

City of Lawrence
Public Incentives Review Committee
May 21, 2014 minutes

MEMBERS PRESENT: Boog Highberger, Mike Amyx, Mike Gaughan, Linda Jalenak, Jeremy Farmer, Brian Iverson, Brad Burnside

MEMBERS ABSENT: Shannon Kimball

STAFF PRESENT: David L. Corliss, Diane Stoddard, Britt Crum-Cano

PUBLIC PRESENT: Joshua Montgomery, Kris Adair, Chad Lawhorn, and additional members of the public

Mayor Amyx called the meeting to order. Commissioner Gaughan made a motion to approve the January 21, 2014 meeting minutes with a correction to Ms. Jalenak's name, Brad Burnside seconded. Motion approved unanimously.

Britt Crum-Cano presented the 2013 annual economic development report. She stated that not only were all of the companies in compliance with the tax abatement requirements, but they were exceeding the requirements. She also noted that the companies receiving an abatement actually paid more taxes than were abated. She also commented on other economic development tools covered in the report, including outstanding industrial revenue bonds, neighborhood revitalization program, tax increment financing districts, transportation development districts, and other economic development support programs.

Vice Mayor Farmer asked about historical tax abatements. He stated that in 2013 the City abated \$677,000 for these economic development programs, and this figure is down \$80,000 from 2011 and down around \$40,000 from 2012. He stated that this amount is less than 1 mill. Mayor Amyx stated that he is proud of the companies and the success they have had. Mr. Iverson asked about the cost of incentives versus jobs created. Crum-Cano responded that a benefit-cost analysis is part of the original application. Mr. Burnside asked about who manages communication about the performance agreements. Crum-Cano responded that she does that by sending out the forms, and doing the compliance tracking. Mr. Burnside asked about why Plastikon hasn't certified. Crum-Cano and Stoddard replied that they were unsure of the reason, but had contacted the company on multiple occasions to remind them of certification deadlines. Mayor Amyx asked about the effect of sales tax collections based upon IRB issuances. Crum-Cano said that we don't do anything on the back end to track that. However, the sales tax exemption is part of the initial analysis. Stoddard stated that could be done as it is certified to the state after the project is constructed. Highberger requested that the information Vice Mayor Farmer had requested be sent out to PIRC. Crum-Cano stated that she would work on that after verifying some information. Ms. Jalenak made a motion, and Vice Mayor Farmer seconded, to receive annual economic

development compliance report and forward to the City Commission. Motion approved unanimously.

The Mayor introduced the next agenda item: the continuation of review of funding request from Wicked Broadband. Mr. Montgomery provided an update on the Wicked Broadband proposal and related activities. Montgomery mentioned that at the last PIRC meeting, Mayor Amyx had asked about the value of fiber cable. In response, the City issued an RFI to see if other providers had interest in providing fiber service in Lawrence. The City received four submittals in response to the RFI. The Wicked Broadband proposal was the only one proposing common-carrier technology.

Wicked Broadband updated their earlier proposal to provide additional options for the City to consider and provided handouts of those options to the committee. Mr. Montgomery mentioned that their lender is now requiring the City to back stop the proposal before they will provide financing. He also mentioned that City support is necessary for the company to obtain investor confidence in the project. Wicked Broadband mentioned letters from 80 of their community customers that have voiced support for the project.

Commissioner Gaughan asked if option A was the previous proposal. Mr. Montgomery confirmed it was the original proposal. Option B and C are variations on the initial proposal. Vice Mayor Farmer asked if this option would have citizens pay for fiber installation and pay for premises equipment (e.g. "cooperative model"). Mr. Montgomery said homeowners would pay a \$300 installation fee.

Mr. Burnside asked what went wrong in Seattle regarding their fiber program that would be different in Lawrence. Mr. Montgomery responding that in Seattle case they pursued a middle-mile strategy and didn't have the experience to continue the project. Seattle also had cost escalations and the company couldn't put the money together. Wicked Broadband has squeezed down their cost estimates and figured out how to provide fiber cheaper.

The Mayor asked if a conflict might exist in the decision making process regarding this item. Mr. Burnside and Mr. Iverson responded that although the applicant yesterday had visited with other staff at their organizations regarding funding, neither Mr. Burnside, Mr. Iverson, nor their organizations, have a formal financial relationship with the applicant. Staff suggested it since it might appear there was a conflict of interest, Mr. Burnside and Mr. Iverson might want to recuse themselves of the discussions and voting on this item. Mr. Burnside and Mr. Iverson then joined the audience members, recusing themselves from the discussion and voting process.

Commissioner Gaughan mentioned that fiber is likely needed in the community and it wasn't sure this was the correct proposal to pursue. However, he expressed that the committee needs to make a decision and make a recommendation to City Commission without further delay. Commissioner Gaughan then made a motion to recommend the City Commission move forward with Option B, which included the items in the original proposal, but converted the \$500,000 grant to a \$1 million loan guarantee.

Mr. Highberger mentioned fiber is important and that he was satisfied with proposal option A. He had received no feedback on the RFI results. Mr. Highberger mentioned he with comfortable with option B.

Stoddard said that while the RFI committee had not formally submitted their recommendations to the City Commission, that the members of at the RFI review committee meeting expressed urgency on the issue of bringing fiber to the community. The review committee further recommended the City Commission authorize staff to visit AT&T and Google. The committee felt that both companies would have the financial capacity to do a build out in the community, if desired. The committee also suggested the City have a framework ready that established market rates for leasing fiber so a company wanting to use excess fiber could do so quickly. She mentioned that Commissioner Dever had asked members about their thoughts regarding the Wicked Broadband proposal. Several committee members recommended pursuing the Wicked Broadband proposal and there were a couple who did not.

Vice Mayor Farmer mentioned an article on why Google won't build in Seattle: 1) Seattle process 2) Pole attachments 3) Permits and Rules 4) Build out requirements. Vice Mayor Farmer mentioned the Wicked Broadband proposal would be worth a shot in investing in. He expressed that free installation to the homes is not an effective approach. Given Wicked Broadband would be utilizing a "Cooperative Model", he was comfortable with moving forward with this recommendation. Vice Mayor Farmer would like to know about City unbudgeted funds necessary to pursue the proposal. At the City Commission level, he was interested to see if franchise fees would be feasible as a funding source.

Ms. Jalenak agreed that fiber is necessary for growth of a community and for businesses within communities. She expressed concern with the company (Wicked Broadband) in general, stating that in her communications with the public she not had heard anyone say anything positive about Wicked Broadband and their service. Ms. Jalenak mentioned that she was concerned the City would be associated with a company that is not in favorable standing in community.

Vice Mayor Farmer suggested if they were going to recommend this proposal, the City should have an agreement stipulating periodic reporting and progress updates on the part of Wicked Broadband. The contract should also include what is expected and what should be delivered. Mr. Montgomery mentioned he would be amenable to periodic performance reporting.

Mayor Amyx expressed that he doesn't think the City can do a \$1M loan guarantee at this time due to funding.

The motion by Commissioner Gaughan to recommend the City Commission proceed with Wicked Broadband's Option B proposal was seconded by Vice Mayor Farmer, with the provision that staff come up with a contract before this goes to City Commission. It was mentioned that staff might need to seek input from the City Commission in developing the contract. Motion passed 3-2 with Mayor Amyx and Ms. Jalenek voting against.

Ms. Jalenak made a motion to adjourn the meeting, which was seconded by Vice Mayor Famer. Motion passed unanimously.