MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
MAYOR'S CONFERENCE ROOM
NEW CITY HALL
JULY 18, 2019, AT 2:00 P.M.

Fred Fitch, Chair, called the meeting to order at 2:00 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: Fitch, Fred; Madigan, David; Means, David; Nance, Ron; Neal, Larry;
ABSENT: Denham, David; Fortenbaugh, Sean; Jackson, Keith; Sheppard, Ernie.
OTHERS PRESENT: Richard Rogalski, Executive Director; Tim Wilson, Legal; Kristin Huntley, Finance; Denise Ezell, City Clerk's Office; Kim McConnell, Lawton, Constitution.

Fitch stated we have five in attendance. Item one through six and item eight takes five affirmative votes. Item seven takes seven affirmative votes. We will not be able to vote on item seven today. We can discuss it with no action to be taken.

INTRODUCTION OF GUESTS

Fitch stated today we have Nathan Ellis with the Oklahoma Public Finance Law Group and Mike Brown and Chris with CDBL.

BUSINESS ITEMS

1. Consider approving the minutes of April 23, 2019.

Motion by Neal, **Second** by Means, to approve the minutes of April 23, 2019. **Aye**: Fitch; Madigan; Means; Nance; Neal. **Nay**: None. **Motion Passed.**

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

Huntley stated we have one for Lawn Wizards in the amount of $1,050 and one to Center for Economic Development Law for $165.00.

Motion by Madigan, **Second** by Means, to approve invoices, r3equisitions, and all other submitted materials for payment. **Aye**: Madigan; Means; Nance; Neal; Fitch. **Nay**: None. **Motion Passed**.

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

Huntley stated we will be covering three months today. At the end of April you had $816,949.75 in bank. We had hotel sales tax receivable for February in the amount of $6,985.14

and sales and use tax receivable for $39,523.62. Our accrued interest payable is $269,445.69 and the loan from CCIDA is $1,406,320.47. The next page is your income statement. Revenue is up 70.8% from last year and this is due to the property tax income. Expenses are also up 11.6%. Your net income for April was $23,521.73 and fiscal year to date net income was $94,913.53. Are there any questions on April? If not we will move on to May. At the end of May you had $878,649.28 in the bank. Hotel sales tax receivable for March was $9,407.68 and sales and use tax receivable was $41,756.41. The accrued interest payable at the end of May was $441,018.69 and the principal balance on the CCIDA loan was $1,404,742.71. On the next page, you see revenue for May was down 59.3% and expenses were up 37.7%. Total net income of May was negative $103,640.48 and fiscal year net income negative $8,726.95. Any questions on May. Okay, at the end of June total in the bank was $927,394.38. April hotel sales tax receivable was $9,565.94 and sales and use tax receivable was $36,421.40. The accrued interest was $543,458.05 and the principal on the CCIDA note was $1,401,503.81. On the income statement you see revenue was down 9.9% and hotel sales was up 18.8% and sales and use tax was up 15.4% and expenses were down 12.8%. The total net income for June was negative $55,632.11 and fiscal year was negative $64,359.06. In the far right column you see for the fiscal year revenue was up 6.3% and expenses were down 4.3%.

Fitch asked are there any questions.

Madigan asked would it be possible to email the members and the six banks the balance sheet and income statement monthly.

Huntley stated sure. I will need the contact information for the banks.

Madigan stated forward it to me and I will see that the other entities get it. It would be nice to have since we do not meet on a monthly basis.

Fitch stated are there any other questions.

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

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

Rogalski stated item eight will cover everything we have today.

5. Consider approving a retainer agreement for professional services between LEDA and the Center for Economic Development Law.

Fitch stated this is our annual agreement with Batchelor and there are no changes.

Motion by Madigan, **Second** by Nance, to approve the retainer agreement for professional services between LEDA and the Center for Economic Development Law. **Aye**: Nance; Neal; Fitch; Madigan; Means. **Nay**: None. **Motion Passed**.

6. Consider approving an agreement for bond counsel services between LEDA and the Public Finance Law Group PLLC.

Fitch stated this retainer agreement is for bond counsel services.

Motion by Neal, **Second** by Madigan, to approve an agreement for bond counsel services between LEDA and the Public Finance Law Group PLLC. **Aye**: Neal; Fitch; Madigan; Means; Nance. **Nay**: None. **Motion Passed.**

Fitch stated we will move item eight to the next item.

8. Consider approving the Design Development Documents for the Bricktown Brewery project in accordance with Article V of the Redevelopment Agreement.

Fitch stated LURA meet this morning and approved these documents.

