

McKINNEY ECONOMIC DEVELOPMENT CORPORATION

REGULAR BOARD MEETING

January 25, 2011

The McKinney Economic Development Corporation met on Tuesday, January 25, 2011, in the Dowdy Boardroom of the Corporation office. The meeting was called to order at 8:00 a.m. by Chairman Keith Clifton. Board members present were Chairman Keith Clifton, Vice-Chairman Scott Lewis, Secretary-Treasurer Marta Gore, Director Carrie Alfieri, Director Ernest Lynch III, Director Roger Harris, Director Doug Parker and ex-officio member David Brooks.

Staff present was President & CEO David Pitstick, Director of Business Development Jim Young, Marketing Director Sherie Ellington, BREP Director Greg Sims, International Development Director Abby Liu, Administrative Assistant Durinda Fisher and Corporation Attorney Mark Houser.

The Board reviewed the minutes from the Special Board Meeting held on December 7, 2010 and the Regular Board Meeting held also on December 7, 2010. On a motion by Marta Gore, seconded by Scott Lewis, both sets of minutes were approved. Motion carried.

The Board next reviewed the Consent Items. The December 2010 check requests were reviewed by Ms. Fisher. There were several expenses for attorney fees regarding services for the Gateway project. There was also a payment for the Gateway settlement. Larry Cunningham, Interim Finance Director, reported that the city's audit is almost completed and the year-end financials should be completed in the next few weeks. The sales tax showed an 8.9% increase over the same time last year. Mr. Young reported payment was made to EDS for their rent subsidy. Also Encore Wire received their incentives for completion for of their new R&D facility. There may be additional incentives to them if and when they receive their LEED certification. The Consent Items were approved by on a motion by Scott Lewis, seconded by Marta Gore. Motion carried.

Marketing Director Sherie Ellington next gave her report. TexasOne, the marketing arm the Governor's office, will tour Zenga studios, formerly NewToy, and the Guidhall at SMU as one of two industry tours scheduled for TexasOne in 2011. The tour is scheduled for April 20 with an expected attendance of 75-100 people TexasOne members from the around the state. Mr. Pitstick added that the Governor's top staff and state officials will be attending the event. It will provide wonderful exposure for the city and the MEDC. The Collin County Regional Partnership met and talked about future marketing to Southern California, Illinois and Georgia. Ms. Ellington thanked the Airport board for accepting the proposed CCRA Marketing Plan which she presented earlier this month to their Board.

Greg Sims next gave his BREP report. The BREP Advocacy Committee met again with the City's Development staff. Also on that committee are MEDC Directors Doug Parker and Roger Harris. Mr. Parker commented that progress is being made and the issues are being worked through. Mr. Harris added that there have been very in-depth discussions with a cooperative spirit among the group and everyone wants to reach the goal of having a "department friendly" result. The next meeting is scheduled for February 23, 2011 with only the members of the Advocacy Committee attending. Mr. Sims reported that Project Power is progressing with their move to McKinney. They are

looking at office space and hope to have an office rented within the next thirty days. Their loan papers are being processed. The Perfectly Green Corporation continues to increase their investments and continue to improve their first prototype.

International Director Abby Liu next gave her report. The Advisory Board for Mayor's Council for International Economic Development Partnership held their first meeting on January 12, 2011. The Advisory Board consists of McKinney companies that have international ties and the purpose of the board is to attract international companies to move to McKinney. Ms. Liu had accepted an invitation from the Consulate General of the People's Republic of China for a dinner at her Houston home. Ms. Liu along with Mayor Loughmiller, Interim City Manager Rick Chaffin and James Chen attended the dinner. Also on an invitation from the Consul General, Ms. Liu, along with James Chen, attended a US-China Trade and Investment Seminar in Houston hosted by the Texas Governor's Economic Development and the Consul General. Ms. Liu also met with McKinney companies Sigmetrix, Vector and Primo Microphone. Project Pineapple visited McKinney in early December. The company will know more about an U. S. contract in the second quarter of 2011. President Pitstick added that Project Pineapple is a very large company with worldwide sales and facilities. The visit with them went very well and it is probably one of the largest companies that have visited the State of Texas. Chairman Clifton asked if the company's responses had been positive and Ms. Liu said yes and that they liked McKinney especially the location. They were quite impressed with the aggressive McKinney team that met with them. The company is also looking at the states of California and North Carolina. The company is currently listed very high on the Fortune 500 list and they are moving up the ladder.

David Pitstick gave his President's Report. The new year is beginning well with the sales tax figures increasing; and, if you compare McKinney to our surrounding cities, we are very competitive across the Metroplex. The international program is doing very well and the Governor's staff will be in McKinney for the TexasOne tour. McKinney is in line for higher end retail stores in the future. President Pitstick was recently in Austin to support State Representative Ken Paxton in his run for Speaker of the House. While in Austin, he visited with the Texas Economic Development Council's staff. There is no threatening economic development legislation although the Emerging Technology Fund may be ending in 2011. The Enterprise Fund offered by the State would be a good match for the Pineapple Project. He added that he did not anticipate any legislative changes in 4A or 4B funding.

