

**CITY OF KERRVILLE, TEXAS ECONOMIC IMPROVEMENT CORPORATION
REGULAR MEETING** **JANUARY 23, 2012**

On Monday, January 23, 2012, the meeting of the directors of the City of Kerrville, Texas Economic Improvement Corporation, was called to order at 4:00 p.m. by Gregg Appel, President, in the City Hall Council Chambers, 800 Junction Highway, Kerrville, Texas.

Members Present:

Gregg Appel, President
Kenneth Early, Vice President
Rex Boyland, Secretary
Gary Cochrane
Larry Howard
Stacie Keeble
Polly Rickert (arrived at 4:07)

Members Absent:

None

City Staff Present:

Todd Parton, City Manager
Mike Hayes, City Attorney
Kristine Ondrias, Assistant City Manager
Brenda G. Craig, City Secretary
Mike Erwin, Director of Finance
Mindy Wendele, Director of Business Programs
Malcolm Matthews, Director of Parks and Recreation
Gordon Browning, Senior Planner
Dieter Werner, Director of Engineering

Visitors Present: Visitors list on file in the City Secretary's Office.

Ray Watson, Executive Director, Kerr Economic Development Corporation
Traci Carlson, President of the Kerr Area Chamber of Commerce

2. **INVOCATION:** Given by President Gregg Appel.

3. **VISITORS FORUM:** No one spoke.

4. **MONTHLY REPORTS:**

4A. **Monthly financials for December 2011:**

Mr. Erwin presented the financial statements ending December 31, 2011, and noted an ending cash balance of \$2,192,257. He reviewed the capital projects summary and noted that several projects would be closed out soon and the fund balance would be returned to the EIC.

Mr. Early moved to approve the December 2011 financials as presented; Mr. Boyland seconded the motion, and it passed 7-0.

4B. EIC construction project status for December 2011:

Mr. Werner gave the project update; he anticipated the Harper Road utility extension project would be completed by the end of February 2012; the Harper Road utility extension Phase 2 project should begin in February with anticipated completion in six months. Ms. Ondrias noted several projects would be closed in a budget amendment in late spring, and any remaining fund balance would be moved to the EIC budget.

5. PUBLIC HEARINGS AND ACTION:

5A. Funding agreement with Fox Tank Company for the construction of a new facility in the amount of \$600,000.00:

Mr. Appel opened the public hearing at 4:17 p.m.; no one spoke and the public hearing was closed.

Mr. Hayes reviewed the agreement and noted he was awaiting directions from EIC regarding the clawback provision before finalizing the document.

Mr. Watson noted there were four separate agreements with Fox Tank: the state, county, city, and EIC; none of the packages were contingent on the others; all were stand-alone packages. He reviewed the incentive packages:

- Kerr County acted to approve their agreement, which included a two year reimbursement of sales tax generated by the project, and a five year staggered property tax abatement.
- City of Kerrville would consider their agreement on February 14, which included a two year reimbursement of sales tax generated by the project, and a five year staggered property tax abatement.
- The EIC incentive package proposed that EIC provide \$600,000 based on \$10,000 per employee, each employee to be paid at a minimum wage of \$15 per hour, for a minimum of 60 full time employees each year for ten years, at a facility to be located within the city limits.

Mr. Watson discussed the following regarding EIC's ten year economic incentive package for the Fox Tank project:

- Proposed the following clawback provisions: maintain a minimum of 60 employees (this did not include the current 42 employees at the Comfort facility) every year for ten years, with a penalty to be paid to EIC based on a pro rata shortage of \$10,000 per employee in any given year for the life of the agreement, and 60% of the workforce had to live within Kerr County.
- The date of annual reporting compliance to all entities would be the anniversary date of the agreement.
- The project would repay the tax dollars put into it within 3.5 years, and thereafter provide \$75,000 additional sales tax to EIC annually.
- The Fox Tank facility was projected to produce \$300,000 in new local sales tax annually, and generate \$3.5 million in new property tax annually.
- There was no deferment of sales tax proposed.

