

CITY OF FREEPORT
ECONOMIC DEVELOPMENT CORPORATION
200 West 2nd Street, Freeport, Texas 77541

MINUTES

STATE OF TEXAS)
)
COUNTY OF BRAZORIA)
)
CITY OF FREEPORT)

BE IT REMEMBERED that the Economic Development Corporation of the City of Freeport met on Tuesday, May 12, 2020 at 6:00 p.m. in the Freeport Police Department Municipal Court Room, located at 430 North Brazosport Boulevard, Freeport, TX, for the purpose of considering the agenda items.

MEMBERS OF THE BOARD PRESENT:

Quorum Present

Trey Sullivan- President
Lesa Girouard
Kenny Hayes
Mingo Marquez
Marinell Music
Jeff Pena
Ed Garcia

Tim Kelty: City Manager
Chris Duncan: Attorney
Stephanie Russell: Finance Director

Visitors in Attendance:

Melanie Oldham
Landis Adams
David Towers
James Travis

I. CALL TO ORDER:

Mr. Sullivan opened the meeting at 6:00P.M. A quorum was present. Trey Sullivan, Lesa Girouard, Mingo Marquez, Jeff Pena, Marinell Music, Kenny Hayes and Ed Garcia.

II. INVOCATION AND PLEDGE

III. CITIZEN COMMENTS:

Mr. Sullivan announced the opportunity for any visitors present to address the board.

Ms. Oldham asked the board if it was possible for the next meeting to have the public start attending but still keep the social distancing and wear face mask as required. Mr. Kelty replied to Ms. Oldham the next council meeting (May 18, 2020) will be moved to RiverPlace and have it available for the public to be able to attend in person with strict social distancing and also the public has to wear mask. Mr. Kelty said he is not sure how this will work out but Mayor Bass asked for the public to be able to attend the meetings. Mr. Kelty said the first meeting in June will be held at council chambers but some accommodations will be made for the public that would like to attend.

IV. CONSENT AGENDA

**A) APPROVE MEETING MINUTES FOR APRIL 14, APRIL 21 AND APRIL 27, 2020
REGULAR BOARD MEETING**

MOTION made by Ms. Girouard to approve the meeting minutes for April 14, April 21 and April 27, 2020 regular board meeting, **seconded** by Ms. Music. Motion **PASSED** unanimously.

B) APPROVE MARCH FINANCIAL STATEMENT.

MOTION made by Ms. Music to approve March financial statement, **seconded** by Mr. Pena. Motion **PASSED** unanimously.

V. DISCUSSION AND ACTION

A) CONSIDER RECOMMENDATION TO CITY COUNCIL ON APPROVING PROPERTY TAX ABATEMENT

Mr. Holman said the board has been meeting over a period of months and have had some subcommittees regarding the property tax abatement the current version has a commercial tax abatement.

Mr. Holman stated also there is a residential property tax abatement but he does not recommend it. Mr. Holman stated the two-property tax abatement program the City had previously adopted have expired and a better version is needed.

Mr. Holman said when it comes down to the property tax abatement the old version was very generous over cost requirements for investment and had no employee criteria. Mr. Holman stated if the board recommends a new version it will start at a million dollars to four million for existing businesses that would need to expand.

Mr. Holman said expanding new or existing businesses four to eight million dollars with twenty-one to fifty employees which are broken over a period of time but the maximum it goes is for ten years.

Mr. Holman said this goes for ten years even if it is a four-year abatement and his recommendation is for the entire ten years of duration. Mr. Holman stated the versions he put together are from Conroe, Sugarland, Texas City and La Porte. Mr. Duncan said the subcommittee that was appointed recommended for a comprehensive plan to be put together.

Mr. Holman said Council will have to approve the property tax abatement. Mr. Holman stated he focused more on the retail and industrial.

Mr. Sullivan asked Mr. Holman if this is a true sense of urgency on making this recommendation to the City Council. Mr. Holman replied and said there is time and we have a couple of developments in the process of requesting property tax abatements. Mr. Holman said the only sense of urgency is there is not a current property tax abatement but the City Council can at any time give a property tax abatement.

Mr. Sullivan said the subcommittee will need to set up a sub committee meeting, review what was talked about in regards to the tax abatement and when it is ready it will be brought back for discussion and action in the future.

Mr. Pena asked Mr. Holman if the board could receive an organizational chart that shows what subcommittees members are in those subcommittees to be able to keep everybody on task. Mr. Holman replied to Mr. Pena and said he will get the board a chart with this information.