The Board next heard the Liaison Reports.

City Councilman David Brooks reported that the Council had a good work session the previous evening and that the Council received a Town Center Report at that meeting. The search for a new City Manager continues. The Council will narrow the search down to 6 to 7 candidates and will start the interviews soon. Council is concentrating in several areas. Moving the Gateway Project forward, which includes the feasibility study of the hotel, how much money can be saved by building the original model, and saving the current infrastructure that is in place. The firm of Garfield Traub has been hired to study the different variables that are available for the Gateway Project, including the financing. All of the data collection should be completed by the end of February 2011.

CCRA Chairman John Wroten reported that the airport had an aircraft run off the runway recently with a student performing his first solo. There were no injuries. The Airport Board did approve the Marketing Plan presented by Ms. Ellington. A recommendation has been presented to City Council that the new airport tower be named after Pete and Nancy Huff. Currently the FAA is inspecting the new tower and it is scheduled to be in operation by the end of February 2011. He thanked the MEDC

Board for their assistance in the project. Airport staff hired Steve Gould as their new Operation Manager.

MCDC Chairman Tracy Rath reported that their next meeting will be held next week and the Board will be hearing requests for community grants.

Chamber President Jodie LaFreniere reported that the Relocation Guide was presented at their annual meeting. There were 50,000 copies distributed and an electronic version is also available on the website. The unveiling of the new McKinney Living will be this week at Rick's. The magazine will feature a new look, design and content. The McKinney Economic Development Alliance meeting to be held this evening and tomorrow morning in the Chamber offices will hear a complete report from TIP Strategies.

Main Street Board Director Ty Lake reported that the city has been in the spotlight of several television film crews. Crews have been at the Bill Smith and the Pantry restaurants. The Board and staff recently had a retreat and it was agreed that they want to make their events bigger and better. Mama Emilia's recently closed after being downtown for twelve years. There are two restaurants interested in their location. The Art Walk will be held on April 9th and will include children's arts and a chalk area. The "Bike the Bricks" event will be held Memorial Day weekend and the route will go through the historical neighborhood.

McKinney Convention & Visitor's Bureau Director Diann Bayes reported that McKinney has an ad in the February issue of the Southwest Spirit magazine. Hotels are starting to see an increase in their sales now that the Super Bowl teams have been established. The bureau's website has seen many hits from the states of Illinois, California and Ohio. A cut in the travel budget is being proposed by the State. Ms. Bayes asked for everyone's support to not let it happen, and a group will be converging on the State Capitol to show support for keeping the funding.

Chairman Clifton asked for a short break at 8:48 a.m. The meeting was back in session at 9:00 a.m.

President Pitstick introduced to the Board, David Craig and Miles Prestemon with Craig International along with Bill Guthrey and Paul Rowsey with KDC Real Estate Development. Mr. Prestemon started off with a power point presentation which showed the proposed corporate center in Craig Ranch.

President Pitstick stated to the Board that he believes the information presented by Craig International has been very well thought out and will be competitive in the market place. The MEDC staff is recommending that Craig Ranch be selected as the most qualified respondent to the previously released MEDC RFQ for a future McKinney regional corporate center and recognized for their proposal. The Board will take action later in the meeting on the proposal.

The Board next heard from Craig International regarding Project Proposal #11-01. Mr. Guthrey gave the Board background information on the KDC Real Estate Development company. The company is based in Dallas and has worked on many build-to-suite projects which include the Fed Ex facility, the Haggard facility and numerous data centers. KDC was looking for projects in the Hwy. 121/75 corridor near the City of Allen. But once KDC met with Mr. Craig, they then focused on Craig Ranch. The project would include a new road with the main entrance to the proposed corporate center in Craig Ranch from Hwy. 121. The new road would also connect with the sport fields and a lake would be added. The area would attract corporate retail with sit-down restaurants around the lake. Monument signs would be in place with visibility at night time which would market the corporate center.

President Pitstick added that the proposed new corporate center was a location that was proposed to Project Pineapple. Ms. Liu informed Craig International on a short

notice of the prospect's visit, and the Craig team did a very professional job in their presentation to Project Pineapple.

Director Gore asked Mr. Guthrey how many headquarters the corporate park could hold. Mr. Guthrey answered that there are many acres for development and it would depend on the sizes of the headquarters. Mr. Craig added that since Traxxus announced their move to Craig Ranch, they have added additional square footage to their project; the number of employees has been increased, and they haven't even broken ground. Craig Ranch also hopes to include a hotel and convention center to possibly support the Byron Nelson PGA Tour in the future.

President Pitstick said that a prospect likes to see a visual presentation. They want to see the plans, how it will look like and feel; and, how the rest of the area will develop. It is very important to paint that picture in landing the big companies.