The following issues were also discussed:

- Mr. Fox was in the process of finalizing the purchase of private property across from the airport on Highway 27, and he proposed to begin construction immediately. City utilities were available to the property. The agreements required that the facility be located inside the city limits, and this property was outside the city. Mr. Parton noted the annexation, platting, and zoning processes would begin immediately upon signing the agreements, and the processes would run concurrently with anticipated completion in 60-90 days. Mr. Fox agreed to initiate the building permit process and follow building codes to ensure the property was built to city standards.
- Regarding Fox Tank's possible future sale of the property, Mr. Watson advised that a provision in the agreement required permission from EIC in writing before any sale, merger, or transfer could take place. EIC could then confirm whether the requirements of the agreement had been fulfilled and the obligations had been met before any sale, merger, or transfer could be finalized; further, any new or merged company must be submitted to EIC for evaluation.
- EIC discussed the option of Fox Tank meeting its requirements and being vested in three years.
- Could EIC place a lien on the Fox Tank property to secure the clawback? Mr. Hayes noted the agreement, as written, was tied to the number of employees to be hired and maintained and not to the property.
- The Texas Workforce Commission and the Alamo Community College District proposed to enter into an agreement with Fox Tank to provide a training facility to train welders in the Kerrville area.

Mr. Appel disclosed a conflict and did not participate in discussion of the call back provision or the vote on the EIC agreement with Fox Tank.

Mr. Parton summarized the consensus of EIC with regard to the clawback provisions: agreement be for a period of 10 years at 10% per year; maintain a minimum of 60 new employees; if Fox Tank did not meet the employee benchmark for any period, then a pro rata penalty of 1/10th of the value of the unvested portion would be reimbursed back to EIC by Fox Tank.

The following person spoke:

1. Ward Jones suggested if Fox exceeded the minimum requirements and had 150 employees, EIC should give him greater incentive, and that would create more jobs. Mr. Appel noted EIC was providing incentive for Mr. Fox to locate his business here based on certain minimum standards; how well the business grew, the number of employees hired, and the salaries paid were Mr. Fox's business as long as he met those minimum standards specified in the EIC agreement.

Mr. Early moved to instruct staff to draft the funding agreement with call back provisions as discussed and send it to all members for review; comments regarding the funding agreement should be addressed Mr. Hayes; and Mr. Appel be authorized to sign the funding agreement. The motion was seconded by Ms. Rickert and passed 6-0-1 with Members Early, Rickert, Boyland, Cochrane, Howard, and Keeble voting in favor of the motion; no one voted against the motion; and Mr. Appel abstained.

5B. Project funding agreement between the Kerrville Public Utility Board and the City of Kerrville, Texas, Economic Improvement Corporation (Downtown Kerrville Utility Line Removal and Undergrounding):

Dr. William Rector stated that since the December EIC meeting the funding request increased from \$242,000 to \$300,000 due to revised bids, change in project scope, and contingency required by KPUB. He noted the following:

- The transformer location had been changed from behind Pampell's to a location behind the Arcadia Theater for several reasons: a transformer cannot be set on top of a gas line and there was a gas line on the east side of Sidney Baker behind Pampell's; the transformer would be too close to the proposed stairway near the bridge; land behind the Arcadia had been donated and the easement was signed; and a retaining wall was already built at this location.
- Funding was in place for completion of the east side of Sidney Baker; however, the west side funding was a concern as the three affected property owners had declined to participate in the project at this time. He estimated the cost to be approximately \$32,000 per property owner for the west side; however, he opined that those property owners were enthusiastic about the project.
- The project was still a viable project as it would: result in the removal of seven poles and overhead wiring; create the opportunity for the boardwalk to continue along the river; provide clean aesthetic appearance in central downtown and that section of the river; and would set the stage for underground utilities to expand on the west side of Sidney Baker when property owners in that area were ready.

