

MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
BANQUET HALL
NEW CITY HALL
MARCH 19, 2020, AT 2:00 P.M.

Fred Fitch, Chair, called the meeting to order at 2:00 p.m. in the Banquet Hall. Meeting notice and agenda were posted on the City Hall bulletin board as required by State Law.

ROLL CALL:

PRESENT: Denhan, David; Fitch, Fred; Fortenbaugh, Sean; Madigan, David; Means, David; Nance, Ron; Neal, Larry.

ABSENT: Jackson, Keith; Sheppard, Ernie.

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 there are no guest today.

BUSINESS ITEMS

1. Consider approving the minutes of January 23, 2020.

Motion by **Denham**, **Second** by **Neal**, to approve the minutes of January 23, 2020. **Aye:** Fitch; Fortenbaugh; Madigan; Means; Nance; Neal; Denham. **Nay:** None. **Motion Passed.**

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

Schlecht stated we have an invoice for Economic Development Law in the amount of \$260 and one to CCIDA in the amount of \$16,014.36.

Motion by **Denham**, **Second** by **Madigan**, to approve the invoices, requisitions, and all other submitted materials for payment. **Aye:** Fortenbaugh; Madigan; Means; Nance; Neal; Denham; Fitch.

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

Schlecht stated we will begin with January's financial. The TIF apportionment fund has \$184,630.25, TIF I balance is \$91,251.62, TIF II balance is \$804,041.66 for a total of \$1,080,745.13. Our accrued interest payment is \$579,109.38 and the CCIDA note is \$1,374,094.91. On the Income and Expense activity go to the year to date changes on the right-hand side. We have a negative 3.1% total income and a negative 15.3% total expenses. There is \$119,812 in our line of credit interest expense as well as the CCIDA. Any questions on January.

Motion by Means, Second by Fortenbaugh, to accept the financials for January. **Aye:** Madigan; Means; Nance; Neal; Denham; Fitch; Fortenbaugh. **Nay:** None. **Motion Passed.**

Schlecht stated next is February's financial. TIF funds are \$297,566.57, TIF I is 91,266.39 and TIF II has dropped significantly from the prior month to \$324,259.06. This was due to the transfer of funds for the interest payment. We transferred the funds in February, but the payment wasn't made until March.

Denham asked will that cover the March payment.

Schlecht stated yes, we paid \$695,452.17 on March 1st. We have a total funds of \$1,194,753. We made a payment of \$12,468 to the CCIDA loan leaving a balance of \$1,362,626.84. The next page is the Income and Expense activity. We have a negative 13.7% and total expenses were 9.1% change from the prior year. Our wire fees were include in our expenses as well as the interest due for last month.

Madigan stated if the virus continues our hotel sales tax revenue will not be good.

Fitch stated in the United States the Hilton International rate today was 9 to 10%. The hotel has been running 68 to 73%. We are going to see a big dip and nothing we can do about it. We will have to address that whenever.

Denham stated Hilton announced yesterday that they will be closing most of their hotels.

Fitch stated the largest mall developer and holder of malls is going to shut down 209 malls in the United States. I don't know if they will be shutting them permanently. We are going to go through some trying times. We haven't seen the figures yet but should see them in our next report from the hotel.

Denham stated I had a conference call this morning and it was stated that the governments action will do more to the economy than the virus could ever do. We are looking at a 20% drop by the third quarter.

Rogalski stated we were able to make the March payment, but the September payment will be difficult.

Fitch stated it will be interesting to see the sales tax report. I'm sure it will drop. Parking lots are vacant. With the drop in the interest rate we will get down to 4.5%. At this time it is 5.5% and will go to 4.5% in September if the interest rate doesn't come back up. I don't foresee it coming up. We believe that will save us around \$200,000.

Schlecht stated I would like to point out that I have about \$103,000 in invoices on my desk for Center For Economic Law. After paying those invoices our economic development fund will be down to \$156,600 without another budget amendment.

Nance stated those bills were for the new TIF.

Rogalski stated some could be for other economic development issues. Unfortunately, we are probably not creating any revenue. LETA will pay that amount back to the city when the revenue is earned.

Nance stated keep me in the loop on those bills. I have had conversations with Dan on there being limits.

Fitch asked are those bills going to the city right now.

Rogalski stated yes. I look over the invoices to make certain they are paid from the right account.

Fitch stated the city will pay those invoices and then we will reimburse the city. Is that correct.

