MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
MAYORS CONFERENCE ROOM
NEW CITY HALL
NOVEMBER 5, 2018, AT 2:30 P.M.

Fred Fitch, Chair, called the meeting to order at 2:30 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; Fortenbaugh, Sean; Madigan, David; Means, David; Nance, Ron; Neal, Larry; Sheppard, Ernie.
ABSENT: Jackson, Keith.
OTHERS PRESENT: Jerry Ihler, City Manager; Richard Rogalski, Planning Director; Kristin Huntley, Finance Department; Denise Ezell, City Clerk's Office; Kim McConnell, Lawton, Constitution; Ted Warkentin, Johnny Owens Commercial Properties; CJ See, GBT.

INTRODUCTION OF GUESTS

Fitch stated we don't have anyone new with us today.

BUSINESS ITEMS

1. Consider approving the minutes of October 11, 2018.

Madigan asked under others present should we list everyone that is in the room.

Ezell stated normally I just list members and city staff. It isn't a problem to list the others if you would like for me to.

Madigan stated since we site different people I thought it might be nice to have them listed.

Ezell stated I can do that.

Madigan stated thank you.

Motion by Neal, **Second** by Denham, to approve the minutes of October 11, 2018. **Aye**: Fitch; Fortenbaugh; Madigan; Means; Nance; 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 stated we don't have any for approval today.

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

Huntley stated at the end of October you had $344,559.07 in the bank. Under other current assets you see the hotel sales tax and sales and use tax receivables for August 2018. Those total $53,927.16. Under liabilities and equity the accrued interest payable on the BancFirst note is $274,992.58 and the principle balance of the CCIDA loan is $1,431,706.44.

Fitch asked does this include the $16,000 we just received.

Huntley stated no. That will be reported next month. On the next page your revenues from October 2018 and 2017 were up 8.8%, hotel sales tax was up 24.65%, sales and use tax was up 35.6%, property tax was down 5.1% and year to date we have a 5% increase in revenue. Under expenses we have our interest expense, mowing and debris, and professional fees for Center for Economic Development Law for August and September. We mixed up the invoices for LURA and LEDA on mowing and the LURA invoices was a little more than LEDA's. LURA reimbursed LEDA the $244. Our expenses from October 2017 to 2018 are up 13.3% and was down for the year 31.3%. Total net income for October 2018 was negative $88,632.62. Are there any questions.

Fitch asked year to date?

Huntley stated total net income year to date is $609,045.96.

Sheppard asked are the year to date property taxes down.

Huntley stated yes.

Fitch stated we have received 2 checks and are consistently receiving back taxes.

Sheppard asked is this a timing issue.

Fitch stated if it were April or May I would say it was a timing issue.

Sheppard asked have we lost stores that are paying taxes.

Fitch stated we have lost stores within the city. Is that what you would say?

Huntley stated I just get a check. They don't give me any details.

Denham stated this is just for the 12 square blocks.

Sheppard asked so have we lost businesses.

Rogalski stated property taxes are based on the structure. A lot of time you lose the assessment. The hotel was assessed at a certain dollar amount and they appealed it. They won their appeal and the Assessor lowered the taxes. It is not necessarily a loss in properties but a reassessment.

Sheppard asked are we losing value on properties within the 2 TIF areas.

Fitch stated I would we are losing some value.

Neal asked could the value of the mall have gone down.

Madigan stated I wondered about that.

Fitch stated the value may not be the same if you don't have a rental income. I would say the assessment goes down.

Motion by Means, **Second** by Denham, to accept the treasurer's report. **Aye**: Fortenbaugh; Madigan; Means; Nance; 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 Viridian Coffee is very close to opening.

Fitch stated the reports we receive on the hotel are tremendous. They are very pleased. Hotel/motel tax within the City of Lawton is up 38% last month.

5. Reconsider 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 consider making a recommendation to City Council regarding this request beyond the limitations of City Council Policy 1-10.

