

CITY OF BROKEN ARROW ECONOMIC DEVELOPMENT INCENTIVE POLICY

PURPOSE STATEMENT

Economic development is vital to the City of Broken Arrow's long-term economic and social health. As part of an ongoing effort to improve the quality of life for its citizens, the City of Broken Arrow is committed to the promotion of job creation and high-quality development in all parts of the city.

The purpose of this document is to give guidance and consistency to economic development incentives and economic development agreements in the City of Broken Arrow.

This document contains the policies, processes and review procedures for Economic Development Incentives offered within the City of Broken Arrow. Nothing within this document shall imply or suggest that the City of Broken Arrow is under any obligation to provide incentives to any applicant. Incentives are evaluated on a case-by-case basis as funding is available. Consideration to incentive applicants will be provided in accordance with the procedures and criteria in this document.

In order to assist applicants with knowledge of available and feasible funding, the Broken Arrow City Manager and/or their designee must be present for any and all conversations and meetings regarding incentives, as well as, included in all communications, written or verbal, regarding requests for incentives.

GOALS AND OBJECTIVES

Projects considered for incentives must contribute to the expansion of economic development opportunities in the City of Broken Arrow through the below goals:

- Diversify the Local Economic Base
- Retain Local Jobs
- Create Quality New Jobs & Opportunities
- Create New Capital Investment in Broken Arrow
- Increase Sales Tax Revenues
- Increase Ad Valorem Revenue & Property Values

APPLICATION PROCESS

To be considered for an incentive, applicants will make a formal request by submitting the provided application in person, via mail, or virtually to:

Broken Arrow Economic Development Corporation 210
N. Main St.
Broken Arrow, OK 74012
Attn: Vice President of Economic Development

Applications will not be considered complete without the following information and documents:

- A. A detailed description of the project including, but not limited to:
 - a. Proposed project location
 - b. Primary or retail employer
 - c. Timeline for construction, estimated phases, and correlated hiring
 - d. Estimated time to full operation
- B. Number of new, FTE jobs created or jobs retained with estimated wages
- C. Proposed Project location
- D. An estimate of the capital investment that corresponds to any phasing for development and expansion

After initial review applicants may be requested to provide the following additional information to support their request:

- A. Financial disclosures from the applicant that may include certified bank letter of support, personal guarantees and/or summary tax return information
- B. Trade area and zip-code analysis
- C. Market analysis or pro forma statements
- D. Feasibility studies
- E. Traffic studies
- F. Environmental impact studies
- G. Other relevant information that will allow the City to make an informed decision

Evaluation

Applications will be evaluated by the Broken Arrow Economic Development Team (“BAEDT”) to determine if it meets the guidelines set forth herein. The BAEDT will make a recommendation to the City Council regarding the incentive and incentive type depending on the eligibility of the project.

The panel shall include, but is not limited to:

- The City Manager
- The Assistant City Manager of Administration
- The City Attorney
- The City of Broken Arrow Economic Development Director
- The Finance Director or his/her designee
- The President & CEO of the Broken Arrow Chamber of Commerce
- The Vice President of the Broken Arrow Economic Development Corporation

The BAEDT may require the applicant be present virtually or in person to make a formal presentation regarding their project and/or application.

