

MINUTES  
LAWTON INDUSTRIAL DEVELOPMENT AUTHORITY  
SPECIAL MEETING  
NOVEMBER 6, 2018 - 2:30 P.M.  
SECOND FLOOR CONFERENCE ROOM NEW CITY HALL

The meeting was called to order at 2:30 p.m. by Michael Tennis, Chairman. Notice of meeting and agenda were posted on the City Hall notice board as required by law.

ROLL CALL

PRESENT: Johnson, Onreka; Tennis, Michael; Warren, Randy.

ABSENT: Jackson, Keith; Johnson, Albert.

OTHERS PRESENT: Fred Fitch, Mayor, Jerry Ihler, City Manager; Frank Jensen, City Attorney; Richard Rogalski, Planning Director; Denise Ezell, City Clerk's Office; Keith Bridges; Brad Cooksey; Kim McConnell, Lawton Constitution.

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BUSINESS ITEMS:

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2. Consider the Minutes of the June 13, 2017 meeting.

**Motion** by Tennis, **Second** by Warren, to approve the minutes of June 13, 2017. **Aye:** Tennis; Warren; Johnson, Onreka. **Nay:** None. **Motion Approved.**

3. Consider recommending to the city Council approval of an application for Economic Development Assistance – Industrial as presented by the Lawton Economic Development Corporation.

Rogalski stated on Friday we received an application for economic development assistance according to City Council Policy 1-11 for industrial development. According to the policy the application is to come before this authority for them to make a recommendation to City Council. The request is for an amount not to exceed \$250,000 for improvements necessary to begin a new manufacturing operation. It is a manufacturing plant that makes automotive parts and will go into an existing building located at 3516 SW 11<sup>th</sup> Street. The site requires an upgrade to the electrical system to 480 volts and this work is to be done by PSO with some transformers to be set on the north side of the building. There are also some necessary improvements to the fire suppression system. The water fluctuates when we are filling our 70 million gallon tank and there isn't enough pressure to push enough water to the heads of the existing sprinkler system. The cost of the modifications to the sprinkler system is \$55,000 and to the electrical is estimated at \$400,000. They are requesting assistance for those improvements in the amount of \$250,000 from the Economic Development Fund. The total cost of the improvements is \$455,000. The building is actually in pretty good shape. The inside looks better than the outside. They will have to invest \$8 to \$10 million to get the building operational. Upon completion Henniges Automotive will begin operation to include 150 new jobs and an annual payroll of \$5.5 million. Because these will be new jobs and new industry there is

significant economic expansion and Keith Bridges is here to talk about that. The Council policy requires that 3 standards are provided in order to meet the policy: (1) They have to provide 20 new full time jobs with a minimum payroll of \$500,000. They will be providing 150 jobs with a payroll of \$5.5 million; (2) The average wage must be 100% of the average wage within the Lawton Metropolitan Statistical Area. Their average wage is about \$35,000 and is more than the median in the Lawton Metro Area of \$26,032. This information is based on the Table S2001 from the American Community Survey; (3) The company must provide healthcare benefits to all full time employees. They do provide this benefit and pay 80% of the benefit with an average benefit of \$12,000 per employee. Based on the application they meet the requirements of Council Policy 1-11 and the economic benefit will be realized by the Lawton community. I recommend to LIDA approval of the assistance.