Rogalski stated the city pays Center For Development Law and we have a running total. When TIF III starts earning, we will reimburse the city. Our obligation to the developer on TIF III doesn't start until year six (6). There is five (5) years that the funds will come directly to LETA. Seventy-seven (77) percent is unportioned and we will be available to pay the city. As soon as we get a good tax year, we will have this all paid off. I don't believe we have received a check for TII II yet.

Ezell stated I believe we have received one (1).

Fitch stated thank you

Motion by Madigan, Second by Neal, to accept the financial for February. **Aye:** Madigan; Means; Nance; Neal; Denham; Fitch; Fortenbaugh. **Nay:** None. **Motion Passed.**

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

Rogalski stated they have started on Bricktown Brewery. It could be delayed due to Covid.

Fitch stated I image he will slow the construction down if things remain where we can't be opened for business. At this time, we will move the executive session to the next item.

Motion by Means, Second by Fortenbaugh, to convene into executive session. **Aye:** Means; Nance; Neal; Denham; Fitch; Fortenbaugh; Madigan. **Nay:** None. **Motion Passed.**

The Authority convened in executive session at 2:25 p.m. and reconvened in regular open session at 2:55 p.m. Roll call reflected all members present except Jackson and Sheppard.

EXECUTIVE SESSION

1. Pursuant to Section 307B3 and C10, Title 25, Oklahoma Statue, consider convening in executive session for the purposes of conferring on matters pertaining to economic development, including requests for development assistance, financing, and the sale and/or acquisition of property, and take appropriate action, if necessary, in open session.

Wilson stated there is no action to be taken.

5. Consider adopting a resolution approving an Economic Development Agreement by and among the Lawton Economic Development Authority, the City of Lawton, and an Industrial Developer, and authorize the Chairman and Secretary to execute the Economic Development Agreement, and with the advice and assistance of the Executive Director and Legal Counsel, to execute such documents and to take such actions as may be necessary or appropriate to implement the Economic Development Agreement, including approval of amendments, corrections and clarifications thereof, and to review, consider, monitor, approve, and reject, as the case may be, the submissions, reports, documents, records, and other information as is appropriate and necessary for the Lawton Economic Development Authority to perform the terms of the Economic Development Agreement.

Fitch stated this will be a lot like Republic. Once we agree on an economic development plan there maybe changes that will need to be brought back to you and Council.

Rogalski stated correct. We have 90% of an agreement going but we want to show that we are serious and are moving forward. Any substance change must be brought back. The Resolution allows minor amendments to be made by the Chair, but substantial amendments will be brought back to the Authority.

Denham asked if we approve the Resolution does Council have to approve it.

Fitch stated yes.

Rogalski stated as you see it here is how it will move forward to Council. If it changes you will see it again. I'm going to run you through some of the basic terms of the agreement. The agreement has requirements on both parties. This project will go into one of the TIF District in the west industrial development park.

Means asked which parcel.

Rogalski stated that hasn't been determined yet.

Nance stated at this time we are focusing on the agreement. We have general ideals of where it will be, and we have talked about one of those TIF areas.

Rogalski stated this agreement requires TIF revenues to come back to the project. The State of Oklahoma is offering an incentive package of \$21,000,000. This may change a bit, but the state is supporting the project in a large way. The developer is required to construct a 50,000 square foot facility in west Lawton with the potential growth to 200,000 square feet. The capital

cost will be \$100,000,000. That is the investment we are looking at and what I will run the financials on. Construction is to begin in the third quarter and be completed within fifteen (15) months. That date could change with the pandemic. Operation is to begin within three (3) months of completion of the construction. Phase I will create one hundred (100) permanent jobs with an annual compensation of \$66,000 a year. That is \$6.6 million a year employed into the economy. The developer is also to repay LETA \$900,000 in three (3) equal installments. First installment will be at the commencement of the construction, second upon completion of construction and third upon employment of 100 fulltime employees. After these payments LETA will repay the city. Because it is an ad valorem TIF and a sales tax TIF we require the delivery of construction materials to be delivered to Lawton to ensure a state and local sales tax collection. Some of the smaller purchases will not be required to be delivered here. LETA and the city will also have obligations. The city will have to activate TIF IV to include the post development. They will also advance \$3,000,000 from the 2016 CIP to LETA and LETA will provide the funds to the developer upon meeting certain conditions within the agreement. We will not advance funds until we are sure the project is ready to go. The city and LETA will approve a mutual agreement where LETA will repay the city all direct repayments received from the developer and 75% of the TIF revenues earned by the project in accordance with the project plan up to \$3,000,000. LETA will not be obligated to pay any amount beyond what it receives from the developer or the TIF. There will not be a payment plan. You will repay the city 75% of whatever you collect. The 75% is in accordance with the project plan and does fund all the other facilities and entities that were set up by the project plan. LETA will monitor and remit 10% of the sales tax increment earned during the construction period as an incentive for better reporting. Those are the requirements of the agreement. Let's talk about the funding. There is a \$100,000,000 investment and I have discounted the personal property investment by \$10,000,000. I'm showing a total of \$90,000,000. We have \$10,000,000 in real property improvements and \$80,000,000 in personal property improvements and this will depreciate. The TIF District will generate \$14.2 million, \$8.9 to public improvements, \$2.1 is to pay back the city, finance implementation and revenue for public entities of \$1.2 million, \$1.4 million for STEM and some for the contingency funding.

