

**WORK SESSION MEETING OF THE IRVING CITY COUNCIL
MEETING MINUTES**

July 29, 2011

The Irving City Council met in work session July 29, 2011 at approximately 1:00 p.m. The following members were present/absent:

Attendee Name	Organization	Title	Status	Arrived
Beth Van Duyne	Irving City Council	Mayor	Present	
Lewis Patrick	Irving City Council	Councilman	Present	
Rick Stopfer	Irving City Council	Councilman	Present	
Gerald Farris	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	
Dennis Webb	Irving City Council	Councilman	Present	

DISCUSSION TOPIC

1 Entertainment Venue-Financial Review Discussion

Mayor Van Duyne opened the floor to Council to ask them what they would like to discuss:

Noe Hinojosa and Jorge Garza, Estrada Hinojosa representatives, addressed questions on their perspective of how the bond funding has changed. Mr. Hinojosa stated that due to the magnitude of the debt and other issues outside the City's control, there is a risk of a negative impact to the City's financing credit rating. The credit markets today are very stringent and investors have to be ready to make stable investments. At the time the initial recommendation was made regarding financing, the market was more stable. The financing can be done; it is a matter of if the council wants to take the changes to investors.

He noted that the city is going to have to determine what they are willing to put up for financing, what a private investor is willing to put up, the scale of the project and the risk all parties are willing to take. Also up for consideration is whether the city risks the ICVB and Arts 7% Hotel Occupancy Tax (HOT). If these taxes are put up to fund a project it essentially risks the programming of the ICVB and Arts Center.

Mayor Van Duyne noted her concern with pledging funds allocated to other programs that may suffer if the entertainment venue needs that additional funding.

Council discussed the importance of reducing the City's risk.

Bill Beuck, Director of the Las Colinas Group, addressed the Council. He stated that Charles Cotten is acting as the developer for the Las Colinas Group. Their intention is to create a sustainable project that compliments the Convention Center, creates a regional draw that includes music and is a well rounded project overall.

Charles Cotten, CSE Real Estate, noted that the books cannot be made available to the public due to competitors. Once their books are open then everyone can review

them, which puts them at an economic disadvantage. The Beck Group reviewed every draw submitted to them for payments. Everyone that has worked on this project was paid in accordance with the draw submittals. And a final set of plans was provided for what Beck suggested was "less than industry norms." The auditor had full access to Las Colinas Groups' offices, staff and books.

David Hanlon, CEO of Las Colinas Group, spoke and said he has been involved in entertainment projects for years. He described the scope of services done by various contractors and consultants questioned by the Council.

Councilman Santoscoy asked if the City is only able to fund \$50 million, will Las Colinas Group be able to fund the rest.

Aaron Sherman, Development and Construction Team, Las Colinas Group, confirmed that there are a number of people interested in investing that were not available before so talks are still ongoing and LCG is prepared to move forward.

Councilman Philipp noted that the economic conditions have changed regarding the amount of money the city can raise and would like the city to give official notice to the Las Colinas Group of the funding available per the current development agreement. The council needs to discuss a resolution giving Las Colinas Group notice.

Mayor Van Duynes clarified that notice was given to the Beck Group in May 2010 of the city funding capacity of \$88 million, and asked if the Las Colinas Group discussed funding over \$50 million.

Mr. Cotten clarified that the Las Colinas Group has been looking at a \$90 million equity funding plan.

Karen Brophy, Senior City Attorney, clarified that the development agreement funding timelines are based on receiving a non-appealable final judgment.

Councilwoman Cannaday noted the importance of creating a destination site in Irving.

Chris Janning, Vice President of First Southwest, suggested the city ask PKF and Innovation Group to do a new projection study before notifying Las Colinas Group of the city's funding obligation.

Mr. Cotten clarified that the Las Colinas Group team has been working to make up the difference of the \$40 million shortfall due to the state mixed beverage tax and is now looking for ways to raise an additional \$55 million based on First Southwest's projections for the city's financing.

Ms. Brophy clarified the development agreement states that if a final judgment is made by the end of the year, notification will be sent to Las Colinas Group and they have 60 days to commit a loan agreement.

The Council agreed to work with Las Colinas Group based on the agreement the City

has in place with them, which lasts until to the end of the year.

Mayor Van Duyne asked to look at the resumes and work product for the consultants used for predevelopment.

Paul Gooch, Community Services Director, confirmed that any additional documentation requested by the Council from Las Colinas Group be delivered to staff within seven days and distributed to all of council.

Mayor Van Duyne asked for a plan from the Las Colinas Group to fund \$170 million by the end of the year.

Council recessed at approximately 4:05 p.m.

Council reconvened at approximately 4:15 p.m.

Mr. Gooch gave an overview of the development agreement and history of the entertainment venue project. He noted that the design phase is complete. December 2006, the city committed \$60 million; July 24, 2008, the agreement changed the commitment to \$120 million; May 28, 2010, the City was notified of its capacity of \$88 million and in August 2010, the commitment was increased to \$200 million. He confirmed that no final financial structure has been approved. Mr. Gooch noted that the project scope and design changes throughout the years reached \$22 million in design costs. Standard & Poors has not given a bond rating on the project based on lack of information.

Council discussed a possible new financing structure that would allow the city to finance the city's portion based only on the 2% HOT which would limit the city's risk and increase the developer's reward.

Council asked for a resolution regarding engaging PKF and Innovation Group for updated revenue studies.

EXECUTIVE SESSION

Council did not meet in Executive Session at this meeting.

Council adjourned at approximately 5:15 p.m.

Beth Van Duyne, Mayor

ATTEST:

Shanae Jennings, TRMC
City Secretary