City of Lawton

Lawton City Hall
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Lawton, Oklahoma
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Legislation Details (With Text)

File #:	21-576 **Version:** 1		
Type:	New Business	**Status:**	Agenda Ready
File created:	10/14/2021	**In control:**	City Council
On agenda:	10/19/2021	**Final action:**	
Title:	Consider approving a Resolution of the City of Lawton, Oklahoma (the “City”) authorizing and approving the incurring of indebtedness by the trustees of the Lawton Economic Development Authority (herein the “Authority”) to be accomplished by the issuance of its Sales Tax Revenue Refunding Note, Series 2021 or other evidences of indebtedness in one or more series on a tax-exempt or taxable basis, at a premium or discount, in the aggregate principal par amount of not to exceed Twenty-Seven Million, Five Hundred Thousand Dollars ($27,500,000) (herein the “Note”) for the purpose of refunding the outstanding portion of the Authority’s Tax Apportionment Note Series 2019 (Taxable) and the outstanding portion of the Authority’s Comanche County Industrial Development Authority Note the proceeds of which were used to provide development assistance to the City; and pay costs of issuance related thereto; providing that the organizational document creating the Authority is subject to the provisions of the note indenture authorizing the issuance of said Note; approving the award of the sale of said Note on a negotiated basis, approving the waiver of competitive bidding with respect to the sale of said Note; and approving the proceedings of the Authority pertaining to the sale of said Note; approving and authorizing a Sales Tax Agreement (the “Sales Tax Agreement”) by and between the City and the Authority pertaining to the year-to-year pledge of certain sales tax revenues; and all matters related thereto, including execution of all related documents thereto.		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. City Council Resolution Authorizing Indebtedness		

Date	Ver.	Action By	Action	Result

ITEM TITLE:
Consider approving a Resolution of the City of Lawton, Oklahoma (the “City”) authorizing and approving the incurring of indebtedness by the trustees of the Lawton Economic Development Authority (herein the “Authority”) to be accomplished by the issuance of its Sales Tax Revenue Refunding Note, Series 2021 or other evidences of indebtedness in one or more series on a tax-exempt or taxable basis, at a premium or discount, in the aggregate principal par amount of not to exceed Twenty-Seven Million, Five Hundred Thousand Dollars ($27,500,000) (herein the “Note”) for the purpose of refunding the outstanding portion of the Authority’s Tax Apportionment Note Series 2019 (Taxable) and the outstanding portion of the Authority’s Comanche County Industrial Development Authority Note the proceeds of which were used to provide development assistance to the City; and pay costs of issuance related thereto; providing that the organizational document creating the Authority is subject to the provisions of the note indenture authorizing the issuance of said Note; approving the award of the sale of said Note on a negotiated basis, approving the waiver of competitive bidding with respect to the sale of said Note; and approving the proceedings of the Authority pertaining to the sale of said Note; approving and authorizing a Sales Tax Agreement (the “Sales Tax Agreement”) by and between the City and the Authority pertaining to the year-to-year pledge of certain sales tax revenues; and all matters related thereto, including execution of all related documents thereto.

INITIATOR: Richard Rogalski - Deputy City Manager

STAFF INFORMATION SOURCE: Richard Rogalski - Deputy City Manager; Tim Wilson - Deputy City Attorney

BACKGROUND: On October 11, 2006, the City approved the Lawton Downtown Economic Development Project Implementation Agreement directing the Lawton Economic Development Authority (LEDA) and the Lawton Urban Renewal Authority (LURA) to proceed with implementation and financing of the Downtown Redevelopment Project. LEDA providing the financing for the project with a note issued by our local banking partners, initially in the amount of $12,000,000. With this funding LURA acquired the properties in the twelve-block area now known as the Lawton Town Center. After partnering with a hotel developer (Partners in Development) and a retail developer (Collette and Associates) the Lawton Town Center project was developed. To provide funding for infrastructure relocation and improvement, along with LEDA's other responsibilities as included in the redevelopment agreement, LEDA obtained the Series 2013, Lawton Downtown Increment Districts Project note dated March 22, 2013, in the maximum principal amount of $31,600,000. This note was also funded by our local banks, showing their investment in the redevelopment of Lawton's downtown. The project was constructed and now serves the Lawton Fort Sill community.

The original interest rate on the Series 2013 Note was set at the Prime Rate plus 1.25%, with a minimum rate of 4.5%. At that time the prime rate was low enough that the initial interest rate was 4.5%, being the minimum. Following several years of rising interest rates, in August of 2019, the local banks agreed to reduce the interest rate. The subsequent 2019 Note was set on an annual basis each September 1, based on the Prime Rate with a minimum rate of 4.50% and the maximum rate as allowed by law, which is 14%. This significantly lowered our interest costs and put LEDA in a better position to meet their obligations.

Interest rates have since fallen dramatically and this note can now be refinanced, if backed by City sales tax, to a 2.47% fixed rate. This rate will not only save a little over $4 million in interest charges, but it also sets the payments at a consistent level, rather than increasing each year as with the current 2019 Series Note and avoids a balloon payment of approximately $8.7 million at the end of the term. The proposed 2021 Series Note will have a maturity date of September 1, 2035. **The 2021 Series Note, however, will secured by three-eighths of one cent (0.375%) sales tax derived from the City's annual general revenue sales tax.**

Also, in 2012, LEDA also borrowed $1.5 million from the Comanche County Industrial Development Authority (CCIDA) at a fixed interest rate of 3.14%. The money was used towards the construction of the Convention Center adjacent to the new Hilton Garden Inn to promote the tourism and economic development associated with the same. Sales tax revenue generated by the hotel was pledged for the repayment of the note, however the current balance remains at just over $1.3 million. As the current rate is lower than 3.14% and it would further benefit the community to repay this amount to CCIDA, this amount has been added to the Series 2021 Note.

EXHIBIT: Resolution

KEY ISSUES: N/A

FUNDING SOURCE: LEDA Funds, pledged with three-eighths of one cent (0.375%) sales tax derived from the City's general revenue sales tax.

STAFF RECOMMENDED COUNCIL ACTION: Consider whether to approve the proposed resolution, and if desired, adopt Resolution 21-_____, authorizing and approving the incurring of indebtedness by the trustees of the Lawton Economic Development Authority (herein the "Authority") to be accomplished by the issuance of its Sales Tax Revenue Refunding Note, Series 2021 or other evidences of indebtedness in one or more series on a tax-exempt or taxable basis, at a premium or discount, in the aggregate principal par amount of not to exceed Twenty-Seven Million, Five Hundred Thousand Dollars ($27,500,000) (herein the "Note") for the purpose of refunding the outstanding portion of the Authority's Tax Apportionment Note Series 2019 (Taxable) and the outstanding portion of the Authority's Comanche County Industrial Development Authority Note the proceeds of which were used to provide development assistance to the City; and pay costs of issuance related thereto; providing that the organizational document creating the Authority is subject to the provisions of the note indenture authorizing the issuance of said Note; approving the award of the sale of said Note on a negotiated basis, approving the waiver of competitive bidding with respect to the sale of said Note; and approving the proceedings of the Authority pertaining to the sale of said Note; approving and authorizing a Sales Tax Agreement (the "Sales Tax Agreement") by and between the City and the Authority pertaining to the year-to-year pledge of certain sales tax revenues; and all matters related thereto, including execution of all related documents thereto.