Rogalski stated on October 23rd the application that was recommended by this authority went to City Council. Your recommendation was to limit the assistance as required by Council Policy 1-10. Council asked if the policy was modified how LEDA would review the application. That is the reason for reconsidering this request. What would your recommendation be if Council Policy 1-10 was not a limiting factor? What I have done is give you a supplemental analysis. I didn't repeat anything that was in the first analysis. The request from GBT is still the same. You requested a legal opinion from Dan Batchelor and he stated that you can do a little more than what our policy allows. We are cautioned that: "When not following a specific incentive program or plan set up under the statute that the Oklahoma legislature has definitively declared to be for public purpose, it is important for a municipality to document the public benefit resulting from the provided incentive and enter into enforceable agreements with the recipients of those incentives that ensure that public benefit will be realized." Increased sales tax can be a public purpose. You have to make sure you document and have enforceable agreements that shows you will received increased sales tax. We are looking at going beyond public improvements. When you invest in public improvements the improvements are the public benefit. They are physical items the City actually own once they are done. When investing your money in some of the private improvements that is investing in the development. This is where you have to be careful in how you document and assure you have the public benefit. One of the issues with investing in retail is it is very difficult to ascertain the amount of transfer that going to move from existing stores to the new ones. This is a part of the application. We require the developer list all their tenants and they estimate their own rate of transfer. In this case the rate of transfer is about 65% new sales and 35% from existing stores. Based on their numbers that is $11,000,000. We discussed at the last meeting that my numbers are a little more conservative. I'm not showing the amount of sales per square foot that they estimate based on my analysis of existing stores. I also project a little more transfer. At the last meeting it was 47% was new and 53% is transfer from existing stores. I got another report on transfer from a different source and looking at it I have great concerns. We have a lot of clothing and shoe stores. This report shows we have a surplus. Clothing stores show an $11,000,000 surplus and shoes $4,000,000. To some extent a surplus can be seen as a good thing. This means people are coming from out of the geographical area and buying more things. They show the potential retail of our community is $4,000,000 less than shoes. These reports are not a direct interpretation of what is happening. Sometimes there are other issues and sometimes there are not. Generally speaking what it does mean is your supply is more than your demand. You have a very large surplus on general merchandise. We have some general merchandise stores that have closed recently. There are dollar stores everywhere. We also show a surplus of restaurants. A surplus doesn't mean another brand won't do well. I'm not saying that no one would frequent the new store. I'm saying if there is a surplus in that market it is likely what you are getting is transfer. Looking at this analysis I did another analysis of the tenants. I didn't change the amount of earnings those stores will have but I did change the amount of transfers. I'm only showing 25% new. Home furnishings shows we have a shortfall. If that was one of the retailers it would likely generate new sales. We have a shortfall in motor vehicle and vehicle parts. We also have a shortfall in grocery stores. I don't believe this takes into account the commissary. The commissary doesn't report. Maybe it's not 53% but 75% transfer. Seventy-five percent is $15,000,000 that comes from stores outside this area. We are taking money from existing business and moving it to this new development. On page 2 I have 3 options that are based on ways you may want to consider providing incentives. Option 1 is very simple. It would be to provide a rebate of 50% of general revenue which is 1% of taxable sales for a period of 5 years. The great thing about this option is the City retains 1% and the developer gets 1%. We found with the last development our sales tax was flat. Either half was transfers or sales went down. We don't know. We do know that the general revenue stayed flat. With a sales tax rebate you don't require a guarantee from the developer or we don't have to discuss how much the store will earn. All you are going to get 1% or half of what is generated up to a maximum amount.

Denham asked where do we get that number.

Rogalski stated from the Oklahoma Tax Commission. Our Finance Department gets that number and they do the math.

Denham asked can we see that for the new stores exclusive from the existing store.

Rogalski stated yes, by brand. Since we have an existing Ross and if they are owned by the same entity they will report one number. This is when we would ask the developer to have the new stores to report their actual sales. If there is only 1 Target you know exactly what the number is.

Fitch stated another thing to take into consideration is the tax dollars generated from Ross number 1 may shift to Ross number 2.

See stated there are several Ross's in Oklahoma City and they report by store number. The do report separately.