Tracy McCuan and Mike Wittler of Kerrville Public Utility Board (KPUB) noted:

- KPUB already had an agreement to serve the Arcadia with electricity underground from the back of their property.
- The city requested KPUB manage this project; therefore, KPUB requested 15% contingency of \$50,000 that was not included in the project cost presented to EIC in December. The project included the cost for all other utility providers to also relocate their services underground. Mr. McCuan suggested that any contingency funds remaining from the east side could be used for the west side.
- Under the proposed project, KPUB would bury utility lines under Sidney Baker and stub out services on the west side for future connection; the poles would remain and west side property owners would not be required to connect to underground utilities, but the service would be available for future connection when desired.
- The main cost for property owners was bringing service to their buildings.
- Mr. McCuan stated he had the permit from TxDOT in hand and KPUB was ready to move forward. KPUB must move expediently to complete the project before TxDOT began resurfacing Sidney Baker in late winter. He opined that TxDOT would not likely grant permission to place utilities underground in their right of way at this location for many years in the future.
- The second circuit for the street light and traffic signal was not part of this project, and that pole would remain on the west side of Sidney Baker on Water Street.
- A transformer for underground utilities could be placed on the west side; however, he felt that the property owners would not grant KPUB the necessary easements.

EIC also discussed the following:

- West side property owners could come back and request funding under a separate project in the future and amenities would be in place from this project to accommodate future connections.
- If the project was extended to the west side, those property owners would lose parking spaces and alleyway.
- At least one owner had created a trashy dump on the riverside; property owners should clean up their property.
- Property owners on both sides of Sidney Baker would benefit and it was not fair that some would contribute to the cost and others who benefited would not.
- Questioned whether this project met the economic development finding. Mr. Hayes stated that the project did not include a job creation component; however, EIC had the discretion to make the finding that the project created the potential for property owners to expand their businesses by opening to the riverside of their property, which he opined met the requirements of the act.

Mr. Appel declared the public hearing open at 5:44 p.m. and the following persons spoke:

1. Traci Carlson, President of the Chamber of Commerce, opined that such a project would attract visitors and shoppers to the downtown area as it would be aesthetically pleasing and more easily navigable, therefore sales would increase. This project was a great opportunity for the city and business owners and would prove to be an economic engine for Kerrville.

2. Ms. Wendele read a letter received from John Mosty stating his opposition to the project as it did not create additional primary jobs; he questioned whether moving the overhead lines to underground would promote or develop new or expanded business development as required under the code.

No one else spoke, and Mr. Appel closed the public hearing at 5:49 p.m.

Ms. Rickert moved to approve the project in the amount of \$300,000 as amended without funding any improvements on the west side of Sidney Baker. The motion died for lack of a second.

Mr. Howard moved to provide funding in the amount up to \$300,00 to connect the east side of Sidney Baker, and any remaining contingency be used for the west side. Mr. Early seconded the motion and it passed 5-2 with Members Howard, Early, Appel, Cochrane, and Rickert voting in favor of the motion; and Members Keeble and Boyland voting against the motion.

6. CONSIDERATION AND POSSIBLE ACTION:

6A. Economic Development Grant Agreement between Kerrville Economic Development Corporation (KEDC) and the City of Kerrville, Texas Economic Improvement Corporation:

Mr. Hayes and Mr. Parton reviewed the agreement and discussed specific changes:

- The term changed from year ending December 31 (calendar) to September 30 (EIC's fiscal year).
- Defined KEDC's and EIC's roles and obligations.
- Would allow KEDC's director to participate in EIC's confidential communications in executive session as long as the interests or both are aligned.
- EIC would budget \$175,000 to fund KEDC's operations.

6B. Administrative Services Contract between City of Kerrville, Texas and City of Kerrville, Texas Economic Improvement Corporation (Howard):

Mr. Howard requested discussion of the contract be held in executive session under contractual matters with the attorney.

