MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
MAYORS CONFERENCE ROOM
NEW CITY HALL
AUGUST 28, 2014, AT 2:00 P.M.

David Madigan, Vice Chairman, 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:	David Denham; David Madigan; David Means; Ron Nance; Larry Neal; Ernest Sheppard; Doug Wells.
ABSENT:	Fred Fitch; Keith Jackson.
OTHERS PRESENT:	Kristin Duggins, Financial Services; Denise Ezell, City Clerk's Office.

INTRODUCTION OF GUESTS

Madigan stated we have Jeff Taylor who is the attorney for Jefferson Funeral Home, Aaron Adkins our consultant with Pinnacle and Kim McConnell with the Lawton Constitution.

BUSINESSITEMS

1. Consider approving minutes of May 15, 2014.

Motion by Wells, **Second** by Means, to approve the minutes of May 15, 2014 as written. **Aye**: Madigan; Means; Nance; Neal; Sheppard; Wells; Denham. **Nay:** None. **Motion Passed.**

Sheppard stated Adkins has another engagement so could we move to Item 6.

Madigan stated absolute.

6. Consider a request for pre-approval of moving and reestablishment expenses for Jefferson Funeral Home and direct staff as necessary.

Adkins stated as part of the LEDA agreement with Jefferson Funeral Home you agreed to pay relocation expenses and to follow LURA's policies and procedures. When you started the project LURA adopted relocations policies and procedures that mirrored ODOT's. ODOT policies adhere to federal regulations with a couple of differences. So the readers digest version of relocation expenses has two (2) categories. You have moving and re-establishment expenses. Moving expenses deal with relocating the personal property and re-establishment expenses deal with modification and repairs to the new building. There are several other line items that fall under the re-establishment. Where Oklahoma differs from other states in regards to re-establishment expenses is we do not have a cap. It is whatever is actual, reasonable and necessary. LEDA has already paid for the majority of the moving expenses. They have paid to take the personal belongings out of the old building, move to storage, paid storage expenses for a certain length of time and for his searching expenses. So we are talking about re-establishment expenses. We help the displacee search for a replacement site. I have visited at least 7 sites with Mr. Jefferson and sent him numerous other listings. Some he was more serious about than others. It has been a long road to get to this point. Once the displacee finds a replacement site before signing a lease or purchase contract we bring out contractors and get 2 estimates on everything that needs to be done. Then we go to the agency and show them the items that need to be done and ask what they will and will not pay for. We do this so when the displacee commits to a replacement site everything is out on the table. We know what the agency is going to agree to and they don't spend money expecting to be reimbursed. That is where we are in this process. This is a request for pre-approval of expenses. We got four (4) estimates and this was by far the most reasonable estimate. As far as the reasonable test these figures certainly meet the test because the other estimates far exceeded this one. I have put together a spread sheet with a line item for all the expenses. We are not approving payment of these items this is simply a request for pre-approval. This program is a reimbursable program based on what the actual costs are. This request is based on estimates. Looking at the spread sheet the first two (2) line items are for roof replacement. All four (4) contractors said the roof was beyond repair and needed to be replaced. In my opinion this would be an eligible expense under re-establishment. There is a line item that says "modifications to the replacement structure to make it suitable for conducting business are eligible under re-establishment expenses." The roof is in terrible disrepair with so many leaks. This is necessary for somebody to conduct business. There is a regular roof and a flat roof. The cost of the regular roof is $21,131 and the flat roof is $1,850. My recommendation would be to approve this line item. The third line item is for the construction of an embalming room and a garage. He did have both of these at the displacement site. You certainly have to have an embalming room to conduct a funeral home. The garage is necessary to park the hearse in. ODOT says once you build the outside four (4) walls of the structure that is a capital asset. The policy and procedures in the federal regulations state capital assets are not an eligible re-establishment expense. The State says the displacee has to build the shell structure and put in the typical utilities then the additional expenses to putting in the embalming room or garage this agency will participate in. You don't see a number there because we don't know what that number is. That would be my recommendation action on that line item. Next is repair and repainting of the interior walls. There is a line item under the re-establishment expenses that says "redecoration or replacement of soiled or worn surface". These are eligible expenses and the walls are in significant disrepair. I would recommend approving this line item. Next is replacement of the carpet. This falls under the same category and I would certainly recommend this to be eligible. Next is the replacement of the exterior rotten wood, walls, siding and exterior paint. The $9,000 is very reasonable and I would recommend this be an eligible expense. All these estimates were provided by Faith Roofing and Remodeling. The rest of the line items are not modifications to the building. They fall under a different category. Next are supplies required by the Oklahoma Board of Funeral Directors. There is a line item under moving expenses that says "replacement of items that are made obsolete because of the move". Anything with the old address would be eligible. I recommend approval of this line item because these items had the Gore address and the Funeral Board requires certain things such as stationary, marketing materials and pricing list have the correct address. We are not necessarily approving $15,000 it is more the theory of this line item. We don't have an estimate on what it will cost. Next is the printing of the new price list. This falls under the same category as supplies required by the Funeral Board. Following that is purchasing of an embalming station, cabinet/sink and sink aspiration. There is another line item under moving expenses called "substitute personal property". This states if the displacee does not move a particular piece of personal property and replaces it with something that performs a like function then we will pay for the lower of the two (2) numbers. Those numbers would be the cost to remove and relocate the item or what it cost new. Whichever is the lower of the two (2) numbers. I would recommend this be approved as long as that $7600 is less than what it would have cost to remove and reinstall these items.