Rogalski stated we have a lot of retailers that do not report separately. We have to get the numbers from another means. One percent for 5 years based on the developer's number is $1,500,000 and based on my numbers it would be $1,000,000. Those are rough numbers. Option II would be to remit to the developer all the sales tax which can be shown to be new revenue to the City. We would remit all that we can show is new revenue. The difficulty is to determine what is new revenue. We could argue for week on what that number would be. If you have a Ross account you could see what transfers from one store to the other. You will never know what transfers out of any other stores in town. The first year you could compare the total city revenue with what the development earned. If our revenue went up $200,000 and the development earned $400,000 you could say about half of it was new. There are so many variables involved that might not be a true account of what the new dollars were to know if you were right or not. It would be a reasonable way that you could make sure the City's general revenues did not go down. If the general revenue only goes up $100,000 and you earn $400,000 we will remit $100,000. That is all we can show to be new. It is very hammer and nails kind of mathematics. I don't know of a better way to go. Based on the difference between the amount transferred I think will happen and the amount the developer thinks will happen for 5 years as a cash rebate the number is somewhere between $500,000 and $2,000,000. That shows you the difference between the amount of transfers from their guess to mine. If you do it as a sales tax rebate there is no need for a guarantee. Whatever the math is will be the rebate to the developer.

They will get what they have earned in new revenue. Option III is to borrow the money and make a lump sum payment. You are all aware we don't have a pot of money we can hand over. We would have to borrow the money in order to do an incentive of this nature. You then have the issue of what is new to our economy. In order to give that money to the developer we have to make sure we have a public benefit. You would have to handle the whole calculation I just mentioned. You also would have to get some financing and determine the cost of the financing. The cost would have to be taken from the public benefit. If we have a note with fixed payments we would have to have a guarantee from the developer similar to what the City of Enid did. It says if the payment is X, the new revenue generated is Y and Y is less than X the developer will make up the difference. There could be a payment due from the developer if there was a shortfall in revenue. This is extremely difficult to work out. You have to work out what the transfer is and what is new for this to be a doable agreement. If you deal with new revenue you are dealing with the estimate on the last option which was $500,000 to $2,000,000 for a 5 year payoff. I used the term of 5 years on each option. I wanted to make sure I was looking at apples and apples. There is nothing magical about 5 years. It does limit the damage if we are wrong. The number of years is whatever you and Council feels should be done. I used 5 years because that seems to work for Target and is in the current policy. My recommendation is the current policy of 50% of the general fund which is 1% for a period of 5 years. They get half of whatever your new development earns for a period of 5 years. I'm worried about the transferring from existing businesses. I'm the Planner for the whole city and if one side is doing great and the other has empty buildings I don't have a good City. I have problems. I'm extremely nervous about what transfer does to existing stores. That does not mean we would not welcome new retailers to town. License and Permits will help them through all the permit and rezoning process. It is just concerning when you are incentivizing. Incentivizing is different than being helpful. Incentivizing one store that hurts another to me is problematic. My recommendation is to continue to limit the improvements to NW Cache Road. Public improvements are clearly a benefit to the city. That is a proven way to go and is my recommendation.

Sheppard asked can you narrow the $500,000 to $2,000,000 down. Before you had some estimates and I don't remember those numbers.

Rogalski asked the cost of the public improvements.

Sheppard stated no. It was what the sales tax would be.

Rogalski stated I have that sheet but it will have to be handed out in Executive Session. It has the names of the retailers. I can give you the total. The developer's total sales are just under $32,000,000 and mine is just under $21,000,000. My numbers are based on earnings. Taxable revenue that we have seen in projects in Lawton to include the west side project. Sales tax earnings off of 2% were $635,000 for the developer and $412,000 per year was mine. Then you get into transfer and how much is new to our economy. The developer believes of the $32,000,000 just under $21,000,000 is new to the economy and that would generate $412,000 a year new money. That times 5 years is $2,000,000. My numbers are $5,000,000 of the $21,000,000 is new money and that is $102,000 per year. That is where I get the $500,000. I feel my numbers are pretty good. The transfer is an estimate.

Fitch asked are there any recommendations by the Authority. (No Answer) Does the Authority have a viewpoint on Option I, II, or III.

Denham asked is the developer's proposal still the same. They were asking for 4% sales tax and we know we can't do that.

See stated I know. That is kind of the discussion we had at Council. I thought this was more like sit down and have a conversation on what you can do. Tell me what you can do and then let's work out what we can. I know we have to have the upfront money. I know if we can we will cut the 4% to 2% due to your CIP. Let's say we get 2% and definitely the $1,350,000 for 1 year and let's break that down into 2 years of the 2%. Then I believe it was 6 years of 1% and break that down to 4 years of 1%. We kind of shortened the payback. I was thinking when we were at Council we would have that kind of conservation about how it could be possible to get there and make this happen.

