MINUTES
LAWTON ECONOMIC DEVELOPMENT AUTHORITY
3RD FLOOR CONFERENCE ROOM OF CITY HALL
LAWTON CITY HALL
FEBRUARY 23, 2023 3:00 P.M.

Fred Fitch, Chair, called the meeting to order at 3:00 PM. in the 3rd floor conference room of City Hall. Meeting notice and agenda were posted on the City Hall bulletin board as required by State Law.

ROLL CALL:
PRESENT: Jason Hensley, Fred Fitch, Sean Fortenbaugh, Randy Warren, David Madigan, David Means, Larry Neal, Ernest Sheppard, Ron Nance

ABSENT: None

OTHERS PRESENT: Susan Schlecht, Financial Services; Tim Wilson, City Attorney's Office; Richard Rogalski, Economic Development Consultant; Brad Cooksey, LEDC; Christie Myers, LEDC; Jeannie Bowden, LEDC; Tonya Anderson, LEDC; Stan Booker, City Council Mayor; George Gill, Ward 4 Representative for City Council; Keith Bridges, Director of Economic Development for Great Plains Technology Center; Roy "Butch" Hooper, Physician Recruiter for Southwestern Medical Center; Kim McConnell, Lawton Constitution; Eric Swanson, Southwest Ledger; Tammy Branstetter, Recording Secretary; Matina Davis, member of the community; William Dirks, member of the community; Bryan Bocek, member of the community

Statement of Compliance with Oklahoma Open Meeting Act, 25 O.S. 301-314

Chairman Fitch verified the posting of notice and agenda in compliance with the Oklahoma Open Meeting Act with Branstetter.

Introduction of Guests

William Dirks and Bryan Bocek introduced themselves as members of the Lawton community.

BUSINESS ITEMS

1. Receive Financial Report(s) and take action as deemed necessary.

Schlecht presented the Balance Sheet and Income and Expense Activity Report for December 2022 and January 2023 and the LEDA Loan Document as of January 2023. These documents are available in the City Clerk's Office.

Madigan asked if the Authority should be concerned about the 25% differential on the property income tax.

Schlecht said no – it's typical for property taxes to fluctuate from month to month.

Rogalski said the City of Lawton will be meeting with the Comanche County Treasurer's office tomorrow to ensure everyone is on the same page with regards to the way TIF 3 tax payments are disbursed.

While LEDA is approximately $1.2 million short of the $1.7 million principal loan payment that's due in September of 2023, Chairman Fitch said the Authority should receive State matching funds for the periods of July-December and January-June before this payment is due.

Schlecht noted that LEDA will also continue to receive sales and use tax and property tax payments before the September 2023 principal loan payment is due.

Motion by Means, **Second** by Hensley, to approve the Financial Reports for December 2022 and January 2023 as presented. **AYE:** Madigan, Means, Neal, Sheppard, Hensley, Fitch, Fortenbaugh, Warren, Nance. **NAY:** None. ***MOTION PASSED.***

2. Consider approving a resolution approving the Redevelopment Agreement by and among the City of Lawton, the Lawton Economic Development Authority, the Comanche County Industrial Development Authority, and Westwin Elements, Inc., a Delaware corporation, for the development of a refinery for the refinement of cobalt, nickel, and other critical minerals in the west side industrial park, authorizing all supporting documents and instruments as are necessary and appropriate to implement and carry out the terms of the Redevelopment Agreement, ratifying previously approved development funding in the amount of $10,000,000, and auth0orizing it's expenditure, to be funded from the City's American Rescue Plan Act (ARPA) Revenue Replacement and 2019 Propel CIP monies, of such costs as are necessary and appropriate to construct and install certain public improvements to serve the redevelopment.

   A copy of the Redevelopment Agreement presented at the meeting was sent to Authority members via email, and the Agreement can be obtained from the City Clerk's Office upon request.

   Chairman Fitch said he and Rogalski have worked diligently alongside Paul Ellwanger representing CCIDA, Stan Booker representing the City of Lawton and Brad Cooksey representing the LEDC to draft this Redevelopment Agreement, and the Agreement has been approved by Westwin Elements. He said the version of the Redevelopment Agreement presented to the Authority today is a little different than the version that was presented to the Authority at the last meeting. Chairman Fitch said changes were made to the Agreement to make it as risk-free as possible for the City of Lawton and its citizens as well as all other entities involved.

