

MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
2ND FLOOR CONFERENCE CENTER
NEW CITY HALL
APRIL 26, 2012, 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; Nance, Ron; Sheppard, Ernest; Zarle, Richard.
ABSENT: Madigan, David; Neal, Larry; Wells, Doug.
OTHERS PRESENT: Larry Mitchell, City Manager; Frank Jensen, City Attorney; Traci Hushbeck, City Clerks Office.

INTRODUCTION OF GUEST

Fitch stated we have Kim McConnell and Steve Robinson with the Lawton Constitution, Mrs. Ard, Dan Mullins, Todd and Liz Wyatt, Mr. Abshire, Dave Cassman, Ted Warkentin, George Moses, Bob Dishman, Bill Williams, Brian Henry, Mr. & Mrs. Schutz, Tim Hushbeck and Barry Albrecht.

BUSINESS ITEMS:

1. Consider Approving minutes of April 5, 2012 and April 12, 2012.

Motion by Means, **Second** by Denham, to approve the minutes of April 5 and April 12, 2012. **Aye:** Fitch; Means; Nance; Sheppard; Zarle; Denham. **Nay:** None. **Motion Carried.**

2. Receive and review presentation of the Hunt Properties application for retail economic development assistance for the Lawton Marketplace project proposed for 82nd & Quannah Parker Trailway and take any appropriate action deemed necessary.

Fitch stated I will turn the floor over to Dave Cassman. He is the developer for Hunt Properties out of Dallas, Texas.

Cassman stated Lawton Market Place is a 275,000 square foot development we have been working on for four (4) years. This project is located in the Lawton Public School District and the ad valorem will go to Lawton Public Schools. We are excited about the project. To date we have invested close to a million dollars to move this project forward. The civil engineering drawings are complete and with the city. Staff has reviewed them and there are comments we are addressing. We hope next week the plans will go back with revisions. We are in the final stages of completing the leasing of the inline retail development. There is one small 7500 square foot space not spoken for by a retailer. Nearly all the retailers we have in the project are not currently in Lawton. It is amazing you have a city of this size and the national retailers have overlooked the market. I hear the comment that people are driving to Wichita Falls or Oklahoma

City to do their shopping. I think we can go a long way in stopping that. We are virtually ready to go. There is no reason why we won't be under construction no later than mid-summer. Our current plan is to start putting site work out in May. When we first started looking at this project we had not envisioned the offsite improvements that have been deemed necessary. That includes adding a fifth lane to 82nd Street, upgrades to the intersection of Quannah Parker and 82nd Street and Cache Road, and adding a new signal at Gray Warr and 82nd Street. These are all public improvements that the community at large will benefit from. We are willing to put those improvements in and are asking that a portion of the sales tax revenue associated with the project go to paying for the improvements. There are no private improvements involved with out request. That is the project in a nutshell. We started working on the project in 2008 and looking at the Bureau of Labor Statistics Lawton had an unemployment rate of 3% and now it shows 8%. In a couple of months you will immediately have construction job for about a year. Within a year you will have retail jobs come on line and generate probably a full time equivalent to 500 jobs. This is not something down the road or wishful thinking, it is real. We are here and ready to go. Your workforce is about 40,000 so we are talking almost a full percent it could reduce your unemployment rate. It is common to see retailers filing Chapter 7, going out of business, or cutting back store programs so I can't tell you how fortunate we feel to have this project. You have something that any other city in the country would give their eye teeth to have. Don't let it get away from you. Most of these retailers looked at this site before we got involved. There were three (3) other developers ahead of us. This has been on everyone's radar for a long time and for whatever reason they could not get it accomplished. We are here today in probably some of the worse economic times for retailers and they are ready to go. Don't let it get away. If it does there is no telling if and when it will every come back.

Mitchell stated the board members have a copy of your application. You show a schedule of retailer store you are proposing for the project and the percentage of new sales that would be generated. Would you speak on that.

