MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
MAYORS CONFERENCE ROOM
NEW CITY HALL
OCTOBER 11, 2018, 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: Denham, David (Entered Late); Fitch, Fred; Fortenbaugh, Sean; Madigan, David; Means, David; Nance, Ron; Sheppard, Ernie.
ABSENT: Jackson, Keith; Neal, Larry.
OTHERS PRESENT: Jerry Ihler, City Manager; Richard Rogalski, Planning Director; Kristin Huntley, Finance Department; Denise Ezell, City Clerk's Office.

INTRODUCTION OF GUESTS

BUSINESS ITEMS

1. Consider approving the minutes of September 18, 2018.

<u>**Motion** by Sheppard, **Second** by Madigan</u>, to approve the minutes of September 18, 2018. **Aye**: Fitch; Fortenbaugh; Madigan; Means; Nance; Sheppard; Denham. **Nay**: None. **Motion Passed**.

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

Huntley stated there is one to the Lawton Constitution for publication of the annual report in the amount of $420.

<u>**Motion** by Madigan, **Second** by Means</u>, to approve invoices, requisition, and all other submitted materials for payment. **Aye**: Fortenbaugh; Madigan; Means; Nance; Sheppard; Denham; Fitch. **Nay**: None. **Motion Passed**.

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

Huntley stated at the end of September you had $302,842.14 in the bank. Under current assets your hotel sales tax and sales and use tax receivables are for the month of July. Under liabilities the loan to CCIDA is at $1,432,706.44. Under long term liabilities the BancFirst line of credit is down to $26,305,196.73. The next page is the income and expense. This time last year your income was down 18.7%. This is due to property taxes which go up and down. Your expenses are down 63% and that is due to the 5% out parcel payment we made last year. The BancFirst charges of $25 were for wire fees. Interest expense for September was $137,271.22 and mowing expenses were $1,250. Total net income for September was a negative $75,688.61. Our year to date net income is $697,678.58. Are there any questions.

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

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

   Fitch stated we have nothing to report at this time.

5. Continue discussing a request for economic development assistance submitted by GBT Realty Corporation for a proposed retail development located approximately at intersection NW 82nd and NW Cache Road, and convening in executive session as necessary to discuss any specifics of the request that are considered confidential by the developer/applicant, and make a recommendation to City Council.

Rogalski stated at the last meeting you asked staff to research the other cities that GBT had recently worked with. Here is the report on what I found. Beginning with the City of Bartlesville who had an agreement in 2016 and I spoke with their Economic Development Director. Their maximum assistance was $3.8 million. The purpose of the assistance was for the purchase price of the site and 10% of actual construction costs. The public purpose is the projected was located in a TIF District. There was a large floodplain that ran through the community that required 8 to 9 feet of imported fill material. They created a TIF District for this project. The public purpose was to eliminate the blight and floodplain issues. This project would be in accordance with our policy. Property taxes generated within the TIF District went to pay the note. Some of the sale tax was set aside for a reserve account with the majority going to the city. They are very happy with this project. Majority of the assistance was paid when there was 70% occupancy of the 80,000 square feet was leased. Phase II was discussed but never happened.

See stated Academy on Phase II pulled back and once it starts to move forward that is a potential site.

Rogalski stated the City of Owasso happened in October 2014. I spoke with the City Manager and the Economic Development Director. Their maximum assistance was $600,000 for a 62,000 square foot sporting goods store with a projected $20 million in sales. The public purpose was approximately $400,000 for improvement/work within the public right-of-way. This would follow our current policy. There was $200,000 of the incentive that was based on anticipated sales tax revenue created by the project. That would be outside our current policy. The funds were paid from sales tax collected. This was basically a sales tax rebate. Out of the 3% general sales tax 1% was dedicated to pay off the $400,000 and the other 1% to pay off the $200,000 of the incentive. Once the $200,000 was paid 1% was all that was dedicated.

Fitch stated Ihler spoke with their City Manager and they are revamping their economic policy. Since the project they realized they opened a barn door.

Rogalski stated the City of Enid did an agreement in November 2015. I spoke with the City Manager and the Economic Development Director. There was a maximum assistance of

$2.8 million for a 75,000 square foot retail center with 62,000 being a sporting goods store. The funds were used to assist with the purchase price, closing cost, demolition, site work, public improvements, and other cost associated with the development. The money was used for a pretty broad spectrum. The public purpose was to increase the city's tax base and tax revenues. The money was secured by the Enid Development Authority through a sales tax revenue note. The City pledged certain sales tax as security. It was set up like a TIF District in that the taxes generated by the area were used to pay the note. They did not go through the process of setting up a TIF District. They purchased an old Walmart for this project.