6C. Peterson Farm Road property zoning update (Ondrias):

Mr. Parton noted the city was in the process of redrafting the city-wide zoning code. The zoning district options under the existing code were very limited, and he suggested airport district or planned development district (PDD); however, the airport had sufficient property for airport related uses, and without a specific use for the property it would be difficult to apply a PDD which could limit uses for a potential buyer. He suggested no action be taken on rezoning until the zoning code had been completed or a potential buyer had a specific use and the property could then be zoned for that specific use. He noted that Peterson Farm Road was more conducive for commercial and residential uses.

EIC also discussed the following:

- Several areas of the property had floodplain and elevation issues which made development challenging.
- Water service was available to the property from Peterson Farm Road and sewer service could be accessed from Highway 27.
- Peterson Farm Road was a narrow, rural street and had limited potential.
- The property could be subdivided and the land in the floodplain zoned agricultural, and the property fronting Peterson Farm Road could be zoned commercial and multi-family.

Mr. Howard moved to instruct staff to prepare a plan of action for the board to consider at a future meeting that included getting an appraisal of the property and putting it on the market to be sold. The motion was seconded by Mr. Boyland and passed 7-0.

7. INFORMATION AND DISCUSSION:

7A. Update regarding River Trail and Parks Projects (Rickert):

Mr. Matthews reviewed Packages A-F of the river trail and parks projects and noted:

- Package A would connect Riverside Nature Center to Tranquility Island and the west side of Louise Hays Park parking lot; 90% complete with plans and specifications; anticipated construction to start April 2012; funding from 2002 bond sale (\$500,000), park fund (\$25,000), and some EIC funding (\$170,000); and the trail in the Riverside Nature Center area would be crushed granite.

- Anticipated bidding the bridge in February/March and construction in five months.
- Anticipated the Family Sports Center would put the trail in their construction plans.
- 118 easements had been identified for the project.
- Package B would look at solar system upgrade/expansion on Tranquility Island.
- Consider native vegetation to reduce irrigation and maintenance issues.

Mr. Matthews will provide a status report monthly for each package in the format presented.

7B. Update regarding the Kerrville Economic Development Corporation. (Appel):
No report was given.

7C. Update regarding 'Go' Team activities (Wendele):

Ms. Wendele noted in December Mr. Early was appointed as EIC's representative on the Go Team to evaluate economic prospects. The first meeting was scheduled for January 27, and the first task of the committee will be to look at the incentive policy adopted in 2008 and recommend changes to that policy.

7D. Update regarding the Hill Country Shooting Sports Center (Burch):

Jack Burch reported on the following:

- Received the permit from TCEQ to drill the well; should take about two weeks to complete drilling and set the pump.
- Seven events were scheduled that are sanctioned by the US Olympics.
- Was informed that the Austin Music Festival group would be bringing an event of 1,000 people to Kerrville July 9, and about 300-500 attendees would be participating in shooting events.
- State championship Youth Hunter Education Challenge was scheduled in March.

8. EXECUTIVE SESSION:

Mr. Howard moved that the Economic Improvement Corporation go into executive closed session under Section 551.071 (consultation with attorney) of Chapter 551 of the Government Code of the State of Texas; Ms. Rickert seconded; motion passed 7-0 to discuss the following matters:

Section 551.071:

- Contract between Economic Improvement Corporation and the Kerrville Economic Development Corporation.
- Administrative services contract between Economic Improvement Corporation and the City of Kerrville.

At 6:32 p.m. the regular meeting recessed and the Board went into executive closed session at 6:37 p.m. At 7:03 p.m. the executive closed session recessed and the Board returned to open session at 7:05 p.m. The president announced that no action had been taken in executive session.

9. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION:

Mr. Boyland moved to table the contract between the Economic Improvement Corporation and the Kerrville Economic Development Corporation to the February meeting. The motion was seconded by Mr. Howard and passed 7-0.

10. ADJOURNMENT

Mr. Howard moved to adjourn the meeting; Mr. Boyland seconded; motion passed 7-0. The meeting adjourned at 7:07 p.m.

APPROVED: _____

Gregg Appel, President

ATTEST:

Brenda G. Craig, City Secretary