Fitch stated the $1,350,000 would be contingent on our ability to borrow the money.

See stated right. We would also offer a guarantee like we did in Enid. We will guarantee X amount of sales will be generated. We have been doing this a long time. Thirty-five years and we have a certain software we use. He is correct it is hard to say where a transfer is. There is no software out there that can say what is what. When we go into a market we work on what we feel like…..I think my numbers are a lot closer than his estimations. So we would guarantee an X amount of return.

Fitch asked based on your numbers.

See stated yes.

Denham stated you total sales and transfer is just a crap shot we will have to live with.

See stated I think you are not looking at the bigger picture like Burlington. People are shopping Burlington are from north Texas and all over Oklahoma. They all have to drive to Oklahoma City. You have to look at the different tenants that are not in your current market.

Look at where they are currently and how far they are. You need to take that into consideration. That is leakage.

Denham stated correct. Have you calculated the leakage from our community?

See stated yes.

Denham asked what were those numbers.

See stated the non-store retailers or online sales is $123,000 million, supermarket and grocery is $84,096,000, general merchandise is around $15,543,000, gasoline is $12,269,000, lawn and garden equipment and supplies is $4,793,000, and other home furnishing is $3,697,000. I can't say who it is but on one of the retailers fit into this category.

Denham asked what percentage do we retain by bringing in your stores.

See stated I don't know if there is software out there to even compute that. I would have to sit down with my boss and find out exactly what percentage.

Denham stated if we could gain in leakage it would offset transfers.

See stated absolutely.

Warkentin asked is that based off of just Lawton.

See stated yes. That does not include Cache or Elgin.

Rogalski stated if we were to agree to all your terms we would have about $2,000,000 we would have to borrow. Remember we are also pledging the sales tax that we would have to use to pay the note. Do you understand what I mean?

See stated yes.

Rogalski stated we have 2% to apply to the note but we don't get that for the first 2 years. Then we only get 1% for the next 6 years. That within its self is problematic. Keep that in mind.

See stated I'm not saying borrow….well I would say borrow more for the ask than the retail portion of it. Instead of the 2% it would be 1% so you are able to pay that portion back. I'm just looking at different ways to try and skin a cat. The deal is to try and make this happen.

Sheppard asked can you enlighten us as to what went on at the Council meeting. What are they thinking and why did they send this back to us.

Fortenbaugh stated I'm part of the reason. I think they wanted to make sure we had exhausted all our efforts. There were different thoughts about whether we should incentivize or not. We basically passed it back to you.

Fitch stated I don't believe part of Council understood the whole package. They didn't realize that with the state law we can do this but we have to have some insurance and guarantees. The developer would have to guarantee the difference.

Fortenbaugh asked how did it work in Enid.

Fitch stated we are talking the $1,350,000 plus the $700,000. We can do the $700,000 within our present policy.

Denham stated that is also a rebate and not up front.

Fitch stated correct. There were other developers that attended that meeting. They were there to see what kind of incentives the City was going to give. If we borrow the $1,350,000 we have to have a guarantee so we will be able to pay that back plus the interest. When you have a guarantee they have to have the money to put up front. This is so it is sellable to a bank. They are asking for $4,900,000. Rogalski has put together some other options. Possibly we could do something where we didn't have to borrow the money based on sales tax payback over a period of 5 years. We would both break even. We would not be paying it up front. We would ask them to do so. There would not be a need for a guarantee on their part.

Sheppard asked is City Council thinking about changing the policy. They are asking us to comment on a theoretical instance/happening.

Fortenbaugh stated we suspended the policy because we were being told the policy was preventing us from doing anything.

Fitch stated we suspended the policy for discussion.

Fortenbaugh stated I'm not sure this would change things.

Fitch stated if we suspend the policy and make a deal and go back to the way policy was it….

Jensen stated that was not the direction. The direction was to send it back, as far as the initial recommendation, to LEDA for reconsideration. That was one part. The second part was to suspend the policy for the purposes of this application. The third part was if we were going to consider things outside the current policy to not get bogged down by saying we have to suspend the policy. I have prepared the proposed amendments to the policy and it will be on the next agenda. To answer your question they are thinking about changing the policy.