The Board was next introduced to Baron Aldrine with CB Richard Ellis representing Prospect #11-02. The company was founded in 1997 by three individuals and it is in the gaming industry. The company has grown to 200 employees with an average salary of \$70,000, plus bonuses. The headquarters is currently located in Plano. The company currently has 55,000 sf and now needs 90,000 sf with potential expansion. The company started looking at existing buildings but did not find what they needed. They are looking for a live, work and play environment with a town center. Most of their employees live in Allen, Frisco and Plano. They have not decided on a developer. A location with amenities is very important, along with economic incentives. The three founders are still the owners and they all live in the area. They have no debt, and there are no plans on selling the company.

Mr. Guthrey showed the Board where Craig International has proposed a location for the company within the corporate center. The building would be two-story, with the first and second floors each having 25,000 sf with planned expansions to reach the 90,000 sf. The company's time line is based on the incentive packet and the city. The company's current lease expires in 2012.

Director Alfieri pointed out that the information in the packet said that the payroll was \$80,000 plus bonuses. Mr. Aldrine said it is in the ballpark of \$70,000 to \$80,000 plus bonuses. Ms. Alfieri asked if the Frisco offer was cash incentives or tax abatements. Mr. Guthrey said he was not privy of what Frisco has offered to the company. Mr. Aldrine said he could not share that information but did say that Frisco has offered cash incentives with later incentives based on the company's growth. The company would be leasing with a possible option to own. They are also looking at a ten year lease term. President Pitstick thanked Mr. Aldrine for his presentation and for giving McKinney an opportunity to participate.

President Pitstick pointed out to the Board a statement that Mr. Guthrey had said previously, that 90% of prospect activity comes from firms like CB Richard Ellis. Reputations go a long way. Mr. Guthrey said that it is all relational. KDC will not work with anyone that has had failure and is unstable. It is all relationship-based. McKinney is on the commercial forefront, and KDC knows the opportunities in the community's future.

Mr. Aldrine added that his prospect was focusing more on the tollway but once they saw the Hwy. 121 area and the Craig Ranch vision it opened their eyes. They knew that KDC had a great reputation and would make a great partner. President Pitstick wanted to emphasize that message to the Board and that it all makes a big difference. Mr. Guthrey added that with Traxxus in place the message is getting out to the commercial community.

Chairman Clifton excused the attendees at 10:09 a.m. for a short break.

In accordance with TX GOV'T CODE ANN. S 551.071 et. seq. the meeting was

adjourned into executive session a 10:20 a.m. Ex-officio Board member, David Brooks, excused himself from the meeting at 11:45 a.m. The Board adjourned out of executive session into open session at 11:51 a.m.

President Pitstick confirmed that Sherie Ellington had submitted her letter of resignation due to family matters. She thanked the Board for their continuing support and offered her services on a contract basis to assist with the transition. The Board thanked her for her excellent work and years of service.

The Board next reviewed the Action Items.

The Board agreed to table the Craig Ranch Proposal #00-01 until more information is received for a time line and phasing of the project.

On a motion by Marta Gore, seconded by Scott Lewis, the Board agreed to select and recognize Craig Ranch as the qualified respondent to the MEDC RFQ. Motion carried.

The Board next discussed Project Proposal #11-02. On a motion by Carrie Alfieri, seconded by Doug Parker, the Board agreed to award the project \$450,000 in accordance with the MEDC's policies towards a 90,000 sf new facility. The offer also includes coordinating with the City for future incentives. The company will have a taxable value of approximately \$15,000,000. Motion carried.

It was further discussed that Project Proposal #11-02 be put back on the agenda for the Special Board meeting to be held on February 1, 2011 for further discussion.

The Board next discussed the Gateway Development Committee. An internal group needs to be formed to discuss processes and channels regarding the Gateway Type your question here and then click Search Project. The MCDC owns the hotel site. The MEDC has ownership and control of the 80 acres adjacent to the hotel. Chairman Clifton said he is anxious to hear TIP Strategies presentation and coordinate working towards the same goal. At this time Chairman Clifton told the Board the committee appointments needed to be tabled until another time.

The Board and staff next discussed the Program of Work. President Pitstick said the previous presentation was a good example on how to get interest in the community and how to bridge relationships and details together. The report in the packet by Appian Commercial Realty shows that McKinney is still good in relationship with the surrounding communities.

Mr. Young said that each staff member is currently using a spreadsheet to track prospect activity. Mr. Harris suggested software that is available called telenotes that can track and measure incoming calls. Chairman Clifton said that he likes the direction that the staff presented. After more discussion, President Pitstick said that staff would continue to refine the reports that the Board is seeking.

There being no further business, Roger Harris made the motion to adjourn the meeting, seconded by Doug Parker, and the meeting was adjourned at 12:30 p.m.

MARTA GORE, MEDC Secretary/Treasurer