MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
MAYOR'S CONFERENCE ROOM
NEW CITY HALL
JANUARY 23, 2020, AT 2:00 P.M.

Fred Fitch, Chair, called the meeting to order at 2:08 p.m. in the Mayor's Conference Room. Meeting notice and agenda were posted on the City Hall bulletin board as required by State Law.

ROLL CALL:
PRESENT: Denham, David; Fitch, Fred; Madigan, David; Means, David; Neal, Larry; Sheppard, Ernie.
ABSENT: Fortenbaugh, Sean; Jackson, Keith; Means, David; Nance, Ron.
OTHERS PRESENT: Richard Rogalski, Executive Director; Bob Ross, Acting City Attorney; Mayor Stan Booker; Denise Ezell, City Clerk's Office; Kristin Huntley, Finance; Kim McConnell Lawton Constitution.

INTRODUCTION OF GUESTS

Fitch stated we have Dan Batchelor and Lisa Harden from the Center of Economic Development Law, Kim McConnell from the Lawton Constitution and Susan Schlecht from Finance.

BUSINESS ITEMS

1. Consider approving the minutes of December 19, 2019.

Motion by Neal, **Second** by Sheppard, to approve the minutes of December 19, 2019. **Aye**: Fitch; Madigan; Neal; Sheppard; Denham. **Nay**: None. **Motion Passed**.

2. Consider approving invoices, requisitions, and all other submitted materials for payment and take action as deemed necessary.

Fitch asked do we have anything today.

Huntley stated no.

3. Receive Financial Report and take action as deemed necessary.

Huntley stated at the end of December you had $1,080,445.96 in the bank. Under Other Current Assets hotel sales tax receivable for October was $8,530.90 and sales and use tax receivable for the same month was $49,572.06. The only other change to the balance sheet is under Other Current Liabilities and our accrued interest payable on the BancFirst note is $462,942.58 and the principal balance on the CCIDA note is $1,378,504.29. On the next page you see for the month of December our revenues are down 2.9%, sales and use tax was up slightly and everything else is down. Our expenses were down 14.8% so our total net income for December 2019 was negative $46,973.50. You see in the far-right column Fiscal Year To Date revenue is down 13.4%. It shows expenses are up 31.5% and that is due to the loss on the sale of land. Are there any questions.

Fitch stated that was the purchase of land from Collett for the Bricktown Brewery. Those funds were taken from the funds that were obligated to him for the development. He wasn't going to develop that parcel so there were funds available to be used to purchased the property.

Motion by Denham, **second** by Sheppard, to accept the financial report. **Aye**: Madigan; Neal; Sheppard; Denham; Fitch**. Nay**: None. **Motion Passed**.

4. Report on project activities, issues and programs including discussion and possible action on implementation and coordination.

Rogalski stated there has been some discussion and some looking at the property but it is not worth discussing.

Fitch asked is that in regards to the email you received from Ted.

Rogalski stated yes. They are just looking.

Fitch stated there hasn't been a lot of progress on Bricktown Brewery. Pippin Brothers was supposed to do the plumbing and was unable to get to the project. Mike had to get another plumber. They have a lot of infrastructure in and I think are pretty close to being ready to pour the slab as soon as it dries up.