Fitch stated if they change the policy we are going to be in this situation with other developers.

Sheppard asked so they are asking us to reconsider. What do they want us to reconsider?

Jensen stated one of the things that came up, Jay Burk in particular, I don't know where he is. He was suppose to be here….

See stated that is right.

Jensen stated he made a comment about he would come to the meeting. He asked See to think about some modified proposals to bring back. He was to attend the meeting and participate in the discussion. He was expecting, from what I remember him saying, to come back with a new modified proposal. This was him as an individual and not a part of a motion. That was his expectation. He said he would come to the meeting. I emailed you and asked if you wanted him to and you said yes. I emailed and texted him and he said he would be here but he is not.

Sheppard stated you haven't told me what they want us to reconsider.

Fitch stated they want you to reconsider a new proposal of what incentives they want.

Jensen stated that was just Jay Burk talking. They tabled this to come back to LEDA for reconsideration of her original proposal or she was to submit a modified proposal. Jay Burk had individually required a modified proposal to consider. That is what they are asking.

See stated I just wasn't going to submit any type of proposal. I mean I felt like you could throw things out there. I wanted to have a discussion of what this group was willing to do and then put it into a written format to present to City Council. That is what I have done before.

Madigan stated it is not reasonable for this group to sit here and negotiate.

Sheppard stated if you have something to consider…..

See stated this is actually the first time out of twenty different ones, I didn't mean to cut you off, out of 20 cities that I have had to go through a Lawton Economic Development Authority to get approval to go to the city. I have always sit down and worked with City Council. It has never gone through a group like this. I don't know how you guys work. It is very very different. Very time consuming. You know being a banker the exit cap rates are at 8.5 and treasury markets. There is not a big sell for shopping centers. I want to dip in on the fact of development, what we are trying to do, and opening up your city to the simple fact that everybody is going to be coming and asking for money. This is big bucks retails. We asked the questions to City Council how many people are coming here trying to build a 109,000 square feet of retail. There is zero. There is zero and the retailers that pay the lower amount are also complaining right now that their operating costs are up. That is why they are paying the lower amounts. You have developers building your little corner Star Bucks and you are comparing apples to bananas on development and development cost.

Rogalski stated I would like to say you are the only request currently looking for retail assistance. Before you there was another developer on the exact same site that came to the city for money. Before that developer there was other developers on different sites in town and they were looking for more assistance beyond City Council Policy 1-10. They were told that was the limit due to policy and they didn't pursue it any further. In this last year I have had several developers come to town. You are the only one that is doing it right now. You are the one that is here today.

See stated that is because Burlington approached the owner of my company, George Tomlin, at the New York ICSC and asked him if there was any way he could get this deal done. They knew what we had done in Bartlesville and Enid. Burlington wants to be here. The reason Hunt didn't get it done was because of the economics didn't work. You have to partner. I'm going to tell you I read an article to Council about a deal that is happening in McAllister, Oklahoma. They are doing an upfront incentive where the city would provide $1,625,000 or 70% of the remaining money needed for that phase of the project. They currently collect 3.5% sales tax with an additional tax collected by Pittsburg County. Pittsburg County is going to provide another $675,000 through the 30% of the remaining money through a portion of the 1.5% sales tax. Then there is a rebate incentive. Basically they are going to put together a TIF called 14th Street. The total deal to get this done is $6,900,000 million. We are not the only developer asking for incentives. This is the market of today to do big box retail.

Fitch stated I want to go back. After the Council meeting you had correspondence with Rogalski and he wanted to know what your new proposal would be. You said you were firm on what you have now.

See stated we need that upfront money. We are willing to give the guarantee and maybe instead of the 2% do 1%. This way the City is making something and the developer is getting an incentive back. You are saying you have to have something in writing and firm. I could do 4 or 5 of the options he had but in everyone we are going to want the upfront money.

Fitch stated this means we would have to be able to borrow that number and…..

See stated well $1.3 would…

Fitch stated we would have to have a guarantee written into the payback with GBT.

See stated absolutely.

Madigan stated don't you think the request, whether it is reasonable or not, is beyond the scope of this Authority based on the policy.