Cassman stated the format used in the application is the format used when development is presented to cities for economic assistance. If a retailer is not here 100% of their sales are new sales to the market. I had a study that we did for a similar project in 2007 so I had a lot of the information. I revised the sales per square foot number downward just to be on the conservative side. The retailers that show 80% are already in the market. I worked for 25 years for Wal-Mart, Target, and Home Depot doing in store development. Anytime you add an additional store to a market if there is more than 10% that transfers to the new store it is not a viable project. To be on the safe side I reduced those sales to 80% instead of a 90% level. I could be off 50% and it still would not impact those numbers.

Mitchell asked do you have any idea the shrinkage number for those that drive to Oklahoma City or Wichita Falls?

Cassman stated there have been studies done that shows Ardmore having a 1.25% pull factor. So for every person in that city they are getting another quarter of a person to come to the city to shop. Lawton is about three (3) times the size and you barley hold on to everyone here. You should be pulling people into the community. Tulsa has a pull fact of 1.8. Think of what you can do with that extra money coming into the community. This is a great deal for the city.

You have no downside. We are putting the money up and if we are wrong we will lose the money. I'm not asking for the city to put one nickel into this deal.

Denham stated your sales tax numbers is 9.34%. What do we get 4%?

Mitchell stated out of the 4.34% a lot is already dedicated. You are really looking at 2%. The rest is dedicated to capital improvements, the county or the schools. The net number to look at is 2%.

Denham stated and you are wanting 1.5% of the 2%. Is that your request?

Cassman stated the request is for 1.5% collected over a 10 year period. If we reach the \$2.5 million early we are finished. This is money coming in and it is real. You still get to apply it to your school. A year from now you will start realizing money that can be used for your schools.

Fitch asked your request is for \$2.5 million. Will there be any additional cost?

Cassman stated that is it. We are use to agreements where you pick the dollar amount and it is recouped over a period of time. If we don't recoup in that time we are out of luck. My personal feeling is you have a lot of demands here. I think the retail sales will be much stronger than what we have and hopefully it will payoff sooner.

Fitch asked do you have any questions of the Authority?

Cassman stated no questions. You can see we are very close to getting this under constructions. What I'm asking is a big component to go along with the financing that we are finishing up. I would ask you make a favorable recommendation and forward it on to the City Council.

Fitch asked you understand this is strictly a recommendation to the Council.

Cassman stated I have read the policy and have noted the application process to make certain we followed the proper procedure. As I understand this is what we have to do.

Sheppard asked you have calculated your return over ten (10) years? If I understand it correctly the policy says five (5) years.

Mitchell stated that is correct.

Cassman stated the one difference is it is a fairly large amount. It is not an amount that can be traditionally financed. The money is coming from private equity and we need to make those people comfortable that they are going to recoup their investment. If you work through the numbers the payback really should be five year. I need to make them comfortable that while the project generates sales they are not going to closes the doors on the recapture before they are actually paid back. So that is why we have asked for more time.

Denham asked when would the clock start?

Cassman stated it doesn't do any good to start the clock before the stores are open so we could set a threshold of 50% of the retailers being open. That is an important fact. If you start to early then you lose the time.

Denham asked when is the latest we can start the clock?

Cassman stated I would be comfortable saying at the end of the first quarter of 2014. No later than 2014. The retailers are scheduled to open the end of the second quarter of 2013. We have a year of construction scheduled. I want to emphasis there is still no money on the city's part that we are asking to be put into this. It is 100% our risk.

Sheppard asked when are the sewer lines to be completed.

Zarle stated August. Worse case scenario if it doesn't pay out in the ten (10) years who will be responsible for the balance due?

Cassman stated that is our problem. For other projects ten (10) years is not an uncommon timeframe. Some of the larger ones have seen twenty (20) years. It is truly at the discretion of the Council.

