

GUN BARREL CITY
Economic Development Corporation
1720 W. Main Street
Gun Barrel City, TX 75156

Tuesday, April 11, 2023

6 p.m.

Gun Barrel City Council Chambers
1716 W. Main Street, Gun Barrel City, TX 75156

Minutes

Call to Order/Establishment of Quorum

Present: Diane Johannes
Kate Weller
Deidra Jones
Roy Key
Diane Johannes
Brian Crull
Keith Bond

Moment of Silence and Pledge of Allegiance led by Diane Johannes.

1. Citizens Comments – President Johannes called speakers to the podium in the order that she was handed the request to speak forms.

Mayor David Skains: Mayor Skains thanked the EDC for the hard work it does. In looking at financials earlier in the week, he saw a 28% increase in the bottom-line revenue which is a big win for the EDC. He said people don't know that the EDC does more than just help businesses, it also advertises our city which brings people to our city who spend money and that's where the city gets its money. He further said Pier 334 is an outstanding project. A great deal of false information is being floated around, that's very unfortunate. Mr. Haynes would have been here tonight, but a family emergency kept him in Florida. Mayor Skains said he would therefore be tabling the item at the Special Meeting at 10 o'clock tomorrow. It was his hope that Mr. Haynes would be able to be here for the Council meeting on April 18 to answer questions. He finished by thanking the EDC again for all it does and for the volunteerism of its members.

James Henderson: I just came up here tonight. I moved here 12-14 years ago, and we didn't have a public boat ramp and as I'm standing here tonight, we still don't have one. That's no good for our city. Y'all own 10 to 12 miles of shoreline in Gun Barrel City. And somehow or other in the 50 years 53 or four years of being a city we didn't put in a public boat ramp to bring people to your city to bring in money. I see something wrong with that. Another thing is three or four months ago I was looking out my back window and I noticed a fire truck had my POA boat ramp gate blocked. I drove over and got out of my truck, walked down to the water and there was a big old red three-quarter tone one-time Ford truck with Gun Barrel Fire Department on it and they were launching a brand new big old boat. The mayor happened to be there parked sitting in his truck, and I asked what's going on. He said Well this is the only boat ramp we've got to put in right now none of the ones here in the city are usable. I said not Eastwood Isle, Willowood/Arbolado, you couldn't use Big Chief, you couldn't use the parrot head place out at Tom Finley Park, all the ramps were bad but it just so happens Sherwood Shores is but we've kept our dock up through the years and you can use our dock. The mayor loaned the key to let them launch that boat and

they were going out riding around on the lake also he said it was an emergency they were going to. When he moves and so he don't give him a key to get in, if they need to get on the water, they need a public boat ramp in this city. I'm sorry to be up here griping folks but we need one, I told you that a year or two ago, Y'all sold it out down here. Y'all could have made that a nice big public boat ramp and we'd have had a good boat ramp and bring people in the laked to fish and spend money but we're working on a project down here I don't ever see working.

Mayor Skains returned to the podium to use the last of his three minutes. He clarified what Mr. Henderson said happened that day. The mayor received a call from the Fire Chief asking to use Sherwood Shores boat ramp to launch the fire and rescue boat for a rescue. All the other ramps were not useable because the lake was so low and because of the severe drop off at Big Chief. He said he told Mr. Henderson that the Fire Department was going out to rescue a 13-year-old boy. The rescue was successful.

Lana Ahrens: Ms. Ahrens asked why we were having a public meeting after we had already voted to fund this. This project has been funded by the EDC for almost two years. Has there ever been a public hearing? Are we violating Texas Local Government Code 505.159? Is there a pro forma agreement, if so, where is it? How is the project going to make money? Does this developer have experience building and managing hotels? I looked on his website, they all look residential to me. At the last meeting you know we're talking about the chef and tapestries but as far as we can see site plans have not been approved. I spoke with TRWD this afternoon. They said that nothing's been filed with them. Do you have TXDOT approval? Has this been to P&Z? Have plans been approved by Council? Do we have a feasibility study on record? So far, the EDC has provided the land and taken out a \$500,000 loan at 3.71% interest. Why did EDC take out this loan on August 27, 2021, and now we're giving away the same sum of money a half a million dollars at 2%. Why? This project was supposed to take no more than 24 months according to the original agreement and we're almost to that point now. Who are the investors? Who are the lenders willing to give more than 25 million dollars to this project? What is the money needed for? The language in the resolution says that the money is used for construction on the hotel. How is 500,000 even a drop in the bucket. The public has seen no proof that anyone else has spent any money other than the EDC. If we've already met the two million dollars, why are we continuing to give out more money? Where's the qualified expenses report? The one we have access to says total project cost \$12,873,361. That was on July 29, 21 and June 15th, 22. Now the loan agreement says it's a minimum of 25 million in Section 4A. The costs were stagnant for a year and now they've more than doubled. Does this change our obligation for the two million dollars? I'd like you to reconsider this until some of the citizens' questions have been answered. Thank you.