B) CONSIDER RESOLUTION TO APPROVE REPAYMENT OF SALES TAX TO COMPTROLLER

Mr. Duncan stated because of a certain tax payer paid sales tax over a number of years and then they appealed and proved they were not supposed to pay those sales tax. The Texas Comptroller agreed and so now the City and the EDC both received money they were not supposed to have received and it has to be repaid now.

Mr. Duncan said he prepared a resolution for the EDC board to vote on stating the money will be paid back.

Mr. Pena asked Ms. Russell if there was an original payback period that was shorter than the one it is now that has been recommended and have been given more time to reimburse the comptroller's office. Ms. Russell replied to Mr. Pena and said he was correct and said the comptroller doubled the amount of time that they were offering for it to be payed back.

MOTION to approve resolution to the City for the deductions was made by Mr. Pena, **seconded** by Ms. Music. Motion **PASSED** unanimously.

C) DISCUSSION AND POSSIBLE ACTION ON REALTY WORLD ON THIRD AMENDMENT

Mr. Holman said in the last meeting the board requested Mr. Duncan to create a resolution based on what was discussed that was created and sent to Realty World both to Mr. Kirk Pascal and Mr. Michael Payne.

Mr. Holman said Mr. Pascal and Mr. Payne have not responded back to him and he is assuming that the resolution that was sent to them is what they have agreed to and if approved by the board it will be signed and have them sign it that will allow them to continue on.

Mr. Holman said the only thing that is being requested from them which was in the original agreement was that they were to give a performance bond on the street infrastructure that they never gave to the City or the EDC.

Mr. Duncan said a performance bond costs about two or three percent premium and what it does is if they never build the road or if they start and never finish then the performance bond comes in and will either pay a contractor the board selects or they will provide a contractor to come in and build all that infrastructure.

Mr. Duncan stated the performance bond is a huge protection for the EDC because it is unsure if they will hold their end of the bargain or just walk off but the performance bond will kick in and the EDC will be covered. Mr. Duncan said this is the only addition to the amendment is the EDC will not sign the third amendment

until they comply with the original requirements and give the proof of the performance bond.

Ms. Girouard asked if Realty World will be able to get a performance bond they might be able to pay for it and was there a deadline to provide the performance bond.

Mr. Holman said Mr. Duncan discovered after rereading the agreements the performance bond was required from day one.

Mr. Sullivan said Realty World has until May 29 to present the performance bond.

Mr. Holman said normally when a developer or contractor is getting a performance bond if they are a new contractor they usually pay a higher percentage and the ones that have a larger track records pay a lot less.

Mr. Pena said the board needs to have stronger review measures aside of just their capacity to get a performance bond.

Mr. Duncan said by signing this third agreement we are not letting go of any of the claims or of legal position but are granting them a Forbearance which basically means we are not going to come in and start enforcing if they comply with this new time table and requirements.

Mr. Kelty said he has not issued or lifted the stop work order yet on house three and four which are still in place but lifted one and two after the first one was approved.

Ms. Girouard said the lesson should be to not let a contractor to start in the future until they have the performance bond.

Ms. Music said to develop an outline of what will be done in the next project and how the board will solicit proposals from companies and how that information in front of the board and a proof of what they can do before moving forward.

Mr. Sullivan said to reach out to Mr. Kirk Pascual and give them a friendly reminder to make sure there is not a miscommunication.

Mr. Duncan said this was sent to the City Council and they approved.

Mr. Sullivan said this went to the EDC on April 27 and to the City Council the following week which they have approved and it is back to the EDC.

Mr. Kelty said the City Council did review and discussed in executive session but did not take any action formally they were waiting for EDC to take formal action.

Mr. Duncan said the amendment has a schedule of deadlines they have to meet they have to produce the performance bond by May 29 and have several milestones they have to hit through May, June and July they have to deliver completed infrastructure to the City by the end of July or early August.

Mr. Sullivan said homes five and six completed by November 1st.

Mr. Pena stated when met and discussed previously the performance bond was talked about being part of the original requirements for Realty World back 2018 and one of the other conditions was for them to provide adequate financials which was never provided.

Ms. Girouard said she believes Realty World should get a second chance because if not the houses will be left midway through.

Mr. Sullivan said this third amendment is their last chance.

Mr. Green said to contact Realty World as soon as possible, it is not necessary to wait till the next meeting.

MOTION to accept Realty World third amendment was made by Mr. Marquez. **seconded** by Mr. Hayes, with all present voting, "Aye" 6-0. Mr. Pena voted "Nay".

VI. EXECUTIVE DIRECTOR'S REPORT

Directors Report given by FEDC Director Courtland Holman.

VII. ADJOURN

MOTION to adjourn was made by Ms. Music, **seconded** by Mr. Pena. Motion **PASSED** unanimously. Meeting adjourned at 7:29 p.m.

Mingo Marquez Sr.