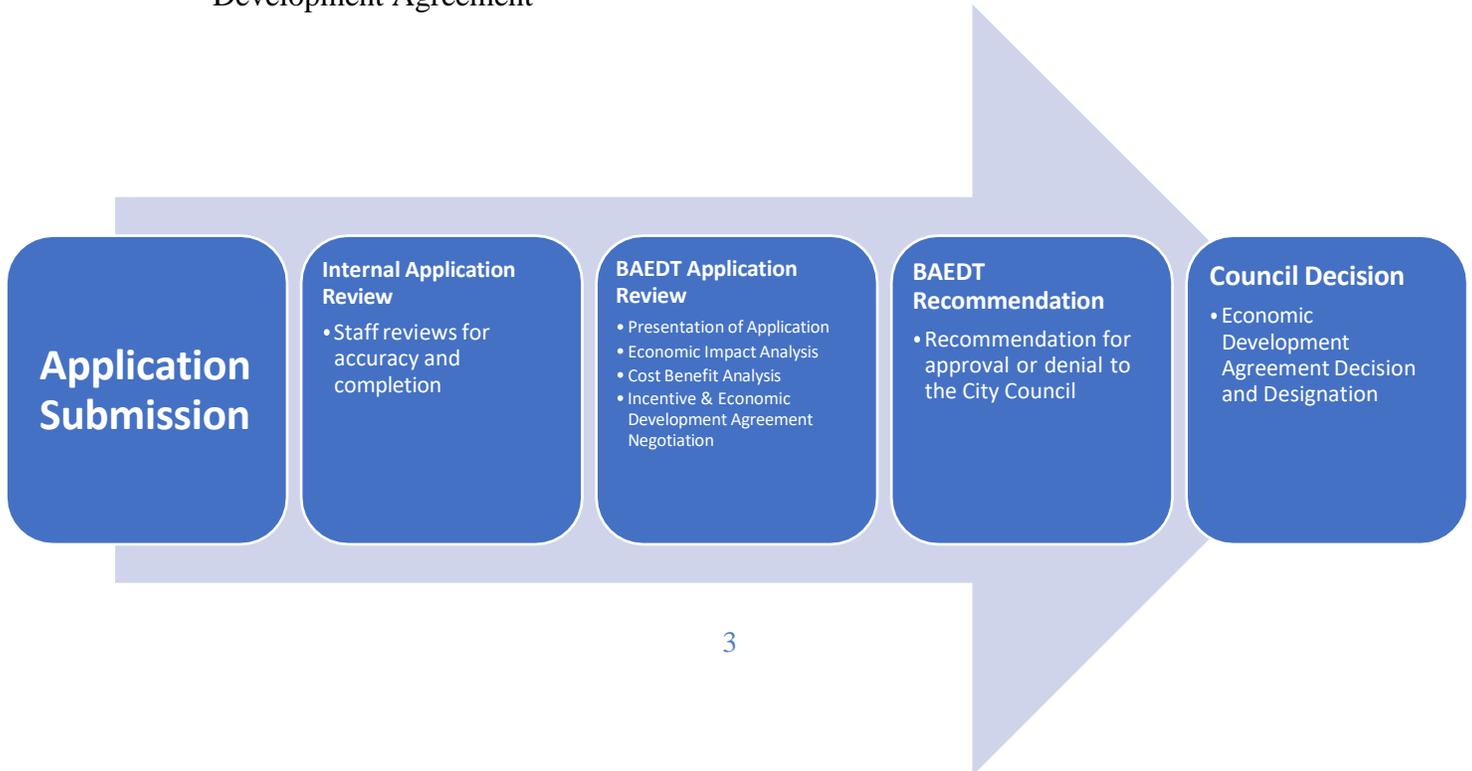
During the review process of each application, the BAEDT will consider various circumstances regarding the development in determining the public purpose. Public purpose is defined by the following criteria:

- A. The way in which the general public benefits compared to the way in which private parties may benefit;
- B. The overall primary effect of the public expenditure;
- C. The estimated time to complete the project
- D. The location or site improvement of a particular project;
- E. The creation of new job opportunities;
- F. The retention of existing jobs;
- G. The comparison of private dollars involved in a project to the number of public dollars;
- H. Increased tax and/or other revenues;
- I. Competition with other localities;
- J. Nature and scope of the public improvements

If the Project is determined not to have a sufficient public purpose, the applicant will be notified that their request for funds will not be recommended.