Fitch asked are there any other questions from the Authority.

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 other development projects under consideration in the City, and take appropriate action in open session as necessary.

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

The Authority convened in executive session at 2:24 p.m. and reconvened in open session at 3:07 p.m. Roll call reflected Means; Nance; Sheppard; Zarle; Denham; Fitch.

Fitch stated the Authority convened into Executive Session 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 and financing in connection with the Lawton Downtown Redevelopment Project, for the hotel-conference center and the mixed-use commercial retail establishments. Is there any further discussion?

Nance stated I would like to say I'm not against this project, however I am against giving a rebate to a private developer. I'm a developer and have developed commercial, residential, and bridges and because of that I support the project. Three (3) or four (4) years ago I was in a meeting where we looked at where impact dollars would be spent. Impact fees come from primarily residential developers and I have contributed a lot into those. At that point we looked at Wolf Creek knowing full well that if we didn't put the line in that a shopping center on this particular site would not be feasible. We voted at that point to spend \$1.8 million for the Wolf Creek sewer lines so that a shopping center could move forward. I cannot support refunding \$2.5 million.

Fitch asked does anyone else have any comment. We started this project six (6) years ago. We had a focus and vision within the community to redevelop and revitalize our downtown. We have had a very unattractive downtown for the past thirty (30) years. Many entities such as LURA, LEDA, CCIDA, Chamber, City of Lawton and concerned citizens have been involved in this process. The Chamber did a study and they stated don't let this study sit on the shelf and we did not. We are where we are today because of the vision, planning and thought of a lot of people in this community wanting to grow. The west side project is a good project. We have been told on numerous occasions there was no need for city assistance in any manner. Now we have a request. We have had request on prior projects out there that indicated there was even more money needed than the infrastructure money. We have got to stay focus. We have three (3) local lending institution committed through our vision with a moral obligation for us to repay the money. They are behind this project 100%. They made the loan in good faith that we would keep our focus and keep our attention going in that area. I would venture to say if this had been any other bank they would have called the note due some time ago. They are committed to making this happen for the betterment of the community.

Motion by Fitch, Second by Sheppard, that the Lawton Economic Development Authority recommends that the application of Hunt Properties, Inc. for public financial assistance under City Council Policy 1-10 be denied for the following reasons: 1. The proposed project is not located in (a) a redevelopment area targeted for redevelopment in the City General Plan, (b) an urban renewal project area, (c) an established enterprise zone, or (d) a tax increment finance district, and it is therefore not a priority for public financial assistance. (2) The commitment of an anchor tenant to the proposed project was not conditioned on the grant of financial incentives by the City of Lawton. (3) The effect of any financial assistance would be to incentivize the recruitment of retailers away from the City's high priority downtown redevelopment project. (4) The City has previously committed almost \$2 million in public expenditures to support development in the area of the proposed project. (5) Approval of public financial assistance to the proposed project will have a negative net impact on the City and place the City's public revenues and financial interest at risk. **Aye:** Sheppard; Nance; Denham; Fitch; Means. **Nay:** Zarle. **Motion Carried.**

Cassman stated there seems to be this misunderstanding that this will prevent the downtown project. Think about it. There is not a retailer on that plan that has not been to the community. There has been several developers with the downtown project make very favorable proposals to all those retailers and they have made their decision that this is the project they want to go to. Your thinking of not helping this is going to bolster your downtown project is not a

correct way to look at this. You are telling these people if they don't go exactly where you want them to go then don't come to Lawton. How would you feel if a city wanted you to move to their community, but tells you where you have to live. You are cutting off your nose to spite your face. You really are.

Fitch stated thank you.

DISCUSSION ITEMS AND REPORTS:

ADJOURNMENT

Motion by Denham, **Second** by Means, to adjourn. **Aye:** Sheppard; Zarle; Denham; Fitch; Means; Nance. **Nay:** None. **Motion Carried.**