See stated we actually ended up with $3.1 million in incentive. We had to go back because the project grew.

Rogalski stated there was a very large sum of money that went towards this project. It was for a lot of general purposes. What was interesting about this project they required the developer to guarantee a threshold sales from the sporting goods store at $10,000,000. They had to pledge annually to pay the City an amount of attributable sales tax at 2.5% for any shortfall. I thought this was pretty good. They were trying to assure that they would get the public benefit that they were spending their money for. At the last meeting See mentioned the City of Broken Arrow and there were no incentives on that project.

See stated this project didn't need incentives because the tenants were paying $20 to $24 per foot.

Rogalski stated I modified the evaluation slightly. Based on Bachelor's opinion, which we will discuss in executive session, the recommendation is based on our current policy. All we can work with is public improvements. You may want to recommend to Council they modify the policy based on the discussion of broadening the definition of the Local Development Act by the court cases.

Fitch stated our estimated cost is $700,000 for right-of-ways and public improvements. Those cost could be covered within the policy for retail economic development. Do you have anything you would like to add?

See stated no.

Fitch asked are you still requesting your original proposal.

See stated yes. We didn't know the scope of everything. He had sent some information about the gas line and they are not concerned about that. I don't think it will be an issue.

Rogalski stated I just wanted to make certain you knew. Gas lines are expensive to cross.

See stated she knows it is there.

Fitch asked do you still want a lump sum of $1.35 million once you have reached 80% occupancy.

See stated yes.

Fitch asked you are still asking for 4 1/8th of the sales tax for the first year.

See stated yes.

Fitch asked and an additional 1% sales tax for 6 additional years.

See stated yes.

Fitch stated the total incentive package is approximately $4,952,692. If you take $400,000 from it that would be roughly $4.5 million.

See stated correct.

Fitch stated let me reiterate we cannot do the 4 1/8th sales tax. We have 2 1/8th committed to our CIP projects until 2025. All we have is 2% to work with. On the previous project there were $2.5 million in public improvements. We agreed to 1% up to $2.5 million for 5 years. We are about to make our last payment of $396,000 and then the sales tax will revert to the City.

See stated at the last meeting we talked about the 4 1/8th not being available. You tell me what is available and maybe we can work with that. Maybe going to a 2 year period instead of 1. We are trying to work with the City to get the deal done.

Fitch stated all we have to work with is 2%.

See stated okay.

Fitch stated 2% is what goes into the general fund. Are you standing firm on your original request as an incentive package? If we do the 2% do you still want the $1.3 million?

See stated yes. It may take 2 years or whatever.

Fitch stated okay. Is there anything to be added at this point or any questions before convening into executive session?

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 with respect to the Lawton Downtown Redevelopment Project and other areas within Lawton, and take appropriate action, if necessary, in open session.

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

The Authority convened in executive session at 1:21 p.m. and reconvened in regular open session at 2:22 p.m. Roll call reflected all members present except Jackson and Nance.

Fitch stated we will be able to recommend to do the public improvements for the signalization, road project, turn lanes, stacking lanes and things of this nature at cost. It would be done over a 5 year period with 1% sales tax rebate to GBT. This would be the actual cost of the improvements.

See stated you are saying that GBT would do the improvements and you would reimburse them.

Fitch stated yes.

See stated they are not able to do that. That is not what our proposal was.

Fitch stated final approval will be from the Council.

Jensen stated if you are going to make a recommendation to Council you need a motion to finalize it.

Sheppard asked is there a need to make a recommendation. Didn't See just say it was a no deal.

Jensen stated as long as the application is pending you will need a motion.

Rogalski asked are you withdrawing your application or just saying this deal doesn't work.

See asked is all your offering are the improvements.

Fitch stated yes.

Jensen stated that is the recommendation of this body. This recommendation will go before Council.

See stated I'm not withdrawing the application.

Motion by Sheppard**, Second** by Means, to recommend to the City Council that the request be approved in accordance with City Council Policy 1-10, limiting the assistance to the actual cost of the public improvements to be reimbursed to the developer through annual payments equal to one half of the general fund sales tax revenue generated by the project for a maximum term of five years. **Aye**: Sheppard; Denham; Fitch; Fortenbaugh; Madigan; Means. **Nay**: None. **Motion Passed**.

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

There being no further business the meeting adjourned at 2:30 p.m.

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