5. Receive a presentation on the Skills Training, Education Development and Investment (STEDI) Project Plan.

Batchelor stated Mr. Chairman and distinguished members of this vital public body for the City of Lawton it is a great pleasure to see all of you again. It has been a while since I have attended a meeting personally. I'm here with Lisa Harden who does the real work. She just sends me to play the front guy but I want you to know where the real work is done and she does a fabulous job. The purpose of this discussion is to familiarize you with the contents of a project plan which your City Council approved near the end of 2019. It's a plan that grew in increments out of an initial request that our firm take a look at updating the city's Non-Retail Development Policy or the Industrial Development Policy. In connection with that we have also been requested by the Lawton Economic Development Corporation to do a review on a perspective expansion of the Republic Paper Board Company. The result of those reviews led us to the conclusion that there was a significant need for this community to adopt and implement a significant reliable long-range strategy for stimulating non-retail business investment, create job growth and enlarge the tax base in this community. The present desire of the Republic Paper Board Company to do an expansion provided a perfect opportunity to initiate a new strategy because of this proposal not only to make about $94,000,000 in initial investment to an important business in this company but to add twenty (20) jobs that were exceptionally high quality jobs and the average compensation for each of those twenty (20) new jobs was $107,000 a year. That is a quality of job creation that you don't often see and are highly prized in this valuable community. So, as a result of our review we recommended an update to the city's Industrial Development Policy and that the city also adopt utilizing the power under Oklahoma's Local Development Act a long range legal and financial strategy to promote non-retail development in this community. What I want to do today is kind of take you through the elements of that updated strategy and the elements of that plan which is really a unique type of plan in this State. A reason to develop and adopt a long range strategy was indicated by a recent REMI study performed by Great Plains Technology which indicated that the economic growth of Lawton which had some great spurts in the period 2010 to 2015 and then it flattened out and you were seeing signs of decline and their projections for the longer term indicated that in the absence of new meaningful capital investment in this community that you would want to see an 8% decrease in total employment, 10.8% decrease in population and a 12.8% in the labor force. Those are danger signs for the future unless you have a strategy that enables you to move forward.

Fitch asked are the decreases based on the last 10 years of what has happened in Lawton.

Booker stated I don't know. Dan was the one that requested this and I don't know the criteria that was put in.

Fitch stated we had some decreases during sequestration. It had an impact on businesses, schools and everything. They are coming back now but not at the rate that they dropped. Are we building and establishing from a low point that was caused by sequestration?

Booker stated if I understand your question the answer is yes. According to the census numbers we have lost over 4,000 people in the last decade. According to the tabulation of water accounts we have gained about 500 people last year. Not a lot but it is turning back up.

Batchelor stated I don't really know how far back they have looked to establish these trim lines for the future. I can't answer that but obviously they have tried to take the recent past and most current information that they had available and extended that trim line and that extension said that it was time to pay attention to where you are and think about what you want the future to be.

Fitch stated we had a program at Fort Sill years ago and it had an impact from the sequestration in Lawton Fort Sill based on 7,000 troops and 600 civil services employees they knew was going to go away through sequestration. That gave us terrible results. It impacted everything. We went through that and have survived it. We have battalions coming in and the 2 new branches within the structure of the Army. Two of the 8 projects are here at Fort Sill and that is going to have tremendous growth in the next 10 to 20 years.

Batchelor stated and that is good news. Unfortunately, the REMI program has no way to anticipate the uncertainties.

Fitch stated no, and I'm sure they didn't put any of those figures in based on what is projected to happen.

