MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
2ND FLOOR CONFERENCE CENTER
NEW CITY HALL
JUNE 20, 2013, AT 2:00 P.M.

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

ROLL CALL:	
PRESENT:	Denham, David; Fitch, Fred; Means, David (entered late); Nance, Ron; Neal, Larry; Sheppard, Ernie; Wells, Doug.
ABSENT:	Jackson, Keith; Madigan, David.
OTHERS PRESENT:	Rogalski, Richard, Planning Department; Frank Jensen, Legal Department, Denise Ezell, City Clerk's Office.

INTRODUCTION OF GUESTS

None present

BUSINESSITEMS

1. Consider approving minutes of April 26, 2013.

Motion by Denham, **Second** by Neal, to approve the minutes of April 26, 2013 as written. **Nay**: Fitch; Nance; Neal; Sheppard; Wells; Denham. **Nay**: None. **Motion Passed**.

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

Fitch stated we don't have any invoices for payment and are current with everyone at this time.

3. Receive Treasurer's Report and take action as deemed necessary.

Fitch stated Furrh isn't with us today.

4. Project Status Report – Chairman Fitch.

Fitch stated the conference center should be dried in within the next 2 weeks and the hotel in another 2 weeks. Everything is on schedule and working together. AT&T had a small glitch due to their bids were higher than what they had projected. They may re-advertise but has assured us of a start date of July 1 and a completion date of July 12th. The 10 x 10 storm water drain runs from north to southeast and it is almost finished. They will start with the pad in the August timeframe for the retail and start vertically in early to mid September. John Collett, Tyler Covington and Robert Collett were in Vegas and had some tremendous results. The small out parcels have been turned over to CB Richard Ellis in Oklahoma City. The smaller parcels are cut and dry. Here is what you get and here is the cost. Monday I will be visiting a prospective retailer and selling the City of Lawton to try and finalize some things for Collett.

Sheppard asked is Collett trying to lease the space east of the convention center and the remaining portion on the north end at the same time.

Fitch stated no.

Wells asked has he bought those.

Fitch stated not at this time.

Neal stated he also wants the Northrop property.

Fitch stated it is coming together real well.

Rogalski stated I would add construction is ongoing and we have a submittal for the building permit for Kohl's and Dicks. We have the landscaping plans, site plans and parking lot plans and they all look good. All is moving along very well. You actually have had some come in to discuss parcels on the west side.

5. Project Status Report – Richard Rogalski, Project Coordinator.

Rogalski stated from the last version of this printout we have added items 19, 20 and 21. The payment to Zia was for the dry cleaners, next is property acquisition to LURA and then a draw to Wells Fargo/Collett. The front sheet shows you what is available, what has been requested and your usable funds. We have \$10.5 million in the developer reimbursement, \$2.8 million for PSO, \$499,000 in contingency and \$203,000 in Economic Development.

Wells asked how is PSO doing.

Rogalski stated PSO has 2 different crews. You have the distribution which is done by local crews and they are keeping on track. They are almost pressuring the contractor to keep up with them. The transmission crew is the one that is affected by helping the outside areas due to the tornados. They are not as critical for the pad but they are critical for the project. At this time everything is on track but we are worried about the transmission. Until it is complete we will continue to worry.

Fitch stated they have to do a blackout period which creates a problem. The Corporation Commission won't allow them to make the switch from the old line to the new ones during a high peak period such as summer. In September they will be working on the east side of Railroad putting in poles and by the end of September they will make the switch. The hotel has a March 8, 2014 opening date and Collett is a month behind. We will worry until the switch is made. Also I got notice from Steve Robertson there was a rumor stating Kohl's was backing out. It is quite evident with all their plans they are stilled locked in. It would cost them a lot of money to back out now. The rumor is no good.

Denham asked what was the $144,000 that was paid to the City of Lawton.

Fitch stated borrowed funds to make interest payments.

Denham asked does that pay us up.

Fitch stated we still owe about $400,000. The $144,000 was used towards the bridge project. The project is out to bid but there will be some addendums. The bridges will have wheat and buffalos and will be 2 toned. They will do the tri-level, the bridge going south underneath the tri-level, and the one going north leaving 2nd Street. We should have no cost associated with those 3 bridges. Rogalski do you have anything else.