Wells asked how will we know that.

Adkins stated the mover will provide us with an estimate on what it would have cost had he moved the items.

Taylor stated these items were fixed to the building and could not be moved.

Adkins stated next is increased utility charges. This isn't just increase utilities. Under re-establishment expenses there is a line item that says "estimated increase cost of operation over the first two (2) years of operation in the new site will be eligible cost." This is an estimates and is something that is paid up front. You can pay for estimated increase cost for utilities, lease fees property taxes and this is the line item for utility expenses. The estimate is $375 more than what it was costing at the old place. We would require utility bills from both the old and new place to show that difference. If it is $375 you take that and multiple it by 24 months and that is how you calculate that portion of the increase cost of operations. Assuming the $375 is correct I would recommend the $9,000 to be eligible. There is a line item for legal fees for lease negotiations, closing, and re-establishment of the funeral home business. The only thing that allows the agency to pay for legal fees is under "searching expenses". Mr. Jefferson has already maxed out his searching expenses. There is a cap on that line item of $2,500 and he has made a claim for the whole amount. I would recommend this line item be an ineligible expense. The last item goes back to the increase cost of operation. I mentioned one of the things we could pay for were lease charges. On this item we are not comparing apples to apples. He was an owner occupant at the displacement site and now will be a tenant in the replacement site. In order to determine what is reasonable we have to get a little creative to try and compare apples to apples. I got what the fair market rent would have been at the old place from the appraiser. The appraiser stated it would have been $9.00 a square foot. We used that number to calculate what rent would be based on the size of the old building. Then we said it is not reasonable for us to pay for increase cost for a bigger building. The old building was 4500 square feet and the new buildings is almost 2000 square feet larger. So we took the $9.00 a square foot from the old building and prorated the rent at the new building down to the size of the old building. Instead of 6350 we based the rent of the new building on 4500 square feet. This leaves a difference of $1255. You multiply that by 24 months and you get $30,120.

Madigan stated great explanation and good detail. Are there any comments or questions.

Sheppard stated I found with LURA following Adkins recommendations we were fair to the people we were relocating and kept us out of trouble.

Nance stated this looks reasonable to me.

Means stated especially the rent. That is absolutely the way to figure it.

Wells asked didn't we discuss he is outside the time allocated for relocation.

Adkins stated I believe you would be referring to storage. The policy and procedures allow for twelve (12) months of storage and he requested payment beyond those twelve (12) months. There is a time limit for relocation claims. You have to make the relocation claim 18 months from the day you vacated the displacement site. We are still within the 18 months.

Neal stated we are no longer paying for the storage so what is going to happen with it. Assuming this is going to happen pretty quickly is Mr. Jefferson prepared to pay the rent on the storage or take delivery of it.

Taylor stated the storage has been paid.

Neal stated Jefferson has never paid on the storage. LEDA sent Affiliated Van Lines a letter stating they would pay until a certain date. There is a bill outstanding at this time and the storage facility is to the point of putting you and Mr. Jefferson on notice of an auction.

Taylor stated I was not aware of this and will relay the message to him. I was under the understanding the storage had been taken care of.

Neal stated if you send Jefferson a certified letter he doesn't pick it up. Should we send a copy of the letter to you.

Taylor stated you can but that doesn't mean I'm going to accept responsibility. It will be a notice to me so I can inform him.