Jensen stated for purposes of this application City Council suspended the policy and your authority is limited to a recommendation. That is all they are looking for. They are deferring to the expertise of the Trustees on this Trust. That is why it was sent back here. There will be some revision to the policy at the next council meeting. For right now you can make a recommendation outside the policy. The policy has been temporarily suspended until we have a new modified policy.

Fitch stated the current policy is suspended and basically we are making a recommendation based on no policy.

Madigan stated right.

Jensen stated you can make the recommendation you made last time. You can make a recommendation of any of these options or you can make another recommendation.

Fitch stated then you are going to go back and rewrite the policy and it will be….

Jensen stated I have already done that.

Sheppard stated why don't we wait until Council adopts the new policy. Then we will have some guidance.

Jensen stated listen, we are not here to take the action for Council. They took their action and we can't change that. If you don't want to reconsider that is your prerogative. That is the direction they gave and to modify the policy. If you don't want to go any further that is your prerogative. You can't tell them what order to do that in. That was the action they took.

Fortenbaugh stated you guys are the experts. Your recommendation carries a lot of weight. Council as a whole may or may not be in on this stuff.

Denham stated let's say we have a $2,000,000 up front deal. As the City Attorney how do we prove that the $2,000,000 is all a public benefit so we are not out to dry for spending tax dollars…..

Jensen stated I have no idea right now. I'm hearing one number versus another. That has to be hashed out. As far as I'm concerned there are a couple of things that has to be hashed out. One: are they willing to accept an incentive by a rebate? From a legal standpoint that is my preference. Two: which numbers are you going to use so you can say this is a public benefit and one that I'm comfortable saying is a public purpose that will not violate the constitutional provision I read last time. Right now we have a lot of debate about what the actual numbers are or should be. That has to be nailed down. The City of War Acres had 2 key components. Adequate consideration and strong and adequate accountability which will be a guarantee, sales tax rebate or something like that.

See asked could I put together a different proposal which comes up with a number. What we really need would be about $2,700,000 up front and then you could probably come back with the 1%....

Fitch asked 2.7 of the total cost of the project.

See stated yes. No the $2, 700,000 up front. That would include the Cache Road improvements. I'm just sitting here kind of doing my numbers on the $1.35……

Fitch asked are you saying $2.700,000 …..

See stated we would do up front and then $1,350,000 on the back end.

Fitch stated this is the first I've heard of anything on the back end.

See stated we said we would get a full year of taxes and that is the $1,300,000.

Sheppard stated we don't have a proposal.

See stated I could send you the agreement that the City Attorney did in Enid that had the guarantee……

Jensen stated we are going to do our own agreement.

See stated just for review.

Jensen stated we do borrow provisions but we are going to do our own version of an agreement.

See stated I just wanted you to see the guarantee…..

Jensen stated would you explain what you were saying about the $2,700,000. Break that down and what it is for.

See stated in the original proposal we asked for a lump sum of $1,350,000 and 1 full year.

Fitch stated that was another $1,300,000.

See stated it was on the 4.25%. That is what we generated in our numbers and it would have been an additional $1,300,000.

Sheppard stated break the $2.7 down again.

Denham asked is that the $1.3 up front and the $1.3 million for the 4 1/8 sales tax….

Rogalski stated she is asking for $4,000,000 up front and then you don't have to worry about the 4 1/8. That's why you have the $2,700,000.

See stated right. Then when we are 80% occupied we don't get any money….

Jensen stated can we stop one moment. We can't do the 4 1/8 to pledge to any kind of…..

See stated I know that. That is what I'm saying in lieu of.

Jensen stated all right.

See stated basically it is the $2,700,000. This is the way we did in Enid and this would be the same way. We were 80% occupied at the time the money changed hands. Our investment is up front of about $9,500,000 and we guarantee we are going to be 80% full. If you borrow the money you would want a portion of the tax to pay off the debt.

Means stated the way I understand it you want $1,350,000 when it is 80% occupied. Is that correct?

Denham stated $2.7.

Means stated $1,350,000 comes once they are 80% occupies. At the same time you want us to widen Cache Road at a cost of $700,000. There is $2,000,000 before you get into anything at the tail end. I don't understand the tail end deal.

See stated I'm just throwing out an idea. I know we are going to ask for $1,350,000 once we are 80% occupied.