Rogalski stated the contractor holds a project status meeting but it is the same time as the LURA meeting so we were unable to attend. I will receive the status report and when I do I'll email it to everyone.

Fitch stated Gabby Trad will be working with the interior design personal for the hotel/conference center. I met with him, Michael Pope from the paper and a couple others who have done photography work in the community. The Skirvin has lots of pictures of Oklahoma City and its history. They want to follow the same theme at the Hilton. Liberty National Bank reproduced a lot of pictures from the library about the City of Lawton and it is really something to go in and browse around. Trad wants to use the same concept. John Leiman and Pete DeCobb will be here next Thursday to get thoughts and ideas of naming rooms within the hotel. Put on your thinking caps and email me some names whether they are recognizable currently or in the past.

Denham asked if we would like to take a look at the site what do we need to do.

Fitch stated check in at the job trailer on the south end. I usually go on Sunday and crawl through the fence.

Neal stated last Sunday we drove upon the lot so I could see the 10 x 10 box. What about the sold sign on the west side of 2nd Street.

Fitch stated people are starting to show some interest. That is in another phase.

Neal stated I heard the McKenzie's are looking at closing their shop and turning it into a restaurant/ice cream parlor.

Fitch stated once you inform them of the building requirements they decided not to follow through. In the building requirements you have to match the east side of 2nd Street.

Rogalski stated the first thing we tell people is about the downtown overlay. Then they want to know whether LURA is going to acquire the property. I answer them by saying it is in an urban renewal plan for the next 35 years but right now there are no plans to purchase the property. There is a lot of interest. I talked with someone about redoing Hoffman's and LaSill's.

Sheppard asked in talking about the aesthetics on the tri-level what is the city going to do about the rodent infestation.

Wells stated Shahan stated there are DEQ requirements that will only allow them to do something a certain time of the year. September will be the next time. They are trying to remove them. They did the east side last fall and did a pretty good job.

Sheppard asked will ODOT be handing their property or will the city handle it.

Rogalski stated ODOT takes care of their property. I did mention this to Bob Rose.

Wells stated I'm going to start the controversy again because I'm going to bring it before Council that we need to do something due to the disease they carry.

Sheppard stated I would appreciate that because it looks terrible.

Wells stated you have some much foot traffic at the parks and somebody is going to step into one of those holes and the city is going to be responsible. We need to get them out of there. Robertson you can print that. The city is responsible.

Jensen stated we have talked about this issue for a long time. We have a license and we follow it. They can kill as many as they desire as long as we follow the license. They have been doing that periodically.

Sheppard stated they aren't doing it fast enough because they are still spreading.

Well stated they have a litter of 6 to 8 per litter.

Sheppard stated you will have to go in and fill the holes and smooth the mounds.

Wells stated yes and the city is liable up to $125,000. I want everybody to know that. They can get $125,000.

Fitch asked is there any other questions of Rogalski or me. If not we will hear from Batchelor.

6. Project Status Report – Dan Batchelor, Project Counsel.

Batchelor stated these books are the closing documents for the Phase II retail. To the best of my knowledge the only document missing is the final report on the cleaners. On these projects the reality is the really important things are an accumulation of attending to a lot of small things. You attend to the small things and the end result seems to work out very well. We are working with the redeveloper and contractor to try and develop a system of reporting the sales and use tax we are seeking to collect for the project. This is something that has not been done but since these are tax revenues generated by the project they are a tax increment that should be collected. Here is a summary of our worksheet efforts. I'll be happy to answer any questions on what we have been doing.

Denham asked did both parties agree to the documents we approved at the last meeting.

Batchelor stated not in the form that you approved them. They had some heartburn over a paragraph that would have them acknowledge a liability. We have updated and refined the instruction. This is part of a learning process. I'll give you an example of what we have done with the first set of reports. Bear in mind we are in the early construction stages where most of the work is site work and very light on the purchase of materials. Since the hotel has been underway longer here is a worksheet that has taken every invoice and transaction that has been reported to us. We ran the calculations on the state and local taxes, on what should have been paid, and the amount of the tax increment to the City of Lawton. The top of your summary sheet deals with the hotel and the net result of this review and analysis. You see $525,000 in purchases and the total sales and use tax. Remember that includes all state and local taxes not just the increment that is to be allocated to this project. You see the total tax and TIF revenue reflected in these numbers. There is a revenue gap due to error of reporting the taxes at the wrong rate or wrong taxing jurisdiction. Some of this arrives from things as simple as the contractor being in Dallas, Texas and makes a purchase and paid their taxes so we don't see it.

