronic Signs on Two Proposed Monument Price Signs - Located on the Northwest Corner of MacArthur Boulevard and Royal Lane - Anita James, Applicant - RaceTrac Petroleum, Inc., Owner (Postponed at the May 27, 2010 City Council Meeting)

Mr. Bloom presented the sign permit request for Race Trac and has indicated that the applicant has agreed to lower the sign from its originally requested 9 feet in height to 7 feet, 10 inches. Staff recommends approval.

- 28** Resolution -- Approving Sign Variance Case No. S1004-0019 to Allow a Pole Sign to Exceed the Maximum Height - Property Located at 1308 East Airport Freeway - Grisset Enterprises, LLC, Applicant - Anthony Grissett, Owner

Mr. Bloom presented the sign variance request at McDonalds on SH 183. He noted staff can support this request as the applicant has agreed to come into compliance within two years or once the adjacent property's sign is removed, whichever comes first. The adjacent property's sign was purchased by TxDOT and is scheduled to be removed the summer of 2011.

- 29** Resolution -- Approving Sign Variance Case No. S1003-0059 - to Allow a Pole Sign to Exceed the Maximum Height and Area - Property Located at 4210 West Airport Freeway - Larry Westrich, Applicant - DSW Inns, LLC, Owner

Mr. Bloom presented the sign variance request at Drury Inn on SH 183. He noted staff cannot support this request due to the extreme variance requested which does not match surrounding properties. Mr. Bloom also stated that the property owner has been compensated for the pole sign by TxDOT. Staff is requesting denial of the applicant's request.

4 Fourth of July Celebration Update

Gayle Averitt, Marketing & Public Affairs Coordinator, presented information about the July 4, 2010 activities that are set for this year.

5 Flood Control Districts Update

Casey Tate, Capital Improvement Program Director, presented an overview of the flood control districts.

EXECUTIVE SESSION

Council did not convene into executive session during today's meeting.

6 Legal Advice - Entertainment Venue Bond Structure

Texas Open Meetings Act § 551.071

The meeting was adjourned at 3:30 p.m.

Herbert A. Gears, Mayor

ATTEST:

Shanae Jennings, TRMC
Acting City Secretary