Batchelor stated it is not that we know that these things are going to occur but there were enough indications of concern in saying that it makes sense for the City as a community makes some strategy decisions about the future. So, as a consequence City Council took 2 actions. One was to adopt an updated Non-Retail Business Economic Development Assistance policy and the other was to utilize the power through Oklahoma's Local Development Act to adopt a project plan, which was called the Skills Training Education Development Investment. The STEDI project plan went through the full review process with a review committee which had representatives from each potentially effected taxing jurisdiction, which included the Lawton school district and the Cache school district, as well as 3 representatives of the public at large. The policy is intended to expand the local economy by focusing on non-retail businesses. The reason that you want that focus is that the non-retail businesses generate for the community the highest positive beneficial economic impacts. Retail businesses basically take advantage of existing economic demand and existing population and serve it in a valuable way to add a lot to community life and enjoyment but your non-retail businesses create the broadest impact in the community. The point is to adopt strategies that seek to encourage that. We have obtained complete copies of this policy but the primary focus is on increasing annual pay roll, focusing on the number of jobs and the total investment and under this amended policy all applications for economic assistance will come through LEDA. That means you. We recommended that this Authority be the entity to consider those matters and as you will see when we review the new project plan LEDA would be the key public body approving development agreements under the new project plan because our experience says that you have the most experience of any public body, you have a collection of trustees that has a wide range of financial and community knowledge which is immensely valuable in making these decisions and therefore we felt that this is the body that should be vested with the primary responsibility of considering these applications and deciding what businesses deserve support. The minimal threshold for support for new businesses would be a minimum of 20 full time employees with a new payroll of a $1,000,000 a year on an expanding business and a minimum of 10 full time new jobs with a minimum new payroll of $500,000 a year. These applications will come to this body which would then make its determination and recommend to the Council any proposal for final approval. The second major action of the Council was the adoption of the STEDI project plan which is a strategic economic development plan containing economic legal and financial tools to undertake a long-range development program for non-retail business investment in the future. The key idea here is rather than waiting until a business shows up and expresses some interest in locating in the community that we would do an inventory of your primary available sites for business development and designate those sites as Tax Increment Districts and approve projected budgets for the revenues that might be generated by new business development in those locations. Then when you have an expression of interest in locating in this community you wouldn't have to say well we want to consider you but we need to put together a project plan, we need to create an increment district and we need to get ourselves in a position so we can make an agreement with you. If you have a plan that has already approved Tax Increment Districts at your primary candidate for business location the increment districts have been legally created and everything has been done except to trigger the time period running on those districts, which could be done by simple resolution of the City Council, you now put the community in a position to enter into conditional development agreements with this new business prospect which says if you a business locate here then we the community will do such and such and you will have the tools and the authorized revenue stream to do it and you don't have to wait 6 months or a year and go through months of hearings and committees in order to get there. So, it is ambitious in that it creates 13 ad valorem and sales tax increments for future non-retail business development. It is a strategy, in part, intended to provide a funding stream for critically need public improvements need to retain existing industry and attract new business development in the community. It can provide assistance in development financing and it authorizes the City portions of the revenue stream to support STEM education and job training programs and also provides some allocations to taxing jurisdictions. So, it has this broad range of objectives and it puts the tools in place in order to enable that to occur. These increment district, which have now been approved, are located principally in the westside industrial park plus 4 locations at the airport. This map will show those locations. Here is a map that shows the project area which embraces all those increment districts and you will recall under the Oklahoma Local Development Act an increment district is an area in which you can use increased tax revenues to pay projects cost. The project area defines the areas in which the money maybe expended. These project areas lines have been drawn so as to embrace major streets, right-of-way and arterials where it is likely from the revenue steam you will want to use some of the funds to improve streets and public infrastructure to help make these future development locations more highly viable. I won't try to go through the details of the budget but we grouped these projects with alphabetical labels and projected for all the projects at the westside industrial park locations. Some we assumed that the average development might be on the order of $100,000,000 each and then for the sites at the airport $40,000,000 each and then we allocated funds for Category A is public infrastructure, Category B is developments and boards. That is assistance in development financing and then we had categories for economic development financing assistance, administration and implementation, then allocations for STEM education and allocations to the taxing jurisdictions and small amounts for contingencies. We will provide detailed copies of the project plan but what will happen you will get a taste of that as we look into the Republic Paper Board Development which is the first of all these increment district projects to be activated. The key project plan elements provide that certain allocations will be effective at the beginning or it is a trigger date of each increment district. That is that Great Plains Technology Center and County Health Department will each receive 25% of what they would ordinarily receive as operating levies from whatever these new taxers amounted to. The public schools involved, which is Lawton and Cache, would receive equivalent of 35% of what they would ordinarily receive from their operating levies from the amount of new tax that is generated by the increment district. After a series of these projects have been developed and you have reached the financing capacity for $30,000,000 worth of public infrastructure improvements from that point forward then the allocations to the schools and other taxing jurisdictions will be the equivalent of 100% of the operating tax revenues that they ordinarily receive from that amount of taxes in the absence of an increment district. So, they are significant beneficiaries but bare in mind a very significant component of this is the fact that from the beginning you have this 10% allocation to support STEM education and training programs. The first of these increments districts that is in effect and is triggered now is what is now know as Lawton Increment District #3 which is the Republic Paperboard Company expansion. I want to ask Lisa if she would tell us what the highlights of that agreement are. Will you take a moment and tell us what this agreement does and what protection you have added to that agreement as a result of the recommendation and questions from this body.

Hardin stated it is my understanding in previous meetings perhaps have been through some of the terms of the agreement so I'll be brief. There is the commitment by Republic to make the total $94,000,000 investment in expanding their existing facilities and to create 20 new jobs with an average compensation of $108,000. They have signed a revised Economic Development Agreement with the commitment that the total taxable value of their investment will be no less than $75,000,000. If Republic does not satisfy that obligation or create the 20 new jobs with the net new payroll of $200,000 then the assistance to be made to Republic is proportionally decreased. That payment commences in year 6 of the increment district. That is a very brief overview and I'm happy to answer any questions.