   Chairman Fitch said the newly drafted version of the Agreement includes wording that would allow for the refining of not only cobalt, but other minerals that are of interest to society such as nickel and lithium. He said the City Attorney's office has also added language to the Agreement to mitigate potential environmental concerns and/or exposure(s) to hazardous materials and to make sure all local, State and Federal laws will be adhered to concerning these matters.

   Chairman Fitch said changes have also been made to the Agreement with regards to the insurance that Westwin will be required to carry during the construction of the plant and while they're running the plant. He said Westwin is used to these types of requirements, and they are willing to adhere to them.

William Dirks asked if the public has had any time to review the newly drafted Agreement before voting for its approval takes place. If not, he asked that voting on the Agreement be delayed for at least a week so that the public may have time to examine it.

Chairman Fitch noted that even if LEDA approves the Agreement, it will still have to go before the City Council for final approval.

Mr. Dirks said he understands, however he feels the public should be more involved with the process considering how much money is involved.

Chairman Fitch said Rogalski will discuss how money initially spent will be recouped.

Rogalski said this project has been in the works for approximately one year. He said the term sheet was made public and officially approved by CCIDA, LEDA, LEDC and the City Council on August 23, 2022. Rogalski said the terms are the same in the newly drafted Agreement with regards to the amount of money being provided to Westwin and the number of jobs Westwin will be providing the community.

Rogalski said the larger community has been working intently on this project for the last 15 years, as we've been improving infrastructure in Lawton's west industrial park. He noted that the CIP, which was passed by City of Lawton citizens, provides economic development funding which makes projects like this possible. Rogalski said the STEDI Project Plan was also approved by the City Council in 2019.

Rogalski explained that according to the Agreement, the redeveloper will make a $150 million improvement on the 480-acre property that is being provided by CCIDA. He said this property is located south of Lee Boulevard, and it encompasses either side of SW 112th Street – 320 acres on one side, and 160 acres on the other side. Rogalski said the 160-acre parcel was recently annexed by the City of Lawton, making the entire project area within Lawton city limits. He said that while currently only the 320-acre parcel falls within the STEDI Project Plan, the Redevelopment Agreement specifies that the STEDI Project Plan will be amended to include the additional 160-acre parcel of land so that the entire project area will fall within the TIF District.

Rogalski said if this Agreement is approved, CCIDA will provide a $2 million cash incentive that will be placed in escrow along with the deed for the property, which is valued at $12 million. He said the City of Lawton will provide a $10 million cash incentive to be placed in escrow. Rogalski said the City of Lawton is committed to constructing the infrastructure necessary for the completion of this development, to include improvements to the water and sewer systems. These improvements are currently estimated at approximately $7.5 million. In exchange for these incentives, Rogalski said the redeveloper will be required to make a $150 million investment -$126 million will come from Westwin, and the remaining $24 million comes from CCIDA and the City of Lawton. Before Westwin can obtain funding and the deed out of escrow, Rogalski said they must provide an unconditional guarantee regarding financing for their portion of $126 million. Westwin will have 180 days to provide this funding evidence. Rogalski said Westwin will have until December 31, 2023, to start the project.

Rogalski said Westwin will be required to show evidence of the creation of new jobs. The redeveloper has committed to providing a total of 2,335 jobs over the course of five years with an average salary of $100,00 per job. Rogalski said the $24 million dollars in funding that will come from CCIDA and the City of Lawton will be provided in the form of a forgivable loan. Rogalski discussed the contingency plan regarding this loan forgivability, which can be found on pages 13 and 14 of the Redevelopment Agreement. An excerpt of this portion of the Agreement reads as follows:

"Forgivability of this loan will be contingent upon the Redeveloper (1) completing Phase 1 of the Redevelopment and placing the Refinery into operation on or before the Completion Date, (2) providing reasonable evidence of the Minimum Investment, and (3) satisfying the minimum new employment criteria for each of the first five operational years of the Refinery, subject to the conditions set forth below ("Employment Milestones").

