

**Minutes of the
INDUSTRIAL DEVELOPMENT AUTHORITY
April 14, 2015**

1. CALL TO ORDER: an Industrial Development Authority meeting of the City of Douglas was held at City Hall, 425 10th Street, Douglas, AZ 85607 on April 14, 2015 at 10:02 am

2. ROLL CALL

PRESENT

Daniel Ortega Sr.
Howard Henderson
Josue Lopez (tardy)
Bill Thomas Sr.
Robert Marrufo
Florencio Lopez
Patrick Scherden

ABSENT

Craig Hughes

Others Present:

Danny Ortega Jr., City of Douglas
Carlos De La Torre, City of Douglas
Alma Andrade, City of Douglas

3. APPROVAL OF JANUARY 13, 2015, MEETING MINUTES.

Motion by Patrick Scherden to approve the meeting minutes for January 13, 2015; second by Robert Marrufo.

Motion passed unanimously.

4. TREASURER'S REPORT

Howard Henderson provided background information on the Treasurer's Report as follows:

CDs:	\$442,494.76
Checking:	\$233,142.22
Total:	\$676,091.98

Accounts receivable:

City of Douglas:	\$20,000
La Paloma:	\$7,552.34
SAMC:	\$37,715.00
Ortega's Stores, Inc.	\$73,019.85
Total:	\$138,287.19

Monthly Income:

Precept:	\$1,300
La Paloma:	\$1,915.70

Payment amount for Ortega's Stores is \$1,405.34

Expenditures:

1. B&D Lumber check in the amount of \$30.20 for locks and keys to secure building on 11th Street.
2. Postmaster check in the amount of \$128.00 for the post office box fee.
3. Check to Chase in the amount of \$45.00 for reimbursement to Howard Henderson for his credit card charge for the Arizona Corporation Commission fees.
4. B&D Lumber check in the amount of \$4,132.46 for paint for the Grand Theater project.

Howard Henderson would like to get together with the City of Douglas' finance department in order to get feedback on what IDA can do with CDs at Washington Federal, which are maturing in May 2015.

Mr. Ortega Sr. inquired about money owed by SAMC. Howard Henderson stated that the money owed is owed by the previous owner and not by the current owners. In addition, Howard Henderson mentioned that the indebtedness doesn't transfer to the new owners; it stays with the previous owners.

Robert Marrufo inquired if IDA is waiting on a bankruptcy documents. Bill Thomas stated IDA cannot chase them nor does anything, not until IDA receives a bankruptcy court order.

Bill Thomas stated that the bankruptcy court will send IDA a notice on this.

Motion by Patrick Scherden to accept the Treasurer's report; second by Bill Thomas Sr. Motion passed unanimously.

5. UPDATE REGARDING REALTORS' ASSOCIATION INVOLVEMENT IN BEAUTIFYING DOUGLAS.

Bill Thomas stated there's no update to the report.

Carlos de la Torre stated that the realtors are working on the project to beautify downtown. Realtors may have identified the old Zavala's building to spruce it up, but no specific project in place yet.

In addition Carlos de la Torre stated that realtors are having difficulties in finding volunteers for this project.

Florencio Lopez stated that Mr. Michael Gutierrez approached him specifically to look at the Zabalas, the Warehouse, and couple other buildings. Florencio Lopez stated he provided sketches to such buildings that were going to be approved by the realtors.

In addition Florencio Lopez stated that the Realtors don't have support as volunteers are not stepping into the projects.

Josue Lopez stated that over a year, he submitted a list of low cost high impact things that downtown could use; downtown overall, such as new lights, benches, trash cans, etc.

6. UPDATE REGARDING THE EXTERIOR PAINTING OF THE GRAND THEATER.

Bill Thomas stated that this project is almost complete with the exception of the upper south side.

Carlos de la Torre stated that this side is schedule for Friday (4/17/2015) since some scaffolding is required.

Bill Thomas mentioned they purchased 25 more gallons of paint and that people are pleased with the work that has been done for the Grand Theater.

Florencio Lopez inquired if IDA can keep the left over pain in order to use it for graffiti.

Carlos de la Torre mentioned that there were some people in the community that weren't happy with using the Fire latter truck to reach the higher parts of the grand theater to paint. We needed it to use in order to save money.

Josue Lopez stated that since we are a small community, we need to use all available resources to help within the community.