Batchelor stated this chart shows you just the projections of the revenues that are anticipated to be generated by the new taxes paid by Republic and the color codes that indicate the categories of the project budget to which those funds will be allocated.

Rogalski stated the orange bar at the bottom is the revenue that is necessary to pay the obligation to Republic. You see it starts at 2025 and keeps going. It ends up being a little over 55% of your revenue each year after that point. Up until then you take on 100% of the revenue.

Batchelor stated we frame the assistance payments to Republic to begin in the 6th years. The reason we did that is when a manufacturing facility makes major new investments they often qualify for an ad valorem tax exemption for the first 5 years. We setup the benefit payment to commence solely from the revenue of the business personal property tax beginning in the 6th years after the expiration of the 5-year ad valorem tax exemption. You may recall when those tax exemptions are in affect the state replaces the lost revenue from a reimbursement fund and you have the revenues there even though the business is tax exempt. Now the State sometimes have a little trouble filling that reimbursement fund so they tend to run slow in payment but typically they have been able to fund it 100% within 6 to 12 months of what should have been the due date.

Fitch stated the first 5 years there is no project support showing but it is coming from the State and then it is reimbursed.

Batchelor stated it doesn't go to them either. It goes straight to you.

Fitch stated so, basically part of that gray includes what would come from the state.

Batchelor stated that is correct. The revenue is coming in but the payment obligation to Republic, the assistance payment, does not begin until the 6th years. That has another value. That means at that point the investment has truly been made, the new jobs have been created and you have documentation of the beneficial effect of the investment and the jobs having been around for several years. They will have performed long before the support payments begin to commence. It is a highly protective arrangement looking at it from the community's perspective.

Denham asked and it is pro rata if they do not hit their target and not zero.

Batchelor stated it is proportionally reduced.

Madigan stated Republic exercises their option for that exemption and then the State pays us. Who is responsible for tracking to make sure we are getting paid from the State and the City? What department.

Batchelor stated it will be up to you to be sure that money that you are entitled to is coming to you. What we are doing is putting together a set of instructions for the people involved here at the City and the officials at the County in connection with their specific responsibilities for the administration of this tax increment district and the directions for the use and disbursement of funds. That is a really important question and what we have found is that the highest risk in these projects often is not whether the party has performed but whether the public officials involved can administer the mechanism of the funding. We are giving that very careful attention and you will have a set of instructions that you, the City officials and the County officials can use to administer your responsibilities on this increment district.

Fitch stated the projected monies coming during that first 5 years to us from the State would be about $2,500,000.

Madigan stated the reason I asked is over a 5-year period there will be lots of changes in people, positions and authorities. It will be very important, as Dan outlined, that we communicate the procedures so that we have good checks and balances to make certain where we are at.

Fitch stated all of that will be prepared for us by Dan. It will be a set of rules and guideline for us to follow.

Denham stated and go a step further to follow up with the State to make certain they didn't have a tough budget year and decide they can cut this out.

Batchelor stated none of us have any control there.

Denham asked if we are not funded do we still have an obligation.

Fitch stated we don't have any financial obligation.

Denham stated if we are not obligated Republic will have to understand that as well.

Rogalski stated we are not giving Republic any of that money in the first 5 years.

Denham stated I understand, but if the State is not reimbursing us the majority of the funds are going to start depreciating immediately. We will be in a world of trouble.

Fitch stated that chart wouldn't look like that at all.

Batchelor stated you wouldn't have all the money.

Fitch stated the chart would start at year 2025 or 26. You can see the gray area is very small.

Batchelor stated what it really means is not only will it reduce the revenue but you would have less money for the other major item in this budget which is infrastructure.

Fitch stated that would have an impact on the City. They wouldn't want to start projects.

Batchelor stated that is correct.

Denham stated you have to have a watchdog that makes sure the State follows through with their commitment.

Batchelor stated right. The big watchdogs that push the State to do this are the schools districts all over the State of Oklahoma. Only a very small portion of the tax base of the State is involved in tax increment district that also involve the ad valorem tax exception. You have got facilities all over this State that rely on that reimbursement fund and the school districts are the ones who follow it like a hawk because if the State doesn't keep that reimbursement fund filled then the schools begin to hurt and they notice it immediately.