Operation Year	**Employment Milestone**	**Credit Per Employee**	**Credit for Achieving Employment Milestone**
Year 1	200	$3,909.75	$781,950
Year 2	684	$3,909.75	$2,674,629
Year 3	1,168	$3,909.75	$4,566,588
Year 4	1,752	$3,909.75	$6,847,927
Year 5	2,335	$3,909.75	$9,129,266
			$24,000,000

A credit in the amount of $3,909.75 is established for each employee who fulfills the eligibility requirements for forgiveness of the Total Public Assistance for each twelve-month period during the five years following the date of issuance of the final certificate of occupancy for Phase 1 of the Redevelopment (each being an "Operation Year"). Eligibility for the credit requires Redeveloper to employ the total number of full-time employees indicated above for each Operation Year's Employment Milestone, at an average annual compensation of $100,000.00 plus benefits. For purposes of eligibility for the credit, "full-time employees" means one full-time position which provides a regular work schedule of at least 35 hours per week or two part-time positions which provide for a part-time schedule collectively averaging at least 25 hours per position per week, for each Operation Year. There shall be no credit given for employees who do not meet the eligibility requirements.

Performance of the Employment Milestone for each Operation Year 1 through 5 will be monitored by LEDA and the City. As provided in Section 2.14, Redeveloper shall provide LEDA and the City, certified copies of the Redeveloper's quarterly reports it submits to the Oklahoma Employment Security Commission (OESC) with social security numbers omitted including the name and number of full-time and part-time employees employed at the Refinery, and shall provide the total and average annual employee compensation, separating wages and employee benefits, together with such additional information that LEDA and the City may request.

If the Employment Milestone is met in full for each Operation Year, a credit will be earned in the amounts indicated above for each Operation Year, provided all other obligations have been satisfied by Redeveloper. If Redeveloper satisfies the Employment Milestone in full for Operation Years 1 through 5, Redeveloper will have earned a credit equal to the Total Public Assistance, forgiving and releasing the Redeveloper's obligation to repay any portion of the Total Public Assistance.

In the event the Employment Milestone is not satisfied for Operation Years 1 through 4, the Redeveloper shall only receive credit for that year based on the actual number of employees that meet the eligibility requirements. The credit will be calculated by multiplying the number of eligible employees for the given Operation Year by $3,909.75 ("Credit"). By way of illustration and not limitation, if Redeveloper provides evidence that 100 full-time employees were employed at the Refinery for Operation Year 1 for no less than 12 consecutive months and were paid an average annual compensation of $100,000 plus benefits, Redeveloper will be eligible for and will earn a Credit for those 100 eligible employees, in the amount of $390,950.00, but will have not earned a Credit, or met its obligations, with respect to the other 100 employees required to fulfill the Employment Milestone for Operation Year 1, and payment for such shortfall may become due after Operation Year 5. Exceeding the Employment Milestone in in Operation Years 2, 3, 4, or 5 by that same margin (100 employees in this example) would be sufficient to offset the shortfall for Operation Year 1. In no event, however, will the Redeveloper be given Credit for more than the Total Public Assistance.

LEDA will provide Redeveloper with a written statement reflecting the amount of the Credit earned for each Operation Year. If it is determined that Redeveloper has not earned $24 million in Credit, equal to the Total Public Assistance, after Operation Year 5, the Redeveloper will be allowed an extended period of time, not to exceed one (1) additional Operational Year ("Extended Employment Milestone Period"), to satisfy in the Employment Milestone as is needed for Redeveloper to earn the entire $24 million Credit. If it is determined that Redeveloper has not earned $24 million in Credit, equal to the Total Public Assistance, following the Extended Employment Milestone Period, Redeveloper shall be in default of its obligations hereunder and shall be obligated to repay a portion of the Total Public Assistance ("Default Payment"). The amount of the Default Payment shall be determined by subtracting the total amount of the Credit earned during Operation Years 1 through the Extended Employment Milestone Period from the Total Public Assistance. The Default Payment shall be made by Redeveloper within 30 days from the date LEDA issues its written statement following the Extended Employment Milestone Period, which will include the amount of the Default Payment due. The Redeveloper's payment obligation hereunder shall be secured by a lien on the Property, which shall be released upon performance of the Employment Milestone for Operation Years 1 through the Extended Employment Milestone Period, or Redeveloper's payment of the Default Payment.