Jensen asked can we start on the front end. It is actual cost of the public improvement and it could be $350,000 or $700,000.

See stated correct.

Jensen stated that is one component.

See stated correct.

Jensen stated your position is your company has to have that up front and not by a rebate. Is that correct?

See stated correct.

Jensen stated now finish the next 2 phases you are talking about and a total amount of money.

See stated the first was the lump sum in the amount of $1,350,000 paid to the developer when 80% of the shopping center is open for business.

Jensen stated and collecting sales tax.

See stated correct.

Jensen stated not just occupied.

See stated correct.

Jensen stated and the next component.

See stated is where we asked for 1 year of all the sales tax, 4.125%, realized by the city based on what our center does in performance. We anticipate it would be an additional $1,300,000. You say you can't do the 4.125% and that is where I came up with the additional amount.

Fitch asked the addition amount.

See stated up front.

Fitch asked in addition to the $700,000.

Denham stated basically we are giving them $2,700,000. Then you want the 1% for how many years.

See stated I think we can narrow that down to 4.

Denham stated we would have 1% to use on paying off the note. That is where we need the guarantee.

See stated right.

Jensen stated I don't have any idea what 1% will generate.

Rogalski stated $300,000.

Jensen stated that will be a long term note.

Denham stated that is why we have to see the numbers before we can make a decision.

See asked is that based on your numbers.

Rogalski stated that is based on your numbers. My numbers would be $200,000.

See asked did you say 1% of the other 4.

Rogalski stated 1% of $31,000,000 is going to be $300,000.

See stated okay. You are correct.

Rogalski stated if they guarantee it we can use their number. You would be guaranteeing that we would see that number.

See stated we guarantee we would generate X amount.

Jensen stated it is still a long term note. At some point and time you have to start reaping not just breaking even.

Denham stated right. They are done in 4 years with the 1% so then we would see 2%.

Jensen stated they are not going to be done in 4 years.

Fitch stated to pay the $1,300,000 up front we would have to borrow the money. Then you have to come up with a contractual agreement with a guarantee from GBT to LEDA.

Denham stated right. That is why I said we have to see the number and proposal. The interest rate is much higher now.

Sheppard stated you are talking about a guarantee as if they are the United Stated Government. They are not.

Rogalski stated I believe the guarantee in Enid was a forgivable loan. If they didn't earn a certain amount of money they had to make up the difference.

Sheppard asked do they have the ability to make up the difference.

See stated yes.

Rogalski stated in this case it was assigned. I think there was a lien on the property.

Sheppard stated how about a CD in the bank. That would be a good guarantee.

Rogalski stated they had a legal hold on the money. I don't know what happens if someone files bankruptcy.

Means stated if they have a lien on the property at best it is a second mortgage which is not very good.

Rogalski stated you have to pay the note and have money readily available.

Fitch stated I think we need to go in Executive Session so that we can discuss this.

Jensen stated we can't just go into Executive Session unless we have some confidential information.

Fitch stated then we will have to have her get her information back to us.

Jensen stated confidential information. The reason you went into Executive Session initially was because there were some retailers that didn't want to be disclosed. You can't just go into Executive Session. There has to be some trade secrets issue for an industry or retailers that don't want to be disclosed. Without that you have no legal right to do that. I keep telling Rogalski that but he keeps putting it on for Executive Session. If you are going to say that there are some tenants that haven't been disclosed that is one thing. That is not the case anymore. You just threw out 3 or 4 or 4 or 5 a few minutes ago. You are not justifying going into Executive Session. I can read the provision to you.

Denham stated Council has directed us to re-evaluate and consider new proposal. We need her to give us that proposal. We don't know if we can do anything.

See asked are you asking to say who the tenants are in executive session.

Jensen stated no. I'm not asking I'm just saying that would be a justification.

Rogalski stated the only thing I have is if you all wanted to see the details of the analysis that I provided. That would be an executive session item.

Jensen asked what information is confidential that relates to provision.

Rogalski stated it has the names of the stores and the amounts they earn.

Jensen stated okay. That would be confidential.

Fitch stated we already have Ross and Burlington and they are public knowledge. You have mentioned Ross and Burlington as you were addressing the Council.

See stated I'm not allowed to mention anybody else.