Rogalski stated we will report to this body when we submit the request. Those will be on your financial report. There will be a category for TIF III and you will see the revenue.

Batchelor stated so it will show up in your regular financial report and then by law the TIF District must publish and distribute annual reports on the financial activities of the TIF.

Fitch stated one of the big pushers will be the leadership within the City. They want the funds for projects and if we don't get it, they won't get it.

Batchelor stated that is right. Now one of the flexibilities in this project plan is that the City can advance money to pay project cost and then when the funds are actually generated by an increment district you can repay the advances provided by the City and that be true whether it is a professional cost or a street construction. It doesn't make any difference. If it is an eligible project cost and the City advances the funds then when you actually have the funds you can repay the City.

Fitch stated the cost that are accumulating are being funded through hotel/motel economic development tax reserve. The City has borrowed from that fund to pay the bills. They will submit that to us and when we have funds we will reimburse the City and the City will reimburse that fund.

Batchelor stated that is exactly right.

Ross stated this is the reason for the Memorandum of Understanding.

Fitch stated the important thing in the MOU is Item 1. It says to the extent of sufficient funds.

Batchelor stated that is right. If you get the money and it is for that purpose then you can repay the City.

Denham asked is that like the top lien. If we owe the City $400,000 and once we get $400,000 do we pay the City $400,000 or can we pay them $200,000 and next year the other $200,000.

Fitch stated no, we can only pay the City back out of the funds that we have.

Denham stated right, but once we have the exact amount that we owe does every dollar have to be turned over to the City.

Rogalski stated not necessarily. There are certain percentages that is obligated elsewhere. The money that is obligated towards STEM and the public entities have to go there.

Denham stated right.

Batchelor stated you have line item categories.

Fitch stated it goes back to this chart right here.

Batchelor stated just as an indication of the significant of the Republic project alone we obtained a REMI analysis of the impact of what Republic is doing and the impact projection show that what Republic is doing at it's business location will have the impact effect of generating another 65 to 70 additional jobs in the community and the jobs will also be in a wide variety of other areas industries, retails, food service, construction, professional services and health care. It will increase personal income in Comanche County by about $7,000,000 and it will generate a population increase of another 125 people plus or minus. It is a very significant positive impact in terms of the value growth. Are there any questions.

Madigan stated back to the 4 designated areas around the airport. That is set in stone right.

Batchelor stated until they are amended.

Fitch stated if someone needs a smaller tract, we can amend the plan.

Batchelor stated we have a lot of flexibility going forward. The principal thing is we have a legally adopted plan with a group of increment districts that are ready to be triggered and all that has to happen is you approve the development agreements and forward to Council and they put their stamp on it and adopts a concurrent resolution saying we activate this increment district and it comes alive.

Madigan stated this is great. Are Barbara and the Airport Authority in the loop on all of this.

Booker stated this doesn't involve them. This land is owned by LEDC, but they do know about it.

Madigan stated okay, I thought that was Airport Authority land.

Fitch stated no.

Booker stated they own a lot of land on the northeast but we did not include that in the TIF.

Madigan stated thank you.

6. Consider approving a Memorandum of Understanding between the City of Lawton and LEDA regarding the funding and reimbursement of project costs associated with preparation and implementation of the STEDI Project Plan.

Rogalski stated as mentioned this only obligates you when the funds are available. You will replay those funds to the City of Lawton. It is very important that everyone understand there are no funds now and the City has paid and will continue to pay the cost until there are funds available. Once income is generated then LEDA will reimburse the City. I feel like Item 2 is the most important and I want everybody to realize that the money is not going to come dropping in tomorrow. You might get some in 3 months from sales tax but it will be a small amount. It will probably be more than a year before we start reimbursing the City any real value.

Fitch stated and Item 1 says to the extent of sufficient funds are generated by the district and remitted to LEDA it will pay those cost and expenses. If they submit $500,00 and we only have $200,00 that will be all we pay.

Denham stated but we are still responsible for the $300,000.

Fitch stated yes. The next year they will refile with us and the $300,000 would be the first priority they would be claiming.