Cooksey stated this handout will inform you of who Henniges Automotive is. On page 1 you see they make rubber door seals, engine seals and trunk seals that prevents air and moisture from getting in. Right now they have a factory in Frederick, Oklahoma. They have a 300,000 square foot facility they lease from the city. It is a 3 shift operation 5 days a week with roughly 305 employees. An interesting fact to me is 55% of the employees are women. This is abnormal for a factory. In Frederick they do extrusion, molding and finishing operations. There are 8 extrusion lines and 80% of their business goes to General Motors and Chrysler. Here at the temporary location they will be doing the finishing operations. Their corporate headquarters are located in Auburn Hills, Michigan and they are owned by Aviation Industry Corporation of China (AVIC). Some of their global customers are GM, Volkswagen, Ford, Nissan, Mercedes-Benz, Chrysler, Honda, Hyundai, Toyota, Volvo, Cami, BMW, Opel and Renault. Page 5 shows some of the vehicles their parts are in. They stated that for the new 2019 Chevy Silverado all the lining strips will be made in Frederick and finished in Lawton. Page 6 shows some of the vehicles Oklahoma is producing for. On the next page you see the global locations. As you see this is a worldwide business. There are 5 locations in the United States, 5 in China, 4 in Europe, 4 in Mexico and 1 in Canada. This is where Lawton comes into play. They are having some issues with some of the plants. The COO is from Frederick and is very familiar with Southwest Oklahoma. He knows the success of that plant and is very protective of it. They would like to expand the work being done in Frederick but can't. They don't have a facility, money and most importantly the work force. When this became known we made contact with them. Lawton would be a great partner to open a "satellite plant". We are concerned about the integrity of the Frederick plant with as many connections with Lawton and Frederick. They have assured us they want to protect the plant. The COO is from Frederick and the Plant Manager is a hometown Frederick boy. The plan is to keep that plant as it is and temporarily come here for 2 years. We will build them a new facility in our industrial park of roughly 100,000 square feet. From that point the 150 temporary employees will become permanent and double or triple in size at the permanent facility. Once it gets going we are looking at a minimum of 300 jobs and maybe more. We took a group from Lawton to visit the plant and they told us they could make the Lawton facility as big as we can make it. They have that much work to be done. The private investors are pushing for more and more and these locations can't handle it. This is why we feel we can help them to be successful here.

Fitch stated the Frederick plant started in 1979 under the name of Slagal. They were bought out 5 years ago and now it is Henniges Automotive. Henniges is very sound and has a

good relationship with those they have been servicing for 40 years. I had experiences with them when I was in private business and they were a good account. Recently they peaked and have stayed there. The City of Frederick doesn't have the money to expand or the personnel in that area to employ. This is a tremendous opportunity for Lawton. It is a new business, growth and payroll dollars going into our community. They are committed to being in Lawton, Oklahoma and I think this is a great project.

Cooksey stated this is unlike any other business we have recruited. They want to be in Lawton, Oklahoma and we are not competing with another community. To get them here in a temporary location without having to negotiate the permanent spot gives us all the leverage in the world. Larry Williams, COO, was at a meeting yesterday with GM and the new Lawton location was presented. It went so well they are rearranging things from other plants to fit into the Lawton picture. We were going to make the announcement this Friday but has been pushed back a couple of weeks. We feel good about this and that is why we are asking for some assistance. On the next page of your handout are some of the seals and where they go on the vehicle. The next page is the locations plans for Lawton. We are planning on 2 years for the temporary location but it will probably be more like 3 to get the new facility built. The temporary facility will be housed in the old Surplus City building with the future location to be at the Airport Industrial Park. We would build to suite with a lease or lease to own situation. The next page is a map that shows the industrial park and 2 of the locations they may go. They are leaning towards the northwest corner but that will all be determined at a later date. This will be the first tenant in the 70 acres of the industrial park. The last page is an overview of what Rogalski said. They need some updates to the building and the most expensive is the power. The 480 volt will cost around \$400,000. General Motors and Chrysler have certain specifications that Henniges has to meet. We had a very productive meeting with the Fire Marshal in regards to the fire suppression system. That will be an additional \$50,000. We feel the investment of \$250,000 to help get this in place for a return of 150 well paying jobs and more jobs down the road is a good investment.