Rogalski stated you will see the design development submittal and the final construction plan submittal. The building is 54% brick and the façade was approved by the Downtown Lawton Architectural Review Committee. This is a very nice looking building and does meet the overlay standards. The front door faces 2nd Street and on the front façade is a raised lettered sign. The other signs are hand painted murals on the brick façade. This gives it that old Bricktown kind of look. The site plan is not significant. It has 100 parking spaces, which is more than twice required. There will be an ATM on the east side of the building. Total seating is 152 and that does not include seating on the patio. I do not see any issues. They have done a good job putting the plans together. Between now and the construction drawing things could change a little.

Brown asked does that have the hashed walkway.

Rogalski stated yes.

Brown stated the purpose of the hashed walkway is going north it lines up with the sidewalk on the front of the building. Our ambition is there will be comradery between the Hilton and Bricktown Brewery. This gives a nice pathway from the Hilton to the brewery.

Fitch stated you also have an opening between the two parking lots.

Madigan asked is the patio in the northwest corner.

Brown stated we are trying to encourage them to slide that east as much as possible. I had it designed to the east and they came back with this specific design.

Fitch asked will they be able to put a roof with open air and a canopy.

Brown stated they could if they want. They may do something like that or slide it more east.

Fitch asked are there any questions.

Rogalski stated this item is for you to approve the design document. Everything I have seen shows it meets the terms of the agreement.

<u>**Motion** by Means, **Second** by Madigan</u>, to approve the Design Development Documents for the Bricktown Brewery project in accordance with Article V of the Redevelopment Agreement. **Aye**: Neal; Fitch; Madigan; Means; Nance. **Nay**: None. **Motion Passed**.

Fitch stated the picture you see here is the plans for the future Bricktown Brewery's.

Brown stated that is the plan. They have 114 locations across the country and have never built from the ground up. Our ambition is to become their builders. Part of the design process is to help prototype the building and to see what is the most effective way to build this restaurant in multiple locations.

7. Consider approving a resolution approving the issuance of Lawton Economic Development Authority's Tax Apportionment Note for the financing of projects in the Lawton downtown increment districts in the amount of not to exceed $28,500,000 (the "2019 note"); waiving competitive bidding on the sale thereof; approving a series 2019 supplemental indenture, an amended mortgage, and an amended general agreement of support and reserve maintenance agreement, and ratifying and confirming a general security agreement, a sales tax agreement, a development financing assistance agreement and other documents relating thereto; and containing other provisions relating thereto.

Rogalski stated I apologize that we will not be able to take action on this item. This is scheduled to go before City Council on August 13 so we will have to have a special meeting before then. As we have discussed before there are issues with our current note and the application of the land sale proceeds. This is a copy of the revenue tracking spreadsheet that shows where we spent the money. Originally, we borrowed $31.6 million and there was $2.9 million in land sale proceeds. This gave us a useable dollar value of $34,500,000. The $2.9 million was to be set aside with $600,000 to use during the project and $2.35 for the reserve account. The $2.9 was applied to the principal instead of going into a separate account. We did benefit in the funds being applied to the wrong account because we have not paid interest on the $2.9. You can see we still have obligations of about $700,000 to the outparcels and $50,000 in retainage from the existing building. Once a CO is issued, we will owe the $50,000

Fitch stated the $53,760 is on the existing parcels but not rented. This is incentive money that goes to the developer when those are occupied. The $696,667 is for the parcel of land that Bricktown Brewery will be built on and then there is 185,000 square feet east of the brewery and 42,000 to the north of Mattress Firm. The $348,333 is the amount based on the square footage of Bricktown Brewery that we are buying back from Collett. This would have been funds to Collett if he had developed the land. Now he has $348,333 for the parcel east of the brewery and north of Mattress Firm.

Rogalski stated we have an obligation to Collett and we have the reserve account. Originally, it was going to be $2.3 million. You have paid a million dollars of interest payments from the contingency fund. We agreed to cut that million off the $2.35 and set the $1.3 million in the reserve account. This lowers the amount of debt that LEDA has to shoulder.

Ellis stated to refinance this note we have to have seven affirmative votes. This constitutions a debt obligation which requires a ¾ majority to pass and waive the competitive bidding. It occurred to me Madigan would abstain due to his position at Arvest. Ordinarily someone in his position would abstain. Statutorily there is a way you could vote. I do not know what Jensen's advice has been in the past.

Fitch stated Wilson will you review this and see if Madigan will be eligible to vote.