Adkins stated Affiliated Van Lines emailed us and they are close to saying pay or we are going to move forward.

Neal stated here is a copy of the letter. I guess he is a month behind.

Rogalski stated LEDA paid through June 20th.

Taylor stated two (2) months behind. Do you know how much it is monthly.

Duggins stated $1676.

Adkins stated before he moved out of the old building LEDA agreed to pay for moving from the displacement site into storage, for storage and to move from storage to the new facility. LEDA has one (1) more payment due.

Neal stated when Adkins contacted the storage facility stating that LEDA would be paying for the moving expenses they informed him the storage payment wasn't being paid. If the rent isn't paid they will auction the property.

Taylor stated I will inform Mr. Jefferson and give Adkins any information he needs.

Wells asked isn't the landlord responsible for making some of these repairs.

Means stated not necessarily.

Nance stated as I was looking at this I thought the rent was high and you are paying all the remodeling expenses. That building has been very unique over the years. Twenty (20) years ago it rented for more than market value and always had unique items in it where the tenant was boring a lot of the expenses that would normally be a landlord responsibility.

Means stated look at the first page of the commercial lease under furnishings. Doesn't Jefferson have his own furnishings. It appears you are leasing the furnishings. It says cameras, kitchen appliance, shelving and other things.

Neal stated part of the storage is pews.

Means asked are we double paying.

Taylor stated this is not the final agreement. There is still work I need to do. When he presented this to me I also had this issue. The personal belongings we have will be part of our negotiation when we move forward with leasing the property.

Means stated it is silly to rent things you already have.

Taylor stated I believe this is just a boilerplate commercial lease they presented to Mr. Jefferson.

Sheppard asked was that figured into the square foot.

Adkins stated I don't know.

Means stated it looks like it is a part of the $6500.

Sheppard stated (can't understand)

Adkins stated he will have to take the step of proving what the actual expenses are. For this line item he will have to have the signed lease and proof of first month payment of rent. We will have to know what the actual rent is before a claim is processed.

Madigan stated I think Adkins has articulated this very well. In his memorandum he reiterates proof of expenditures has to be produced before we reimburse.

Wells asked is $6500 a month the maximum.

Adkins stated I see no reason why it would be any higher.

Wells asked what if the landlord says he wants $10,000.

Means stated they will take the difference between $6500, which is $12.30 a square foot versus the $9.00 a square foot from the old building, and apply the $9.00 to the $6500. The difference is non-reimbursable. So if it jumps to $20.00 a square foot it doesn't make us any difference. All we are paying is $9.00 a square foot.

Nance asked is $9.00 a square foot the max we will pay.

Adkins stated yes. If they come back stating the rent is $10,000 we will say that isn't reasonable.

Well asked are we going to place a max on this.

Sheppard stated the max is what is reasonable and you don't know what that number is.

Means stated bases for rent is $9.00 a square foot. If it comes back as $20.00 a square foot we are only going to pay $9.00.

Nance stated we would pay the difference between the $9.00 and $20.00.

Sheppard stated but $20 is not reasonable.

Rogalski stated what you are determining is what is the reasonable limit on these expenses. If the rent goes to $10,000 you only approved $6,500 so it would have to be brought back to you for you to decide if it was reasonable. You have the ability to say yes or no. Your responsibility is to determine what is reasonable and equitable.

Wells asked what is reasonable for that building.

Rogalski stated if you approve this item you are saying it is reasonable for LEDA to pay $30,000. If they come back with $60 you haven't approved that as being reasonable.

Sheppard stated it would be LEDA's decision.

Rogalski stated this is an odd situation because it is a pre-approval. These are expenses based on estimates. The actual payment will be based on actual cost. The total is $120,00 and if you were the displacee you wouldn't want to go spend money expecting to receive payment to find that you would not be reimbursed the full amount. You are setting a benchmark on what a reasonable amount is. That is what you are here for today. You are making a decision which allows the process to move forward. The applicant can take that and move forward with relocation or look for another site.

Madigan stated the business item is to consider a request for pre-approval of moving and re-establishment expenses for Jefferson Funeral Home and direct staff as necessary. We have heard from our consultant so what is the pleasure of the Trust.

Motion by Denham, to approve a request for pre-approval of moving and reestablishment expenses for Jefferson Funeral Home.

Sheppard asked is your motion for the $120,276?

Denham stated one of the line items is zero so how do you put a dollar amount on it.

Sheppard asked don't we have to give them a number to work with.

Madigan stated I believe you do.