Bridges stated I'm Keith Bridges the Executive Director of the Economic Development Center at Great Plains Technology Center. One of our responsibilities is to do an analysis for Economic Development. We use software called REMI, Regional Economic Models, Inc. CCIDA and Great Plains purchased this software 18 years ago. We used it on Bar-S and other projects. You tell the software the number of people, the pay scale, percentage of benefits and percentage of capital investment. You feed it information and it tells you what the impact will be. To figure out what you are gaining you have to take it back out. That is called an input/output model. I have given you a partial listing of the model itself for the first time. We take those numbers and break it down to a cheat sheet. It tells you what you are looking for. You see you have 75 people the first year, 75 the second and there is a capital investment involved in that. With that capital investment over 5 years your impact and study shows you that you are roughly getting an increase of 550 across the community plus the jobs. There will be an additional 180 jobs and you see how they are broken down. Service sector, food and construction jobs come and go. REMI gives you a model number of 1.46% end up staying construction to help with the growth and not the plant growth. We will receive 9 additional health care jobs to help take care of the 150. The impact has not only capital investment for tax purposes but to maintain the 150. This is what the economy is going to gain. At the bottom you see the income tax amount of the

average of 5 years. That is a percentage of ad valorem. The evaluation is \$25 million in the 5<sup>th</sup> year and then compounded you have to take the depreciation on the outside. That will give you kind of what you are looking at as far as for the ad valorem basis. This is within the city limits of Lawton and falls within the LPS district. This will help LPS and Great Plans. REMI is a simple process. Since we are not a huge community it limits our ability to do certain things with the software.

Jensen stated there is no need for executive session since their name is out there.

Bridges stated that is not necessarily true for us. We have not been given the liberty to discuss the name publicly.

Jensen stated Cooksey has.

Bridges stated we have to be careful with these things. We are under the spot by signing our names and lives away that says we can't discuss it until the company released it to the public. We know they have told their employees but that doesn't release me or Cooksey. I want to be careful. I don't want to get into the problem Oklahoma City got into about 25 years ago in a lawsuit.

Jensen stated we already have their name on all these public documents. We talked to Cooksey about that last week. He made a phone call to them because we were having those conversations.

Bridges stated I just have to be careful.

Jensen stated the only reason to go into executive session would be if their name was still unavailable. Since it is on the application Cooksey gave us the green light to put this stuff in these public documents. Is that right?

Cooksey stated I called Henniges and asked them for permission to do this.

Bridges stated I stand corrected. I was not privy to that.

Jensen stated we wouldn't have done it otherwise. We were asking those questions because Rogalski was asking. We had to do the application part of it. We had to know whether we were going to put it in executive session or not. He got that permission.

Bridges asked in the future do we have to use the company name or can we use a code name.

Jensen stated we can keep it quite. Once we heard about them talking to their employees last Friday and today how can you say it is confidential. To be sure Cooksey called them at our request and got back with us last Friday. Is that right?

Cooksey stated that is correct.

**Motion** by Warren, **Second** by Tennis, to recommend to the city Council approval of an application for Economic Development Assistance – Industrial as presented by the Lawton Economic Development Corporation, for the assistance not to exceed \$250,000, with the stipulation that the jobs remain within the City of Lawton for a period of 5 years. **Aye:** Tennis; Warren; Givens-Johnson. **Nay:** None. **Motion Passed.**

Jensen stated I need to meet with Cooksey and Rogalski to finalize the term sheet on Friday. If Council approves your recommendation they will authorize the execution of an agreement. I wouldn't have to bring it back as long as I have a term sheet you can review and incorporate those terms in the agreement. The 3 of us can contact them for that portion. If we don't meet on Friday we will have to wait until the second meeting in November and nobody wants to wait that long for an agreement.

Cooksey stated okay.

Rogalski stated since the funds are coming from the economic development account there will be a joint resolution. This will have to go to Council also.

Jensen stated that will be on the next meeting.

Ihler asked have they scheduled a meeting with their board.

Rogalski stated I was told it was scheduled for the 20<sup>th</sup>.

#### EXECUTIVE SESSION

4. Pursuant to Section 307B3 and C10, Title 25, Oklahoma Statute, consider convening in executive session for the purpose of conferring on matters pertaining to industrial development, including requests for development assistance, financing, and the sale and/or acquisition of property, and take appropriate action, if necessary, in open session.

The authority did not convene into executive session.

5. Adjournment.

There being no further business the meeting adjourned at 3:10 p.m.

**Motion** by Warren, **Second** by Tennis, to adjourn. **Aye:** Warren; Tennis; Givens-Johnson. **Nay:** None. **Motion Passed.**