Ellis stated this resolution authorizes the issuance not to exceed $28,500,000. There is $26,305,000 that is owed on the principal balance. What happened is the $2.9 million was not set aside to a reserve account but was applied to the principal of the loan. This was good from a standpoint you haven't paid any interest for the past 6 years. It is bad from the standpoint you do not have a reserve fund so that shortens you on some of your project obligations. The banks have proposed to lend an additional $2,050,000. The note will be somewhere around $28,305,000 and we will pay off the $26.3 that is outstanding. From a document standpoint, it made more sense and was a cleaner transaction to pay off the old note and have a second note. The key provisions is the reserve fund would be reset from $2,350,000 to $1.3 million. As you sale parcels, the funds will go to replenish the reserve fund or when you have excess TIF revenues. The reserve funds will be on a drawdown basis. You will not pay interest until you drawdown from the account. There is a provision in the existing documents that if you draw funds from the reserve it triggers a replenishment obligation by the City. This is not in the new documents. Once the $1.3 is completely drawn down you will use surplus revenues from land sales to replenish the $1.3. The interest rate changes from prime plus 1.25% to just prime. Prime is currently at 5.5 and is not expected to change between now and September. When you close this transaction, the document calls for the rate to be 5.5% from now until September 1. If prime drops between now and then, it will reset.

Nance asked so our rate goes down 1.25%.

Ellis stated yes.

Madigan stated this is a really good point that needs to be made to Council. The rate could be 6.75%.

Ellis stated the minimum rate is 4.5%. The term is the same and the dollar amount is an additional $2.05. Those are the selling points to make to the City. Obviously, the interest rate savings is important. They still have a sales tax agreement in place and that does not change.

Nance asked should we expect anything different in a competitive bidding situation.

Madigan stated we talked about this. When the revenue is a little stronger, we need to take it out to the market and see what we can get. Right now, everyone is a little hesitant but the banks are open to that.

Fitch stated at this point it is not marketable. Being in the situation we are in we would have been dealing with a bank in New York and not local. Thank goodness we are dealing with local banks. It has given us the opportunity to sit down and talk and they have worked with us.

Ellis stated a market rate is what someone is willing to lend you at the time. TIF's are financed at the outset and you don't have a revenue stream. Revenue is based on projections. You are fortunate you have local banks that have an investment in the community, understands the project and are willing to lend. The terms are reasonable and I would not call it out of line.

Nance asked in the new note if the project does not cover the loan is the City obligated to meet the obligation.

Fitch stated the City is the final backstop. With Bricktown Brewery we will have about $92,000 annually. It would be fantastic if we could get the north end completed with a big box. Collett is working on something.

Madigan stated it would completely change everything.

Rogalski stated we need Phase II to kick in. We have too much empty ground. Bricktown Brewery is significant because it is going to be popular and should increase revenue for the existing stores. We hope to get something next to it.

Fitch stated the Hilton is excited.

Madigan stated you would think we would gain momentum once it opens along with the new public safety building.

Ellis stated most of the documents will remain the same. We will have a new supplemental to the general indenture that will reflect the revised terms. There is an amendment to the General Agreement of Support and we will amend the mortgage. This removes the City's obligation to fund the reserve in the event it is being drawn on. The other project agreements stay the same.

Nance asked what are the fees that are incurred to refinance.

Fitch stated it is based on the agreement.

Ellis stated it will be the number of discussion hours with the banks and LEDA. We do not anticipate any other closing cost. There will be a small mortgage tax for the recording fee.

Nance asked but nothing excessive.

Ellis stated no and there are no lending points. The idea is to close as soon as possible. We understand it must go before City Council to be approved. If we close before September 1 will need to pay the accrued interest on the existing note. Then there will be a short period of interest on the new note for the days it is outstanding.

Fitch stated Council will need six affirmative votes for this to pass.

Rogalski stated this will go before Council on August 13th and LEDA will need to approve it before we take it to Council.

Fitch asked are there any questions. This is a big win for LEDA. I want to thank all the banks for working so hard to make this happen. Rogalski and I have spent a lot of time with BancFirst. It shows the loyalty, interest and desire for this project to work for the community and the banks were a vital part.

Madigan asked is Ellis going to be available on the 13th at the Council meeting.

Ellis stated yes.

Fitch stated I want to thank Ellis and his firm for all they have done. This goes back to having a long working relationship and we want to continue that.

EXECUTIVE SESSION:

1. Pursuant to Section 307B3 and C10, Title 25, Oklahoma Statute, 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 with respect to the Lawton Downtown Redevelopment Project and in particular the development of Lot 1, Block 1, Lawton Downtown Center, Part 2, and take appropriate action, if necessary, in open session.

Fitch stated we will not be convening into executive session.

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

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

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