7.2 Forgivable Promissory Notes. To further secure the Redeveloper's obligations to repay the Total Public Assistance, or a Default Payment, as applicable, Redeveloper shall deliver to the City an executed Promissory Note in substantially the form attached hereto as **Exhibit D**, in the principal amount of the Assistance in Development Financing, and to CCIDA an executed Promissory Note in substantially the form attached hereto as **Exhibit D**, in the principal amount of the CCIDA Loan. In the event of performance of the Employment Milestone for Operation Years 1 through the Extended Employment Milestone Period, as set forth above, the Notes will be cancelled."

Rogalski said this project is incorporated into the STEDI Project Plan. LEDA is responsible for receiving incoming TIF District revenue and dispersing this funding according to guidelines set forth in the STEDI Project Plan. Rogalski said there will also be a Memorandum of Understanding put together between LEDA, CCIDA and the City of Lawton that will establish guidelines for refunding CCIDA and the City of Lawton for their investments. According to the projections, Rogalski said it's likely it will take approximately ten years for CCIDA and the City of Lawton to be fully recompensed. He said this is largely because not all incoming TIF District revenue will be designated to paying back CCIDA and/or the City of Lawton – portions of the revenue must go to various taxing entities involved (e.g., the schools, Comanche County and the Health Department) as well as STEM education.

Rogalski said the revenues for this project are projected at $35.8 million over the course of 25 years. Rogalski said there are also plans to provide a sales tax increment in an attempt to pay back the City faster. He said this will involve a formulated approach where we will be capturing the sales tax of the new employee positions created by Westwin. The revenues generated from this sales tax is projected at $16.8 million over the course of 25 years. Rogalski said approximately $3.7 million is projected to go towards STEM education through implementation of this project.

Rogalski said the refining process that will take place at this facility is a high-end, patented carbonyl vapor extraction process. In this process, a carbon and oxygen item with a double connection that creates an attraction is ran through the material to pull out the desired element(s) (e.g., cobalt or nickel). Rogalski said the carbon monoxide gas left over from this process is then recycled and used again to repeat the process. Rogalski said the materials left over from this process are no more hazardous than what is started with. He said you're essentially left with dirt and material(s) that comprise a car battery, which can also be recycled.

Rogalski said the proposed facility would be the only nickel and cobalt refinery in the United States. He said China is currently the number one producer of these elements. China produces 75% of the world's cobalt. Rogalski said elements derived from the refining process can also be used in the defense industry.

Rogalski discussed the REMI model, which examines the extended impact of industrial development on a community. While Westwin is projected to bring in 2,335 primary jobs to the community within a five-year period, the REMI model projects an additional 2,500 jobs to support those primary jobs. With the implementation of these new jobs, Rogalski said the community is expected to see a $380 million increase in salary per year. From this increase in salary, the City of Lawton can expect to see about a $3 million increase in sales tax. Rogalski said there should also be an increase in property taxes from these new employees purchasing homes.

Chairman Fitch emphasized that the newly drafted Agreement has added stipulations to mitigate potential environmental hazards that may stem from the refining process. In addition, both the general contractor and subcontractor will be required to carry insurances policies during construction. Chairman Fitch said Westwin will be required to carry an insurance policy with regards to environmental factors and the handling of any byproducts of the refining process.

Rogalski noted that while Westwin will be making an investment of $150 million during Phase One of this project, the Agreement states that Westwin will make extended developments of $300 million in the future.

Chairman Fitch noted that LEDA is not funding this project, but rather managing and dispersing project funding. He stressed that incoming revenue from this project will provide a means of recompensating both CCIDA and the City of Lawton for their investments.

Chairman Fitch said Westwin will be as large of a company as Goodyear Tire and Rubber. He said Goodyear typically expands to a new community once every 75 years. Chairman Fitch said Goodyear build a plant in Lawton just 45 years ago. He said the Goodyear plant was built in 1978 and cost $250 million to be built. As of today, Goodyear has reinvested over $1 billion. Chairman Fitch said the community can expect to see this same sort of long-term investment from Westwin as they make improvements and expansions to their facility.

Chairman Fitch extended his appreciation to all entities that have worked diligently on this project.