Fitch stated you have mentioned Ross and Burlington

See stated yes.

Fitch asked and you are not allowed to mention anything else.

See stated no.

Fitch stated I think the best thing to do is to go back….

Jensen stated that would make some difference because you would want to see who the retailers are and their numbers. That justifies an executive session. Outside of that you just can't…..

See asked in Executive Session are these guys under a confidentiality.

Fitch stated it is not to leave the room.

See stated then I think…..

Jensen stated you are not under a confidentiality clause. It is suppose to remain in Executive Session as to what was discussed.

See stated when I served on a Board everything we said had to be confidential and I signed an agreement to that. I think you could go ahead and disclose the different retailers.

Fitch asked those that we have on this list.

See asked you have them on our list.

Rogalski stated I have them. Are you saying disclose this in open session.

See stated no.

Denham stated I would say let her put what we have been talking about into a formal proposal. Then we can have an idea of what we need to borrow or if we can borrow. And we have no policy to follow.

Jensen stated the questions would be is there a way to do a deal without borrowing money.

See stated I think McAllister had a general fund. It was like a rainy day fund. I do a lot of research on the towns that I go in and it's my understanding your Chamber gets $1,300,000 a year from economic development funds. I don't know if they have funds to be able to participate for the road or this or that. I mean….

Jensen stated I'm talking about from your standpoint as far as rebates versus money up front.

See stated no.

Fitch stated you have to have the money up front.

See stated yes.

Fitch stated that is the parameter to back on when we are evaluating her new proposal. They have to have money up front. We will have to borrow money.

Jensen asked are you willing to put together a proposal.

See stated yes. I apologize I just didn't understand. I thought we were going to sit down and talk about X Y and Z.

Denham stated when it is all said and done we have to be able to say it is a public benefit.

Fitch stated she is going to go back and come up with another request for incentives. We have to understand that whatever she brings back we will have to borrow money. We will have to have an agreement that states we have a guarantee and she says they will be willing to give a guarantee.

Denham stated it has to include a guarantee.

See stated I'm saying we did that in Enid and I think we have done another one. I want you to see the guarantee from Enid to see what GBT is willing to do.

Sheppard stated if we are looking at financial guarantees we need to see their financials and evaluate those.

Madigan stated absolutely.

Sheppard stated other than Madigan I don't know of anybody else that is qualified to evaluate that.

Jensen stated we are going to have to have…..

See stated that is part of the agreement. That is why I wanted you to see it.

Jensen stated borrowing money doesn't happen overnight. We don't have to do a competitive bidding but we aren't going to go to an Arvest or IBC. I'm saying bond council will do the transaction and that doesn't happen overnight or in a couple of weeks.

See stated I know.

Fitch stated if you sell the project within 2 or 3 years and it was an 8 year participation what happens. Do you still owe the money? Does it transfer to the new owner?

See stated GBT still owns the money.

Fitch stated they still own it even though they don't have any holdings in Lawton, Oklahoma.

See stated I think when they sold the one in George they took a portion of the sales and put it back until the debt was paid. They are liable. They have been around for 35 years. If you look at our financial you will see we are capable of paying it back.

Sheppard asked if this company is as good as you say it is why don't you go to the bank and borrow the money. Then you could use the tax rebate to pay off the loan.

See stated say that again.

Fitch stated in other words you come up with the $2.7 million and…..

See stated they are coming up with $5.2 million. They have to put up that much money to get the deal done.

Sheppard stated forget that. You are asking for $2,700,000 and you want to guarantee a loan. So why don't you go to the bank and borrow the $2,700,000 and guarantee it to the bank and be done with the deal.

Jensen stated we would do a pledge of whatever is agreed upon that would support the note. That is why I said a rebate or an arrangement like that. We could do a pledge on a note taken out by this company and that doesn't put us at much risk.

Fitch stated in other words whatever the 1% generates would be yours to pay off the $2,700,000…..

Jensen stated it would be a sales tax rebate. Once it is earned we would turn the money over. On Target we did it on an annual basis and this would be on a monthly basis.

Sheppard stated let's take no action today and see what she comes back with.

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.

   The Authority did not meet in Executive Session.

DISCUSSION ITEMS AND REPORTS

ADJOURNMENT

There being no further business the meeting adjourned at 3:55 p.m.

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