7. UPDATE REGARDING THE PAINTING OF COWBELLES BUILDING

Bill Thomas received a call from Peggy Boss, President of the Cowbelles and stated the Cowbelles are raising money for outside paint for their building. Ms. Boss approached Bill Thomas to inquire about remodeling the inside and outside of the Cowbelles building; however, Bill Thomas stated that IDA doesn't do remodeling; IDA's work is a superficial deal to help paint buildings that need it. Ms. Boss will let Bill Thomas know when they finish remodeling in order for IDA to help paint it.

Florencio Lopez inquired if it will be the same as the Grand Theater, for the City to provide inmate labor and IDA to provide paint.

Carlos de la Torre stated that since the wall is facing Pan American Avenue a mural can be built in order for the spot to be further enhance.

Bill Thomas inquired who did the mural at La Placita. Carlos de la Torre stated it was 15-20 years ago by a DOC inmate.

Carlos de la Torre also stated that IDA can involve Mr. Paun from the High School or include Cochise College art class to design the mural.

Florencio Lopez inquired if the mural is built, if Cowbelles would be able to add low voltage lighting to highlight it.

8. UPDATE REGARDING THE SUBMITTAL OF A CUSTOMS AND BORDER PROTECTION, 559 PRIVATE PUBLIC PARTNERSHIP PROJECT PROPOSAL FOR THE NEW COMMERCIAL PORT OF ENTRY; AND MAYOR ORTEGA'S TRIP TO WASHINGTON IN REFERENCE TO THE POE PROJECT.

Mayor Ortega inquired if he can combined items 8 and 10 since it has to do with the same project. Mr. Daniel Ortega Sr. approved to combine both items.

Mayor Ortega stated that in October of 2014, the rules for the private public partnership came out for the section 559 with a submittal deadline of December 23, 2014.

Mayor Ortega stated the City of Douglas donated land on the U.S. side and land donation on the Mexican side has been done by the donor. The City of Douglas submitted the application after discussions with Customs and Border Protection, Tucson Field Office. The city started with a \$20M dollar project. When the city of Douglas sat with the Tucson Office they asked to put down

all the improvements such as more lanes, infrastructure, technology, so this project came up to \$45M.

The city's intent was to lease the facility back to CBP and in talking to the field office it would have been a 30 percent savings versus them leasing from General Services Administration Office. CBP has to lease through GSA. The city hoped to be a pilot program to CBP to lease directly with an entity. Stantec Consulting helped the city to develop this program.

The current port of entry is at 4.8 acres and the new facility would be on 80 acres. We built in about \$3M dollars of improvements to the current port.

The city planned a trip to Washington, DC to talk to the House of Representatives and Senators; personally met with Senators Flake, McCain and Johnson, who is the chairman of the Homeland Security. Mayor Ortega stated that when they landed in Washington, DC, the city received a rejection/clarification letter from CBP in which stated a lease was not an option for the new port.

Mayor Ortega also commented that the city resubmitted the letter in which the city still donates the land to get on their list for future development. Hopefully CBP can accept the land for now in agreement for the city to build the sewer and water to the facility.

In addition Mayor Ortega mentioned that the city approached the state and the county and they are willing to donate the road tied in to the highway. It seems everything is in place and the city is staying positive.

While in Washington, DC, Mayor Ortega along with the City Manager De La Torre met with the Homeland Security Appropriations Committee Chair and they stated that the Douglas project is not in their radar yet.

Mayor Ortega stated that the local Tucson Sector office placed the City's project in their five year plan along with the San Luis port of entry upgrade. The Office of Management Budget was able to increase the San Luis project and rejected Douglas' project. The City of Douglas has more traffic than San Luis, more goods, but we have a much smaller facility. The City problems are the deficiencies at the current port. The city is trying to push this project forward. Mayor Ortega stated they are pushing more on the health and safety issue. The chemicals that hurt the Rio Sonora and the Cananea overflow; those are the chemicals that are crossing through the Douglas port of entry and in talking with the Tucson Field Office, they feel it's important to start pushing this issue as well.

Mayor Ortega stated the plan is not dead at all, the city will continue to push this project, but will need to rework it. In addition Mayor Ortega mentioned that the donation of acceptance will come out again in the Fall and they may modify it. According to the Tucson Field Office the city's application were extremely high in all areas other than the lease component.

If the City of Douglas gives 80 acres to CBP, the City remains with a total of 240 acres available. Carlos de la Torre has a couple of ideas on tax credits on the land. As an additional comment, Mayor Ortega stated that the city has a \$90,000 invoice from Stantec pertaining to the port of entry project and is hoping the IDA can help pay the amount.