Application Review Process

1. Application Submission
2. Internal Application Review
 - a. Application is reviewed by staff to ensure completion and accuracy of the provided information
 - b. If the application is deemed unsuitable, the application will be sent back to the applicant for further completion
3. BAEDT Application Review
 - a. This includes an economic impact assessment and cost benefit analysis
 - b. Negotiation of Incentives & Economic Development Agreement
 - c. The applicant may be required to present to the BAEDT regarding the proposed project.
4. BAEDT recommendation to Broken Arrow City County and/or the Broken Arrow Economic Development Authority for a decision to be made regarding the Economic Development Agreement



Financial Impact

Projects must be deemed net positive to the City of Broken Arrow. Projects determined to have a negative fiscal impact on the City will not be supported nor recommended. Examples of items for consideration in review include:

- A. Total cost of the incentive, including but not limited to:
 - a. City staff labor
 - b. Waiving of fees
 - c. Cash incentives
 - d. Site readiness and land costs
 - e. Infrastructure improvements
- B. Return on Investment
- C. Cost of city services such as police and fire
- D. General wear and tear on city infrastructure and utilities
- E. Increased burden on water, sewer, and storm systems.
- F. Estimated “transfer losses” from existing merchants or businesses

Economic Development Agreements

All economic development incentives contemplated by this policy will be memorialized first by a memorandum of understanding (MOU) and then a final Economic Development Agreement between the City of Broken Arrow and the Applicant. Both must be approved by either the City Council and/or the Broken Arrow Economic Development Authority prior to becoming effective.

Upon determination by the BAEDT and in concurrence with the City Council regarding an incentive allocation, an economic development agreement containing performance standards and a required timeline will be developed by the City Attorney’s Office. The agreement will be forwarded to the City Council or it’s designees for approval.

It should be noted that most economic development agreements are in effect for multiple years. Since the City Council is limited to one-year agreements, the City Council may use Broken Arrow Economic Development Authority or another City beneficiary trust to carry out a multi-year economic development agreement.

Amendments to Economic Development Agreements

Requests for an amendment to an active incentive agreement will be considered on a case-by-case basis. If the developer or company is unable to fulfill the obligations outlined in an established incentive agreement due to forces reasonably out of their control, they may request an amendment in writing to the Broken Arrow City Manager.

The process for requesting amendments to economic development agreements will generally follow the process delineated below:

1. Developer formally submits the request and the required documentation to the City Manager and/or their designee.
2. The BAEDT will review the request and will recommend any necessary amendments to the agreement to be presented and considered by the Broken Arrow City Council or Broken Arrow Economic Development Authority.

Amendments may require additional documents and information to be submitted in order to substantiate the requested amendment, including but not limited to:

- A. Narrative explaining the request for the amendment and the conditions and limitations that required such an amendment
- B. Proposed amendment
- C. Detailed financial information

Non-Performance, Clawbacks & Monitoring

Non-performance and clawback provisions are designed to monitor compliance with each incentive agreement and ensure that the agreed upon capital investment, deadlines, and/or job creation is being met by the developer.

Before receiving any incentive, each incentive agreement will outline the projected number of jobs to be created or retained by the project and the capital investment for the project. In agreement with the developer and/or applicant, the Broken Arrow Economic Development Corporation and City of Broken Arrow or Broken Arrow Economic Development Authority with direction from the BAEDT, shall institute non-performance standards and incentive clawback provisions in each economic development agreement specific to the performance standards mentioned above.

Failure to meet or maintain the required job creation, employment level, benchmarks, and/or capital investment agreed upon, could result in the immediate termination of the economic development incentive agreement, forfeiting the remaining abatement or requiring the repayment of previously received incentives by the developer.

Each year that the economic development agreement is considered active and in place, on the anniversary of the incentive agreement approval, the BAEDT will perform an assessment of the economic development agreement to confirm that job levels and capital investment is being met.

High Impact Businesses & City Designated Development Districts

New and expanding business with projects that plan to locate within a targeted, City Designated Redevelopment District and/or projects that are considered “high-impact” projects with substantial job creation or capital investment that lead to a significant economic impact and/or quality of life improvements may qualify for additional incentives outside of the purview of this document.

City Designated Redevelopment areas and Special Redevelopment Districts will be defined as targeted areas for investment determined by the City of Broken Arrow, The Broken Arrow

Chamber of Commerce and the BAEDT. The purpose of these districts is to encourage new development that leads to economic growth that otherwise would not occur.

Projects that qualify will be reviewed on case-by-case basis and may require additional documentation, approval, and/or consideration for an economic development agreement to be executed.