Sheppard said he does not have a problem with the Agreement. However, he does have concerns regarding the viability of the project. For example, the mine in Idaho that will be providing Westwin with ore has an estimated lifespan of 7 years. Sheppard said several investment firms throughout the United States that deal with natural minerals are touting this refining process as experimental, which is a red flag. Sheppard said he is also wondering why Westwin will need 480 acres if the initial plant is built on only 10-20 acres. With railcar loads of ore coming into the plant and a cobalt content of only .55 percent coming out of the plant, Sheppard is concerned that much of land surrounding the plant will be filled with dirt, rock and/or other waste products. Sheppard said he hopes the City Council has investigated these types of concerns.

Chairman Fitch said after the lifespan of the mine in Idaho has been exhausted, Westwin can seek out other mining facilities from which to obtain ore. He said the newly patented refining process that will be used at the plant eliminates the hazardous acid-wash method that was traditionally involved in the refining process.

Sheppard asked if the new refining process has been evaluated by anyone other than Westwin (such as an independent chemist).

Chairman Fitch said no.

Rogalski said the company that developed the refining process is CVMR. While this will be the first facility to use the process with cobalt, CVMR has used the refining process on other minerals. They currently operate a plant in Canada. Rogalski said CVMR will own 35% of the proposed cobalt refinery, and they will employ their expertise to ensure Westwin makes a success of this project.

Warren said he finds it impressive that CVMR was recently hired to clean an area that was contaminated with lead.

Chairman Fitch emphasized that currently Russia & China produce the majority of the world's cobalt. He said it's important for the United States to get away from this type of control.

Nance noted there will be no tailings resulting from the refining process – all that will be left is clean dirt. There will be no contamination concerns.

Sheppard asked where the excess dirt will be stored.

Nance said in some instances, farmers would be interested in using the excess dirt for their crops.

Rogalski said the City is always in need of dirt for the landfill.

Chairman Fitch said the CEO of Westwin was in the Congo for many years. While in the Congo, she struck a deal to have cobalt brought in from the Congo, though it will initially be provided from the mine in Idaho. Chairman Fitch said cobalt is very prominent in the Congo.

Chairman Fitch said not only is Cobalt used to manufacture batteries, but it's also used in the space industry, airline industry and the military.

Warren noted that other businesses may be enticed to move to our area once this facility has been established.

Nance noted that the CEO of CVMR, Kamran Khozan, had a recent meeting with Texas Governor Greg Abbott. He said what interested Governor Abbott was all the spinoff businesses that would want to be close to this cobalt refinery.

Warren noted that being close to a cobalt refinery would put companies at an advantage over their competitors because they would save money in shipping costs.

Madigan asked Rogalski to provide more detail on the escrow account. He asked if it would be an interest-bearing account.

Rogalski said the escrow agent is BancFirst, and the account is interest-bearing. Both CCIDA and the City of Lawton will retain their interest, minus the escrow fee (i.e., documentation expenses) and a $2,000 escrow agent fee.

Madigan asked if the Agreement requires any other documentation on behalf of Westwin other than a commitment letter before the escrow funds are released to them.

Rogalski said the Agreement states that Westwin must provide an executed non-conditional commitment letter from each source of funding, and this documentation must be satisfactory to CCIDA, the City of Lawton and LEDA before the funds are released.

Motion by Nance, **Second** by Hensley, to approve a resolution approving the Redevelopment Agreement by and among the City of Lawton, the Lawton Economic Development Authority, the Comanche County Industrial Development Authority, and Westwin Elements, Inc., a Delaware corporation, for the development of a refinery for the refinement of cobalt, nickel, and other critical minerals in the west side industrial park, authorizing all supporting documents and instruments as are necessary and appropriate to implement and carry out the terms of the Redevelopment Agreement, ratifying previously approved development funding in the amount of $10,000,000, and authorizing it's expenditure, to be funded from the City's American Rescue Plan Act (ARPA) Revenue Replacement and 2019 Propel CIP monies, of such costs as are necessary and appropriate to construct and install certain public improvements to serve the redevelopment. **AYE:** Madigan, Means, Neal, Hensley, Fitch, Fortenbaugh, Warren, Nance. **NAY:** None. **ABSTAIN:** Sheppard. ***MOTION PASSED.***

ADJOURNMENT:

Motion by Means, **Second** by Neal, to adjourn the meeting of February 23, 2023. **AYE:** Sheppard, Hensley, Fitch, Fortenbaugh, Warren, Madigan, Means, Neal. **NAY:** None. ***MOTION PASSED.***

There being no further business, the meeting adjourned at 4:08 PM.