Carlos de la Torre commented that there's a lot of money being parked outside the U.S. the proposal from President Obama states that the money can be used for infrastructure improvements. Along those lines Senator Flake says that if there's any way they can entice that to funnel some of that money going to ports of entry projects. How can we create an incentive that

allows for some of the companies that currently operate in Agua Prieta or along the border. If they have money parked outside, the idea is to bring them in the U.S. and they invest into ports of entry.

Florencio Lopez inquired since the city is disappointed with the lease option not included in the 559 rules, is the plan moving forward in the next five years down the road. Mayor Ortega stated that his hope is sooner than the five year period.

Mayor Ortega also stated that the city has been very aggressive and optimistic.

Florencio Lopez also mentioned that the statement from Mr. Raul Grijalva, how can we link somebody from here, especially with Mr. Raul Castro's passing, how can we link a local representative into buying the idea and supporting it because it's for the betterment of the community.

Mayor Ortega mentioned he met with Representative Grijalva before and he's working very hard with the CBP office in Tucson to put this project up.

As an additional comment, Mayor Ortega stated that Representatives Grijalva and McSally are also on board on this project. Senator Flake's Office called to see how they can help with the naming and getting some funding for this as well.

Mayor Ortega stated the city tried to contact Texas representatives but since we are not in the Texas area they couldn't talk to them.

Howard Henderson inquired if the city and IDA are trying to propose naming the new or current port as Raul H. Castro port.

Mayor Ortega stated that the proposal is for the current port.

Carlos de la Torre stated if they are renaming the current port they need to do improvements as well.

Howard Henderson also inquired about the road, is it possible to come straight north to highway 80. Mayor Ortega stated it is or to James Ranch Road.

Florencio Lopez also inquired if the connector road was approved by ADOT.

As an additional comment, Carlos de la Torre stated that everything it's approved, but they can't move forward until they have the approval from the Federal Government. Carlos de la Torre also commented that Cochise County is in the process of eminent domain to connect the city from the port to highway 80. In terms of ADOT, yes, they are helping by putting this in their five year plan with the road construction.

Mayor Ortega stated Mexico is ready to move forward, but are waiting on the city. In addition, stated that the Mexican State Department will contact the U.S. State Department.

Mayor Ortega mentioned that Stantec Consulting helped the city by putting the application together for submittal and the fee is \$90,000, and is would like IDA's help to pay in trade for some land.

Carlos de la Torre provided a copy of the application submittal, CBP's response letter to the city and the clarification letter from the city to CBP.

9. DISCUSSION/DECISION ON APPROVAL OF LEASE AGREEMENT BETWEEN THE IDA AND FREEPORT McMORAN FOR REAL PROPERTY LOCATED AT 110 WEST 11TH STREET IN DOUGLAS, ARIZONA.

Howard Henderson provided background information. Carlos de la Torre contacted the IDA and advised that Freeport McMoran was looking for a property for a 12 month period in Douglas. Howard Henderson and Bill Thomas met with Buck Humphries, went through the building and they liked what they saw.

In addition Howard Henderson stated that Freeport McMoran pays \$2,500 month to month rent, taxes, insurance and utilities. Freeport McMoran would like for the IDA to remove some insulation, drywall and change the electrical in which IDA is in the process of having this done. Carlos de la Torre added that the city is also securing the metal building on the east and south walls. In addition Freeport McMoran requested the replacement of the hot water heater.

Florencio Lopez inquired if inmate labor would be use for the removal of the insulation and drywall. Howard Henderson stated IDA will pay for this work.

Josue Lopez stated it's a great idea to partner with Freeport McMoran for other things in the community and one of them could be to beautify Douglas.

Carlos de la Torre also stated that Freeport McMoran will also be leasing the Backdrop photography space from Bruce Whetten, as they will be using it as office for the soil mediation project.

Josue Lopez inquired on the IDA's bylaws and how do process the procure services, as he would like to be sure and not have any issues with it.

The city will replace front and rear gates, sidewalks and electrical.

Motion by Patrick Scherden to approve the Lease Agreement between the IDA and Freeport McMoran for Real Property at 110 West 11th Street Building; second by Robert Marrufo.

Motion passed.

10. DISCUSSION/DIRECTION ON PAYMENT APPROVAL TO STANTEC CONSULTING SERVICES, INC. FOR THE DEVELOPMENT AND CONSTRUCTION OF THE NEW AND PROPOSED DOUGLAS COMMERCIAL PORT OF ENTRY.