Means asked what is the timeframe.

Rogalski stated twenty-five (25) years. That is the amount of ad valorem for twenty-five (25) years and here is the graph. This is the STEM payments, public entity payments, project and support to pay back the city. It will take about three (3) years to pay back the city. The rest of the revenues will be available for public improvements. You see it starts at the highest point generating \$1.1 million by year two (2). The ad valorem doesn't come until it is fully in place. That is why the first year doesn't pay a lot. This is the type of industry you all will know. It benefits the entire community with new business, job growth, STEM education training, direct revenue sources with taxing jurisdiction and having value of the tax base. This kind of project will add tremendous value to our tax base all around Lawton. This is a great project.

Fitch stated the ad valorem cannot be effect by the personal property because it is amortized down.

Rogalski stated that is correct. This is why there is a depreciation curve. This is where you go back to the \$10,000,000 in personal property. The fifteen (15) year depreciation is just the real property. If there are any expansions that is captured by the TIF. This is Phase I.

Denham asked if they do Phase II expansion in year ten (10) then we only have fifteen (15) years to collect that increment because it will be within the TIF IV.

Rogalski stated yes. Once you activate the TIF you have twenty-five (25) years.

Motion by Nance, Second by Madigan, to adopt a resolution approving an Economic Development Agreement by and among the Lawton Economic Development Authority, the City of Lawton, and an Industrial Developer, and authorize the Chairman and Secretary to execute the Economic Development Agreement, and with the advice and assistance of the Executive Director and Legal Counsel, to execute such documents and to take such actions as may be necessary or appropriate to implement the Economic Development Agreement, including approval of amendments, corrections and clarifications thereof, and to review, consider, monitor, approve, and reject, as the case may be, the submissions, reports, documents, records, and other information as is appropriate and necessary for the Lawton Economic Development Authority to perform the terms of the Economic Development Agreement. **Aye:** Neal; Denham; Fitch; Fortenbaugh; Madigan; Means; Nance. **Nay:** None. **Motion Passed.**

Fitch stated now we have the development agreement. There will probably be changes and it will come back to the authority for approval.

Rogalski stated there will also be an agreement between LETA and the city regarding the funding. It will be like the MOU we did in repaying cost that were advanced for the TIF District.

Wilson stated the Resolution authorizes the approval of the agreement. There will be an agreement prepared.

Fitch stated we have it now.

Wilson stated there will be modifications to this one.

Denham asked do we not have an agreement that we need to do anything with at this time.

Rogalski stated no. The Resolution approves the agreement and authorizes the Chairman to execute the document as is or with minor amendments. Major amendments will have to come back to the authority. You approved the agreement to a certain level with the passage of the Resolution. I would like to thank each of you for coming out today. I know this has been a tough time for all of us. The state did make some changes to the Open Meeting act and we will now be able to hold a meeting by teleconference.

Cleghorn stated there are still stipulations. It must be recorded, notes are to be taken in executive session, and if communication drops you must stop the meeting until all

communication is restored. If the posted agenda states you are going to attend by teleconference that is the way you must attend. You can't go the other direction. You must attend in the manner that is posted on the agenda. There is a lot that we need to work through, but it does allow us to do electronic meetings.

Fitch asked does the city have an 800 call number for teleconferencing.

Cleghorn stated I don't know of one at this time.

Fitch stated when we teleconferenced with Collett, Kumar and Batchelor we had an 800 number and a pin number. You need to make sure you have enough capacity to handle all the members on the different boards.

Rogalski stated since this is an open meeting you would need enough capacity to handle the members and anyone other than members who would like to call in.

Fitch stated correct. You probably need to accommodate twenty-five (25) or more.

Rogalski stated the city will have to work all that out.

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

Fitch stated I do appreciate you being here today. Thank you.

There being no further business the meeting adjourned at 3:15 p.m.