They are learning. On the retail side you see $120,000 in expenditures, total sales and use tax reported, and the amount of tax increment revenue. Based on the report we have seen so far there is no gap. We expect the contractors and sub-contractors to follow this procedure and it starts with how they purchase materials and supplies. Lawton won't benefit from the tax unless the purchase arrangement requires delivery to Lawton. Under law it is the point of transfer of the materials which controls which taxes are applicable. We have asked them to set up the contracts so that the materials and supplies will be delivered to Lawton. On the hotel side we are capturing about 75% of potential tax revenue and 100% on the retail said. We are working closely with the developers and they are being very cooperative. This is new to the contractors so we will have a few bumps along the way. The sooner we get the system working the higher percentage we will capture.

Denham asked of the $42,000 reported why aren't we getting more of it. I would think the increment of all that tax is all the taxes.

Fitch stated it includes state, country and city and 2% of the city's goes to the CIP program.

Denham asked I understand the county and state gets theirs but don't we get reimbursed from the state.

Batchelor stated we will. This is a matching grant so we have to do it first and then file an application on a semi-annual basis. The semi-annual period closes on June 30th and December 31st. Take the total expenditure number and multiply it by 2%. That is what you would hope to capture as an increment.

Wells asked would that number double once we file it with the state.

Batchelor stated yes.

Denham asked so is it only 2% of the state tax.

Batchelor stated the state source is not tied to the sales tax.

Sheppard stated it is 2% of the total revenue correct.

Batchelor stated yes. The state is simply matching our 2% and where they state gets it doesn't matter to us. Under the legislation the Oklahoma Tax Commission is suppose to allocate funds from general state tax revenues to provide matching funds.

Denham stated but our numbers have to come from that district so technically it will be from that district.

Batchelor stated that is the purpose of these records. It is the city and LEDA's responsibility to tract the portion of the taxes that generate the tax increment revenue. This is the beginning of our accounting process. It has to be generated and we have to track them. We have to set up the system in the city's finance operations to allocate those amounts. There will be a delay between when the tax is paid and when it shows up as city revenue but it is on the books and it should be allocated each month. These are the procedures that need to be put together and smoothed out on the front end while the revenues are low to catch the mistakes and iron out any bugs within the system.

Fitch stated the contractors will be submitting to us what they submit to the state.

Batchelor stated right and we will have to maintain the same kind of confidentiality that the Oklahoma Tax Commission maintains.

Fitch stated LEDA will only see a total tax and not how it is broken down.

Sheppard asked how will the loss be taken care of.

Batchelor stated we are going to have to make some administrative decisions. In view of the complexity and difficulty of dealing with the generation we will have to decide whether some of those are just incidental loses that are acceptable. If they are not we always have the remedy of going after the developers.

Sheppard stated so your saying let's get it right from now on.

Batchelor stated yes. This is something the contractors and sub-contractors have never done before. You are going to have some mistakes in the system. Our hope is that most of the contractors on major purchases will get it right. If we get a collection rate of 90% I would say we will have done reasonably well. We are doing something nobody else is bothering to do. Every penny counts and it is worth the effort to do this. Over the course of the entire construction you are talking several hundred thousand dollars in tax revenue. As the reports grows and becomes settled city staff will be able to give you reports on monthly amount in portion of the project. You will look at that and make some decisions as to whether additional efforts are warranted.

EXECUTIVE SESSION

1. Pursuant to Section 307B3 and C10, Title 25, Oklahoma Statutes, consider convening in executive session for the purposes of conferring on matters pertaining to economic development, including the purchase/transfer of property, incentive proposals, redevelopment rights, and financing in connection with the Lawton Downtown Redevelopment Project, and take appropriate action in open session as necessary.

   Trustees did not meet in executive session

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

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