Jensen asked how are you going to give a definite dollar amount at this point and time. You could do an up to amount.

Rogalski stated you are approving that up to this amount is reasonable.

Denham stated so I could amend my motion to state up to $150,000.

Sheppard stated no up to $120,000.

Denham asked what about line item 3.

Rogalski stated once details come back on that line item we will bring it back to LEDA.

Denham stated I want to modify my motion to up to $120,276.

Motion by Denham, **Second** by Neal, to approve a request for pre-approval of moving and reestablishment expenses for Jefferson Funeral Home up to $120,276.00. **Aye**: Madigan; Means; 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.

Ezell stated there is an invoice on the Mayor's desk for the interest payment. This will be the second interest payment.

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

Duggins stated the Finance Director had a family emergency and is unable to attend. This is a reconciliation up through 6/30 which is our fiscal year end. We received our first matching funds from OTC so we opened an account at IBC and labeled it TIF II. This account is strictly for the OTC matching funds. That deposit was $29,000.

Denham asked does that have the local sales tax included.

Rogalski stated this is the match for the local sales tax.

Denham stated that is the state's portion.

Duggins stated correct.

Neal asked for what year.

Wells stated Mitchell told me June 30th.

Neal stated so since the inception.

Wells stated yes.

Duggins stated the letter we have is stated July 1, 2013 so that would be correct. On your first sheet it is the TIF I account with an ending balance of $205,624.45. The next sheet is detailed items that were paid and deposits made that month. Next is the BancFirst Account and we discussed this account at our last meeting. We had an account at BancFirst that had $13,000 in it. After researching we determined this was a draw down and the check was never issued. We had the Mayor close the account and transfer the money to IBC TIF I account. As of June 30th the account balance at BancFirst is zero. The next couple of reconciliations are at BOK. First is the BOK TIF Economic Development fund with $226,472.03. This account does earn a little interest each month. Next is the Lawton Economic Development TIF and this is where we deposit the funds that are matched by OTC. This account has $29,679.48.

Denham asked so sales tax and TIF funds go to a BOK account.

Duggins stated yes. You see we did draw some interest. Next is BOK TIF Bond account and it has accrued interest of .93¢. Next is the TIF Project account with an ending balance of .49¢. Next is our pass through account. When we request money it is drawn in and checks are paid from this account. There have been $3 million in transactions for the month and the ending balance is .49¢. The next page is a background of what we have paid. Next is the BOK TIF Bond fund with a balance of .72¢. That is the reconciliation of all your accounts. Are there any questions. Is this what you want to see very month or would you rather see a balance sheet.

Sheppard asked how many accounts do you have.

Duggins stated 8.

Wells stated I don't believe we need the second sheet on the ones that just have the reconciliation detail. If the summary is .93¢ there is nothing to show any reconciliation.

Sheppard stated I would like to see a balance sheet.

Duggins stated okay and would you like the bank reconciliation as well.

Madigan stated I would.

Wells stated we use to see how much we drew down.

Madigan stated that is a report that Rogalski does.

Rogalski stated it was updated today and I'll email it out tomorrow.

Madigan stated excellent.

Denham stated at some point we need to see a spread sheet that shows where and what we have. We are now collecting funds and we have notes to repay so it would be nice to have a breakdown of all that.

Rogalski stated we are going to start doing that. It will show where it is coming in and where it is going out.

Madigan stated also so we can see some sort of schedule of our obligations.

Rogalski stated it will show what you owe and what money has been applied.

Madigan stated good.

Duggins stated I have that on the balance sheet but didn't realize you would want to see it today.

Madigan asked would you mind emailing that out to the authority members.

Duggins stated sure.

Wells stated when you pay your hotel bill you pay both hotel/motel and sales tax. Is that divided or is it obligated to something.

Rogalski stated all the sales tax and property tax generated from this project is obligated somewhere with some of it going back to the hotel to operate the convention center.

Wells asked so sales tax of 2% is included in the $40,000 they did for July.

Rogalski stated I don't know the details of the number.

Denham asked when do we receive the OTC sales tax.

Wells stated the payment just received went through June 30th.

Duggins stated we just received a letter that goes through December 2013 of $106,000.

Rogalski stated and that will be transferred to BOK.

Denham stated so we don't have the money yet this is just a request.

Duggins stated correct.

Rogalski stated the only unobligated TIF funds would be the TIF I account.

Wells asked where do the ad valorem taxes go.