Gary Damiano: Mr. Damiano stated he has lived here for about 11 years and served on the EDC, Planning and Zoning, and Board of Adjustments. Mr. Damiano – A couple of questions: I was under the impression; I did not know we had a three-minute time limit here. I thought it was for questions and answers for transparency purposes and for people to understand exactly what's going on with this project, but I'll start here. I have a vision problem so I'm going to use a magnifying glass and glasses. At this point the project is unfunded. My question is why we are throwing another 500,000 at a project that is yet unfunded to the tune of 24, 25, 26 million dollars. It makes no sense whatsoever. The other question I am going to ask – is there anybody who'd going to answer questions, or can I just throw the questions out? Okay, how do I get answers to them? I'll just throw them out. One of the things I noticed on the name on the loan agreement does not correspond to the President of YNS Services. I understand the name on the agreement is Yvonne is the architect who was paid for her services to design the building, the potential building. I also understand that she is the wife of Haynes, the owner of YNS. That puts flags up to me and there's no shot at her credibility, she may be excellent, but I don't get it to be honest with you. The other thing, I have asked through on Open Records Request for the Articles of Incorporation for the LLC and the LP. It

is my understanding that when the LLC was transferred to an LP the Gun Barrel Economic Development corporation knew nothing about it. They found out after the fact and I'm trying to figure out why. I'm trying to figure out in asking for the Articles of Incorporation. I'd kind of like to know who the players are on both of those. There is another name on that document for the change and I don't know who they are. Capital Services Incorporated. I don't know how they fit into this. As far as I am concerned or understand is that the EDC and YNS Services are partners in the Pier 334 Project, so this other Capital Services doesn't make sense. Are they part of the partnership of the LP? I don't know. I have asked for like I said, I've asked for the Articles of Incorporation to see who the Players are. Robin and I have talked, and she has been great but nobody has them. That's a problem if you don't know are you still a partner in this thing even though one document according to the attorney transfers. What's going on with the funding? What Lana said, the funding is not in place, its 24 to 25 million, who's paying that bill? We're the investors. Are there other investors? How secure is the funding? Before we throw another 500,000 at it, these are just reasonable questions. I think it's a great potential project, my problem is an awful lot of questions are out there. If I were on the EDC quite frankly, I'd be asking them, and you guys should be too. Thank you.

Richard Yaws: Good evening. I've been in Gun Barrel City for coming up on 28 years and appreciate again as the mayor said all the work that y'all do. The people that actually step up to volunteer you get my praise every time I speak in public because it's owed, and you've earned it. For that I say thank you. I read recently in your previous meeting y'all's approval of the loan for YNS through your board. I did actually expect to hear from Mr. Haynes today because I have some questions that I would like to hear from, but I'll remain confident, and I'll remain open-minded and present to hear the answer to those questions. I want to keep this positive, but I would also like to say for the record that I also appreciate anyone who has curiosity. I encourage that they seek out the proper source and get the answers to those questions because as of yet I've not been able to not get an answer to a question when I've asked the right person and it wasn't a big mystery how to get to those right people. You just go ask including our EDC Director and of course the Board here as well as Mr. Haynes. Mr. Haynes has been quite available for any questions in the past and I see no reason to doubt that he will be in this instance as well. So, thank you again for your volunteering and for all that you do. I yield back the time for the meeting.

Ms. Johannes: That is all the requests I have so as this time I will close Citizens' Comments and we will go to our agenda items.