INCENTIVE PROGRAMS

Primary Job Incentives

For the purpose of this incentive policy, a primary employer is considered as any business or organization providing quality, high paying jobs that generally produces a good or service that can be utilized outside of the local economy.

Incentives under this category assist with the retention, expansion, and attraction of capital investment and quality jobs in the City of Broken Arrow.

To qualify for an incentive, proposed projects must meet a minimum of;

- A. A minimum capital investment of **\$500,000** or more; and,
- B. The creation of at least **10 FTE Quality Jobs**

New Jobs Incentive

- The employer must create a minimum of 10 FTE, Quality jobs by a mutually agreed upon date by both the company and the City of Broken Arrow.
- A business or employer is eligible to receive a minimum of \$2,000 and up to a maximum of \$5,000 per new job created in City of Broken Arrow with a maximum of \$500,000.
- A qualified employer must achieve a \$500,000 or greater annual payroll, periodically adjusted for inflation, for new, full-time employees in a two-year period.
- Qualifying new jobs created must be within Broken Arrow city limits and must meet or exceed the Oklahoma Department of Commerce's current county wage for Tulsa and Wagoner Counties.
 - The applicable wage amount is determined by the county in which the business resides or is locating to.
- Additionally, the business must provide basic health insurance coverage to employees and employees must pay no more than 50% of the premium cost.

Capital Investment Incentive

- The business or employer can receive a 1% to 3% cash incentive of new qualified capital investment with a maximum cash incentive of \$1,000,000.

- The company must invest a minimum of \$500,000 in new or expanding facilities by a mutually agreed upon date by both the company and the City of Broken Arrow.
- Incentives may be provided in the following forms:
 - Cash, Loans, or Grants
 - Infrastructure improvements including, but not limited to:
 - Roadway accessibility and improvements
 - Water, sewer, and wastewater improvements
 - Site preparation and readiness
 - Waiving of fees
 - Or a combination the above

Incentives awarded by the City of Broken Arrow can be layered and combined with qualified state incentives.

All projects will be subject to the negotiation of a formal economic development agreement governing the use of funds, that include cost-sharing and claw-back provisions. All awards are made based upon fund availability and analysis of the impact of the project under consideration.

The City of Broken Arrow has the authority to enter into economic development agreements outside of the purview of this policy.

Job Quality Measures

Wage Requirement:

It is the objective of this program and policy to support efforts to increase per capita income and improve economic mobility among Broken Arrow residents. As such, applicants must meet the following wage requirements in order to be considered for an award of funds:

1. Average wage of all jobs retained or created must be equal to or greater than the average county wage, defined by the Oklahoma Department of Commerce's current county wage for Tulsa and Wagoner Counties.
2. The calculation of average wage may include overtime and bonuses, but shall not include the value of health or other employee benefits.

Benefits Requirement:

It is further the objective of this program and policy to support efforts to improve health outcomes for Broken Arrow citizens. As such, applicants must provide health benefits which meet the following criteria.

1. All businesses must offer basic health insurance coverage to all employees working 30 hours or more per week, whose pay is included in the payroll for qualification.
2. Employees must pay no more than 50% of the premium cost. Employees must be allowed access to the coverage within 180 days of employment.
3. Employees must have the ability to accrue Paid Time Off within 180 days of employment.

Retail Incentive Programs

Overview

This policy should only be utilized for new projects in the retail sector that generate new sales tax within the City of Broken Arrow and that supports the redevelopment and revitalization of underserved commercial areas and/or struggling retail centers.

Incentives shall be assessed and determined by the estimated amount of newly generated City sales taxes that can be reasonably defined and determined to result from the new development or investment.

For the purpose of this incentive policy, a retail project is considered as any business or organization whose primary focus is to sell goods and products to consumers.