Ezell stated at this time TIF I is the only ad valorem that is collected and it goes to IBC.

Wells asked what is our payment on the $33 million.

Rogalski stated I don't know the number.

Madigan stated I would request if we don't meet monthly that the financials and the draw schedule be emailed to us.

Duggins stated okay.

Motion by Wells, **Second** by Sheppard, to accept the financial report. **Aye**: Madigan; Means; Nance; Neal; Sheppard; Wells; Denham. **Nay**: None. **Motion Passed**.

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

Rogalski stated we have all seen the progress on the out buildings. I haven't heard of anything new lately. The developer is pretty tight lipped at this time.

Denham stated I thought there was a whole lot more locked up than Dollar Tree. That is the only thing opened in the out parcels.

Wells stated there will be an AT&T and Charming Charlie's.

Rogalski stated there is a restaurant in one of the out parcels.

Denham stated there is a for lease or sale sign in everything except for one that is facing north.

Sheppard asked is there any indication from the developer that he is ready to purchase the north end.

Rogalski stated no.

Denham stated that is something else we need to look at is our timeline. Certain things had to be done by a certain time.

Madigan asked would you mind making a note to report on that next month.

Rogalski stated okay.

Sheppard asked where does the cleanup of the concrete stand.

Rogalski stated we are working it out with the developer. Part of it was created when the contractor trenched through the parking lot of the old Coke building to put in a telephone line. That wasn't the developers responsibility and they have decided it is LEDA's responsibility. They didn't tell us until there was a giant pile so we are working on what share of the pile is LEDA's and what share belongs to the developer.

Sheppard stated a three (3) to five (5) foot trench didn't junk all that up.

Rogalski stated it was a twenty (20) foot trench. We have gotten the aerial photographs so we can measure it out.

Wells stated we need to make sure both the north and south ends are kept presentable.

Sheppard asked will they use the pile of dirt that is located on the south end on the north end.

Rogalski stated yes.

Madigan stated thank you.

5. Consider approving a contract between LEDA and the Center for Economic Development Law and take action as deemed necessary.

Madigan asked do we have a copy of the contract.

Ezell stated we are waiting on the signed copy from Batchelor.

Jensen stated we received it several weeks ago and I believe the rate went up to $275.

Madigan stated let's table this matter until we have the contract.

Motion by Neal, **Second** by Nance, to table this item until the next meeting. **Aye**: Means; Nance; Neal; Sheppard; Wells; Denham; Madigan. **Nay**: None. **Motion Passed**.

7. Consider approving and preauthorizing the reoccurring and variable monthly payments, of the TIF 2 increment hotel sales taxes, to CCIDA for repayment of the 1.5 million dollar LEDA Hotel Sales Tax Apportionment Note and take action as deemed necessary.

Duggins stated since Mitchell placed this on the agenda I'll read the background he prepared. "Lawton Economic Development Authority (LEDA) and the Comanche County Industrial Development Authority (CCIDA) entered into a 1.5 million dollar loan agreement in July 2010 and as amended in August 2012. One of the requirements of the loan is that dedicated increment hotel sales tax collections in the TIF 2 District are to be paid on a monthly basis by LEDA to CCIDA. Due to the length of time that these monthly payments will be made, this process can be more efficient if the payments are preauthorized by LEDA." I believe his intent is to not have to bring this item back every month to make our monthly payment as necessary to CCIDA.

Denham asked do matching funds go to CCIDA.

Duggins stated under collateral security it says "The Security Agreement from the City to the Authority and the Pledged Hotel Sales Tax Increment Revenues referenced therein, consisting of the City portion of the sales tax increment revenue (not including ad valorem taxes, use tax, hotel occupancy tax, any State matching funds or sales tax during construction of the Hotel/Conference Center)".

Motion by Denham, **Second** by Means, to approve and preauthorize the reoccurring and variable monthly payments, of the TIF 2 increment hotel sales taxes, to CCIDA for repayment of the 1.5 million dollar LEDA Hotel Sales Tax Apportionment Note. **Aye**: Nance; Neal; Sheppard; Wells; Denham; Madigan; Means. **Nay**: None.

8. Receive a report on the sales tax for the TIF and the matching funds from the state.

Madigan stated this item was covered earlier.

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.

DISCUSSION ITEMS AND REPORTS

Means asked are they planning on putting something in at 2nd and C Avenue.

Rogalski stated yes.

Means asked does LEDA own the land.

Rogalski stated no LURA does.

ADJOURNMENT

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