2. Discuss/Take Action to approve the March 14, 2023, EDC Meeting Minutes. Roy Key moved to approve the March 14, 2023, EDC Minutes and Brian Crull seconded. Motion passed unanimously.
3. Discuss/ Take Action to approve the March 2023 EDC Financials. Director Sykora said they were not ready from our CPA at this time. Bank statements were just received yesterday. We will not be taking any action or discussing those since we do not have them. Keith Bond made a motion to table the March 2023 Financials until we get them back from our CPA for verification and Deidra Jones seconded. Without further discussion the motion passed unanimously.
4. Discuss/Take Action to approve sponsorship for the Thunder Over Cedar Creek Air Show in the amount of \$5,000. Keith Bond made a motion to discuss/take action to approve a sponsorship for the Thunder Over Cedar Creek Lake Air Show in the amount of \$5,000 and Brian Crull Seconded. The floor was opened to discussion. Keith Bond commented that he had a question on funding. He's commented he has been coming here since '86 and has seen many of the Thunder Over Cedar Creek shows which are great. He believes the people it benefits are what's truly at heart – 100% of the money goes to veterans. He

would like to see the EDC go ahead and sponsor this but remove the VIP Air Show Seats and VIP parking spots and just give them the money without taking anything. We'll get radio spots and a sign there with our name on it like is done at the lawnmower races. Keith asked Director Sykora if the VIP items just came with sponsorship. Director Sykora said they did but we can donate them back since the show producers would be very familiar with local veterans' groups and it would be a great gift to give back to the community. President Johannes asked Mr. Bond to amend his motion. Mr. Bond amended the motion by making a motion that we approve the sponsorship for Thunder Over Cedar Creek in the amount of \$5,000, donate the VIP Air Show Seats and the VIP Parking Passes to local veterans so that they may enjoy the show and Mr. Crull again seconded the amended motion. Motion passed unanimously.

President Johannes read the procedure for Public Hearings. A public hearing allows citizens the opportunity to address the EDC Board of Directors on the specific item for which the public hearing is opened. No other issue can be addressed, and the presiding officer will withdraw recognition of the speaker. Any person desiring to speak must fill out the comment form prior to the gaveling to order of the meeting. Individual citizens' comments are limited to three minutes and not transferable to another citizen. Any person desiring to speak must come to the podium and be recognized by the presiding officer. City staff will be referred to as staff not by name or position and no disparaging remarks will be made.

5. Open Public Hearing for two Grant's to Trout's Appliances for \$25,000 each.

Public notice was posted outside the EDC office on Thursday April 9, 2023 as well as published in the Monitor newspaper. R-2023-003 is a 50% Matching Grants of \$25,000 to Trout's appliance for Suite number 824 and Suite number 830. They are planning to spend over \$50,000 on façade improvements including replacing all doors and windows and installing new LED track lighting across the front of the building. R-2023-004 is a 50% matching Grant of \$25,000 for Suite 834. They are planning to spend over \$50,000 to repair, seal, and restripe their parking lot, remove and reinstall their signage on a new wall, and clean and repaint the front and sides of the building. These three businesses employ a total of 22 employees at Trout's Appliances, Tex Tan and Metro by T-Mobile.

At this time the public hearing was open. As there were no citizens signed up to speak, the public hearing was closed.

6. Open Public Hearing for a Loan to YNS Service for \$500,000.

Public Notice was posted outside the EDC Office on Thursday, April 9th, 2023, as well as published in The Monitor Newspaper. R-2023-005 is a \$500,000 loan to YNS Services, the developer for the Pier 334 Project. It is a low interest loan to offset the rise of interest rates over the last year. Feasibility studies and formal business plans indicate this is the perfect location for this project, which will include a Hilton Tapestry Hotel, retail and restaurant space, a Pavilion, boat docks for access front the waterfront and public green spaces. This will bring more than 60 meaningful jobs while providing a wonderful gateway to our city.

President Johannes opened the Public Hearing.

Mr. Bond: I have a question for Robin. Since Mr. Haynes can't be here to answer the question that a lot of people might have

Ms. Sykora: He's here on speaker phone.

Mr. Bond: Okay because if he wasn't able to, I was going to wait till he could be here okay.

Ms. Sykora: He's had a medical emergency and couldn't be here today, but he will be here on the 18th for Council Meeting

Mr. Bond: I didn't know if it could be moved if we need to table so he could actually be here to answer the questions.

Ms. Sykora: This is just a public hearing so there's nothing to table.

Ms. Johannes: Ok so there's no action in this meeting just for information purposes.