Denham stated that is what I'm getting at. If the City is out $500,000 and we have $234,000 projected the first year we will have to go into year 2.

Fitch stated the I don't think $500,000 is a good figure to use.

Denham stated I understand, but I know we are already at $200,000.

Rogalski stated it is more like $100,000.

Denham stated before we do any road work on Goodyear Boulevard the City gets reimbursed. Right?

Rogalski stated well more or less.

Denham stated we can't have any project money go to work if we still owe the City money.

Booker stated the way it will work is the City will do the work on Goodyear Boulevard and you will reimburse the City.

Denham stated okay.

Motion by Denham**, Second** by Neal, to approve the Memorandum of Understanding between the City of Lawton and LEDA regarding the funding and reimbursement of project costs associated with preparation and implementation of the STEDI Project Plan. **Aye**: Madigan; Neal; Sheppard; Denham; Fitch. **Nay**: None. **Motion Passed**.

7. Consider approving an amended conditional Economic Development Agreement between LEDA and Republic Paperboard Company, LLC, and authorizing the Chairman to execute the Agreement.

Rogalski stated this is the same agreement you were provided at the last meeting. The changes that were made were solidifying the ad valorem tax. Obviously, the jobs are important to the community but they don't mean that LEDA will have funds to pay the project back. We added a section that says in the event the total assessed value of the investment is less than $75,000,000 the total assistance described in paragraph 3.2 will be reduced proportionally based on the assessed value of the real and personal property improvements added to the tax role. We added that contingency which was a guarantee that here is your base and the financials are based on $75,000,000. You see the $4,300,000 is paid to Republic and this performance includes infrastructure improvements. The majority is personal property that is why it goes down with depreciation.

Sheppard asked so when you say proportionally if it is only $50,000,000 then we are going to take the $50,000,000 and divide it by 75 and that factor times the $4,000,000.

Rogalski stated yes.

Denham stated and they have to maintain the payroll and create the jobs.

Rogalski stated yes. They are required to invest $94,000,000. It is the minimum assessed value after the investment and it has to be $75,000,000. Let's say they met the qualification and didn't get the jobs it still downs because there are 2 items it is contingent upon. The payroll and the $75,000,000.

Denham stated if they get 15 jobs, they get ¾ of the $4,000,000.

Rogalski stated yes, it is based on payroll.

Motion by Sheppard, **Second** by Madigan, to approve an amended conditional Economic Development Agreement between LEDA and Republic Paperboard Company, LLC, and authorizing the Chairman to execute the Agreement. **Aye**: Madigan; Neal; Sheppard; Denham; Fitch. **Nay**: None. **Motion Passed**.

8. Consider approving an agreement between the Center for Economic Development Law, the City of Lawton and the Lawton Economic Development Authority for retainage of legal services, consultation, and advice regarding economic development objectives, activities and strategies to included preparation and implementation of a Project Plan for the creation and development of TIF districts within Lawton/s industrial centers.

Fitch stated this is for the work that has been done up to this point and the work that will be done from this point until Republic Paper is complete. When TIF District IV comes along we will go through the process again, but you have a templet to go by.

Batchelor stated I'll will emphasize that the agreement says you may terminate our services at any time. If you are not happy with us, I guess we won't be around. I want to say that we are very happy with you and consider it a real privilege to work with you. You are an exceptional group and we think that under your guidance that the opportunity for the City of Lawton will be thoughtfully and effectively administered. We have high hopes and we think this is a great opportunity.

Fitch stated thank you Dan and Lisa.

Motion by Neal, **Second** by Sheppard, to approve an agreement between the Center for Economic Development Law, the City of Lawton and the Lawton Economic Development Authority for retainage of legal services, consultation, and advice regarding economic development objectives, activities and strategies to included preparation and implementation of a Project Plan for the creation and development of TIF districts within Lawton/s industrial centers. **Aye**: Neal; Sheppard; Denham; Fitch; Madigan. **Nay**: None. **Motion Passed**.

EXECUTIVE SESSION:

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

There being no further business the meeting adjourned at 2:50 p.m.

Motion by Denham, **Second** by Neal, to adjourn. **Aye**: Neal; Sheppard; Denham; Fitch; Madigan. **Nay**: None. **Motion Passed**.