Carlos de la Torre provided additional information regarding the submittal process. The City of Douglas invested \$90,000 into the development of the proposal. Carlos de la Torre also inquired if the IDA can help fund the \$90,000 and the city can give them an allocation of land. It doesn't need to be identified where it is today, but the IDA can be the first grabber of the land. In addition Carlos de la Torre stated that IDA can invest by taking care of the \$90,000 and the city can provide them with 40 to 50 acres of land at the new commercial port of entry site.

Carlos de la Torre also stated there is a firm commitment. The city will continue to make the expenses to whatever it is to make this project happen.

Florencio Lopez inquired if the city invested \$90,000, but a partnership is at 50-50. In addition Florencio Lopez inquired about future expenses mentioned by Carlos de la Torre and if the city would ask the IDA for future funding.

Carlos de la Torre stated it's better for the IDA to take care of the \$90,000 and secure the land. Up to date the city has spent \$200,000 since three years ago when this process started. The city is going to face some challenges this coming budget and hopes to find ways to still keep operating expenses cover by the city. Carlos de la Torre also mentioned that in the worst case scenario that the project doesn't move forward the IDA will own 40 acres of land at that site.

Howard Henderson commented that if for some reason the new port is not built, the city would not pay the \$90,000 and the IDA will keep the 40 acres of land at the site.

Carlos de la Torre stated that the city would pay but on a long term pay back, probably 5-10 years, and yes, the IDA would get the money back.

Florencio Lopez inquired if the city is looking to get the full \$90,000 not a partnership of 50/50. Carlos de la Torre mentioned that preferably, the city is inquiring on IDA to cover the full \$90,000.

Bill Thomas mentioned that this is what the IDA is for, Industrial Development Authority. This is the biggest project that has come up in the community and the city is dependent on Mexico. In addition, Bill Thomas stated that he's ready to move forward with this project.

Florencio Lopez inquired about the previous loan to the City in the amount of \$100,000 and inquired if the \$90,000 is part of that approval or an additional amount. Carlos de la Torre stated it's the same loan, but would like for IDA to pay the \$90,000 rather than \$100,000 loan.

Carlos de la Torre asked how the city would pay the \$90,000 back to IDA, with a note and pay on a yearly basis or for IDA to secure the land. If nothing happens with this port the city owes \$90,000 to IDA.

Howard Henderson stated that IDA needed to change the motion as in the previous meeting the term was at a 36 month period or to secure with a portion of land at the new port of entry site.

Robert Marrufo stated it was to secure with land at the new port of entry site.

Howard Henderson stated since the risk is greater, then the value of land should be closer to what it is now than what it would be.

Carlos de la Torre stated no more than \$1,000-1,500 per acre, no more than \$2,500.

Howard Henderson inquired if IDA can do 90 acres for \$90,000.

Florencio Lopez stated that IDA needs to take the risk and move forward with the project.

Bill Thomas mentioned IDA can sell the land for \$2,000 per acre, totaling 45 acres.

Florencio Lopez commented that IDA is taking a risk for the people and the community, but in partnership with the city.

Robert Marrufo commented that IDA can build warehousing at the site since that's how IDA makes their money.

Mr. Ortega Sr. inquired by when the city needs the \$90,000. Carlos de la Torre stated that by the end of May 2015 would be adequate.

Robert Marrufo inquired with IDA members whether they like to take 40 or 45 acres, as would like to get a motion pass to give the money to the city.

Robert Marrufo and Bill Thomas commented IDA doesn't need a repayment from the city that's what a partnership is for.

Motion by Howard Henderson to give the city \$90,000 for pre-determined expenses related to the proposal now and the IDA will secure investment by acquiring 45 acres of land at the new port of entry site from the City of Douglas; second by Florencio Lopez.

Motion passed Unanimously.

11. CALL TO THE PUBLIC

None.

12. AGENDA ITEMS FOR NEXT MEETING

- Treasurer's report
- Craft an Offer for Brophy Building - \$98,000
- Cowbells Building Update
- Update on Freeport McMoran Lease
- Update on POE Partnership with the City of Douglas

13. DATE FOR NEXT MEETING

May 12, 2015.

14. ADJOURNMENT

11:22 a.m.

Posted at City Hall on Friday, April 10, 2015 by:
Alma Andrade
Executive Assistant

For reasonable accommodations pursuant to the Americans with Disabilities Act (ADA), call Frank Piñon at 417-7315 as early as possible to coordinate needed arrangements.

For further information, please call Alma Andrade, City of Douglas at 417-7302.