Since Mr. Haynes was now available via phone, Ms. Johannes allowed speakers from the Citizens' Comments portion of the meeting an additional three minutes to ask questions .

Questions: Lana Ahrens Answers: Steven Haynes (via phone)

Q: Do you have a pro forma agreement?

A: It's a little difficult to hear. First Mayor, City Council Members, EDC Board members, I apologize for not being there in person. I have a very ill father and it was not appropriate for me to leave my mother or my father at this time to go back. I appreciate very much all the support the city has given us on this project. I appreciate the offer of a loan to help us reduce some of the borrowing costs that the higher interest rates have forced upon us in the last eight or nine months. The offer by the city was a great comfort to our senior lenders and by offering the loan and us putting up an additional million and a half dollars of equity in the project we were able to allow the term sheets to be rolled forward with interest rates that had gone from 4 ½% to 9 ½%. Our borrowing costs got a little bit more expensive but easily managed by the project once opened which is good. The good news is we have had HVS come and do an additional feasibility study and appraisal under the new rates to make sure that everything is penciled in. The good news is that while insurance has gone up, the revenues projected based on growth in the area and inflation significantly outpaced the interest rate gains. So over time the project should do a little better than we originally thought. It's just the first year and a half or two years with all the construction going on and the revenue coming in it was a little bit difficult. So, this loan makes everything work much better for the banking institutions. We are prepared to go forward. I think the last comments we have with our engineers and the city's engineers were presented yesterday. We've not seen any comments back from Mundo Engineering, so we assume that they are in the process of writing it up and getting it to city council for final approval of the site plan with the buildings and roads and fire and water and water mitigation and water and sewer upgrades. We're kind of excited to move forward. Again, I apologize that I can't be there in person as I would have liked. I will be there next week and if there are any specific questions, I might be able to answer, I'm happy to do so.

Q: Do you have any development experience in building or managing hotels?

A: YNS Services has got extensive experience in building hotel properties, multi-family housing, single-family housing, town centers, workforce housing so on the construction side yes. On the operational management side, we do not which is why we've hired Purpose Lodging which is a Hilton approved management company which we be doing all of the hiring and managing of the property.

Q: Do you personally have experience building hotels?

A; Yes

Q: Can you tell us which one?

A: Crown Point Hotel in New Mexico, Turtle Mountain Band Hotel in North Dakota, more of a man camp than a hotel, in Minot, South Dakota call Rough Rider Workforce housing. Those are our projects that we built that are considered hotels.

Q: Do you have TXDOT approval for this project?

A: That is sitting in Mr. Mundo's hands. Only the City can apply for TXDOT approval so as soon as the city applies for it, we believe from the three or four meetings we've had with them we will be approved for the project.

Q: Have you contacted TRWD for approval?

A: Yes.

Q: I spoke to them today and they said that is not factual.

Q: We have a feasibility study on record?

Q: Ok, what is the half a million dollars to be used for? Why is it taking 24 months? Can he answer that please?

Ms. Sykora: I believe you just explained that in the process.

A: Construction should be somewhere between 15 and 18 months actually building it. Then there'll be time to do the FF&E, to finish out all the rooms and to train everybody, which is another couple of months. The planning stage has taken longer than expected with the city because of the engineering concerns that the city engineer had. Then there was securing all the land and making sure the citizens of Gun Barrel City were comfortable with the project.

Q: Who are the investors that are going to give the 25 million dollars?

Ms. Johannes: Ms. Ahrens you have about 30 seconds.

A: There are three investors Yvonne Hopen, Darren Dittrich, and Tom Grojean, Sr., are the equity investors along with the city which owns 16.75% of the project.

Q: What's the total that they've given? the future investors rather than us.

A: There's a requirement under the current terms sheets for eight million dollars of equity in the project.

Q: Can you tell me why the cost doubled in less than a year? Can you tell me why it went from 12 million to 25 million? That is the number in the original presentation on 7/29/21 but it's also on 6/15/22 as well.

Ms. Johannes – that will be your final question.

A: The cost doubled, more than doubled because originally our plans had to be altered in order to comply with all of the requests from the neighbors on Jeffrey Circle and additional requests by the City Engineer, additional requests by the East Cedar Creek Water District that wants us to replumb most of the area and TXDOT building new roads. Originally, we thought we could just put a very nice small boutique hotel on the property, build a nice Pavilion for food service and a little park and then once the project started everybody wanted something and the something doubled the price.