Retail Incentives

The Retail Incentive is intended to incentivize the construction and operation of new retail businesses and commercial developments within the City of Broken Arrow. The following project types can qualify for an incentive:

1. **Destination Retail Project:** A Destination Retail Project is a development that contains a retailer or group of retailers who will offer a product or good (subject to sales tax) that is unique to the market. A destination retailer is expected to attract new sales tax dollars or retain sales tax dollars within Broken Arrow City limits.
2. **Regional Retail Project:** A Regional Retail Project is a development that contains at least 60,000 square feet of net usable retail or mixed-use space that attracts 50% of its customer sales from outside of a 25-mile radius of the center of the City of Broken Arrow
3. **Project Located in a City-Designated Redevelopment Area:** This project is a development located within an area that has been predetermined by the City Council to require strategic redevelopment or rehabilitation. These types of projects may be smaller retail establishments, mixed-use developments or redevelopment of older commercial area.

If a Project cannot be reasonably classified as one of the Project types identified in this Section, the Retail Incentive cannot be used to assist in its development. Stand-alone retail projects will not be considered.

Any company receiving monetary incentives from the City for retail development will be required to enter into an economic development agreement. Each development agreement will vary based on the specific retail Project, but all such agreements shall set specific performance goals (e.g.: gross retail sales, employment requirements, etc.) agreed upon by both the City of Broken Arrow and the retailer/developer and the consequences (i.e. failure to generate sufficient sales over the allocated period to be fully reimbursed the retailer would forfeit the remainder) to the company of not meeting such goals.

Incentives shall be based on the estimated amount of new City sales taxes generated that can be reasonably defined and determined to result from the new development. The policy strongly recommends a performance-based approach to incentives, therefore reimbursement of actual expenses or construction of public improvements by the City will be the preferred method of implementing the incentives.

ELIGIBLE RETAIL PROJECTS

Companies and businesses eligible for the Retail Incentive from the City of Broken Arrow must be classified according to one of the following SIC codes.

| 4 Digit SIC Code | Description |
|-------------------------|---|
| 5211 | Lumber and other Building Materials Dealers |
| 5231 | Paint, Glass, and Wallpaper Stores |
| 5251 | Hardware Stores |
| 5261 | Retail Nurseries, Lawn and Garden Supply Stores |
| 5311 | Department Stores |
| 5331 | Variety Stores |
| 5399 | Miscellaneous General Merchandise Stores |
| 5411 | Grocery Stores |
| 5421 | Meat and Fish (Seafood) Markets, including Freezer Provisioners |
| 5431 | Fruit and Vegetable Markets |
| 5441 | Candy, Nut, and Confectionary Stores |
| 5451 | Dairy Products Stores |
| 5461 | Retail Bakeries |
| 5499 | Miscellaneous Food Stores |
| 5611 | Men's and Boy's Clothing and Accessory Stores |
| 5621 | Women's Clothing Stores |
| 5632 | Women's Accessory and Specialty Stores |
| 5641 | Children's and Infants' Wear Stores |
| 5651 | Family Clothing Stores |
| 5661 | Shoe Stores |
| 5699 | Miscellaneous Apparel and Accessory Stores |
| 5712 | Furniture Stores |
| 5713 | Floor Covering Stores |
| 5714 | Drapery, Curtain, and Upholstery Stores |
| 5719 | Miscellaneous Home Furnishings Stores |
| 5722 | Household Appliance Stores |
| 5731 | Radio, Television, and Consumer Electronics Stores |
| 5734 | Computer and Computer Software Stores |
| 5735 | Record and Prerecorded Tape Stores |
| 5736 | Musical Instrument Stores |
| 5812 | Eating Places |
| 5813 | Drinking Places (Alcoholic Beverages) |
| 5912 | Drug Stores and Proprietary Stores |

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| 5941 | Sporting Goods Stores and Bicycle Shops |
| 5942 | Book Stores |
| 5943 | Stationery Stores |
| 5944 | Jewelry Stores |
| 5945 | Hobby, Toy, and Game Shops |
| 5948 | Camera and Photographic Supply Stores |
| 5949 | Gift, Novelty, and Souvenir Shops |
| 5961 | Luggage and Leather Goods Stores |
| 5962 | Sewing, Needlework, and Piece Goods Stores |
| 5984 | Direct Selling Establishments |
| 5999 | Miscellaneous Retail Stores Not Elsewhere Classified |