Mr. Bond: Robin, I've got another question. Is this the first reading, pardon me not the first reading the first public hearing on this project? I'm just going on procedural, should we not have had this hearing prior to last month's meeting when we approved the loan? This is a procedural question and I'm not saying that I'm not for the loan still are we just correcting ourselves so that we meet the requirement.

Ms. Sykora: No, the EDC has to decide to have a project. Before we invest to publish it or have agreements drawn up by an attorney the EDC as a Board which has to decide they would like to make it a project. That's the first step. Okay. So that's what we did, then we published it. The City Council had a first reading. It's required that you have a public hearing, it can be here, or it can be during a Council meeting.

Mr. Bond: Ok and I just read 505.159 that required that we have it before any money is that correct?

Ms. Sykora: That's correct.

Mr. Bond: So, he gets the money until June 11th or June 10th then we are within right ok. I just wanted to be sure I want to make sure our i's are dotted and our t's are crossed.

Questions: Richard Yaws Answers: Steven Haynes via Phone

Q: Am I still able to speak to Mr. Haynes? This is Richard Yaws from the City Council. There's been just an extraordinary amount of information that's been put out by what I would only describe as would-be experts and

people who have an opinion about what's happening with the project. I think it would be of tremendous benefit at the soonest possible time and I do understand there's a schedule being put together for this, if you might be available for public comments regarding this in the near future for some QandA. Do you feel like that's something that can be done any time in the very near future? Where you could be in person to help address some of these questions.

Ms. Sykora: He's going to be there next week for the city council meeting.

A: I'll be there next week for the City Council Meeting. I could be there earlier for a Q&A if wanted.

Mr. Yaws: thank you Mr. Haynes, I think that would be very beneficial.

Questions: Mr. Gary Damiano Answers: Steven Haynes via phone

Q: Just a couple of quick questions. I've had some other questions but I'm going to let it ride for now. Can you tell me who Capital Investment Services Incorporated is? I don't know who CIS Capital Services, if are part of the LP.

A: I don't know off the top of my head but I can look it up.

Ms. Sykora: There's a letter in the filing documents that says payment of the filing fee is acknowledged from this letter and it's from Capital Services.

A: Capital Services is the agent that receives the applications and they either publish or provide to the state your application to become an LP.

Q: One last question. Who are the partners in the LP as stated in the Articles of Incorporation.

A: YNS though Yvonne Hopen, Darren Dittrich, and Thomas Grojean, Sr.

Q: Is the EDC not on there?

A: The EDC is not allowed to be a participant. They can own a profit participation. We offered them ownership, but the City Attorney said they were not allowed to actually own the project.

Q: But the project is called Pier 334

A: Correct

Q: Ok so what does the EC have 16% of? The EDC is a 16% partner in what?

A: The EDC is a partner in a private/public partnership document whereby the EDC gets 16/7% of the net income of the project for 25 years. So, they're a partner in a contract between Pier 334 & the EDC.

Ms. Johannes: Robin, do you have something that you wanted to say?

Ms. Sykora: This is what I would like to add that the partners in the project, the developer, have committed to purchasing as many of the supplies locally as they possibly can which will also be a huge benefit of this project. We'll be working with Lowe's and other providers.

Ms. Johannes: Seeing no more citizens at this time we'll go ahead and close the public forum and the public hearing.

7. Adjourn to Executive Session at 6:41 pm

a. Deliberations regarding economic development negotiations (551.087)

8. Reconvene to Open Session at 7:08 to Discuss/Take Action on items from Executive session.

a. Discuss/Take Action to approve a road easement for a road on the southern edge of the EDC property that abuts the city property next to the City Park. Roy Key made the motion to approve a road easement for a road on the southern edge of the EDC property that abuts the city property next to the City Park and Kate Weller seconded. For clarification this is to approve the road

easement at the southernmost edge of the EDC property next to the City Park. Motion passed unanimously.

- b. Discuss/Take Action to approve a loan of \$100,000 to a local business. Roy Key made the motion to approve a loan in the amount of \$100,000 to a local business called Dreamy Dogs and Deidre Jones seconded. Motion passes unanimously.

9. Adjourned at 7:10 pm



Kathryn J Weller, Secretary

Gun Barrel City Economic Development Corporation