



ECONOMIC DEVELOPMENT INCENTIVES

POLICY GUIDE & STANDARD OPERATING PROCEDURES



CITY OF OWASSO
ECONOMIC DEVELOPMENT INCENTIVES
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INTRODUCTION

Economic development incentives are inducements – often in the form of financing, but sometimes in the form of services – meant to persuade companies to build new structures, purchase equipment, design new products, enter new markets, and above all, create new jobs in places where they would not have otherwise.

Economic incentives play an important role for localities in developing their position for capital investment and job creation. Economic incentives are components of a government’s toolkit designed to address various business needs in a competitive environment through job creation, job retention, and capital investment.

How Incentives Work:

Incentive programs must be designed to ensure a return on investment for a community and reflect local and regional economic objectives. From a business perspective, a company must assess the value of an incentive by analyzing the potential cost of locating or expanding at a particular site. When incentives include job training, grants, loans, and tax credits, costs in capital and operation are affected. The government’s responsibility is to understand how far businesses will go to take advantage of incentives because the incentive must go to the applicant who maximizes its full potential.

In order to ensure an incentive is a good economic investment and contributes to the productive potential, a thorough assessment, screening process, expected job creation, and program evaluation will be conducted, analyzed, and reviewed.

The role of the public sector is to invest in ventures or projects where the economic and social benefits outweigh the risk of financing. The public sector should not supplant private sector financing.

Why are Incentives Good for Economic Development?

Incentives expand local employment opportunities and provide a competitive edge toward business attraction and expansion in locations that otherwise wouldn’t be competitive. Employment expansion, personal income expansion, community income expansion and business revenues/sales expansions are the benefits from incentives within local economies. Once a new business facility has located and become operational, money will be spent directly on certain items, including:

- Payroll
- Service contracts with local vendors
- Local purchases of supplies and equipment

These expenditures set in motion a series of spending flows that affect many areas of a local economy. In this cycle, employees of local businesses begin to earn salaries and wages that will be spent on local goods and services from other businesses. The ripple effects of the activity are classified in three different areas:

- Direct effects – Initial changes in employment, income, or output that trigger the first round of spending (i.e. the value of a firm’s initial change in payroll or production)
- Indirect effects – Changes in employment, income, or output in subsequent rounds of re-spending that arise through purchase from local supplier industries (inter-industry purchases)

- Induced effects – When payrolls increase and workers in affected industry sectors spend more on local goods and services (household spending effect)

Definitions:

Economic Development Incentive – Economic development incentives are inducements – often in the form of financing, but sometimes in the form of services – meant to assist companies to build new or expand existing structures, purchase equipment, design new products, enter new markets, and above all, create new jobs in places where they would not have otherwise.

Small Business Project – A Small Business Project involves a business that has fewer than 25 employees.

New Retail Project – A New Retail Project contains a retailer or group of retailers who will offer a product and/or good (subject to sales tax) that is unique to the market and which is not otherwise available for purchase at a retail business physically located in the City. A New Retailer is expected to attract new sales dollars or retain sales tax dollars that may otherwise go to nearby city or metropolitan area.

Primary Business Project – A Primary Business Project is an economic development project that increases employment in an industry thereby increasing the dollars circulating in the local economy, which increases the demand for the products and services provided by retail and service industries.

Technical Assistance – This is an alternative incentive offering counseling and networking guidance that addresses the specific needs of businesses. It includes, but is not limited to, aid with preparing business plans, navigating the extensive lists of available grant and incentive programs, grant applications, training staff, applying for loans, market research, connectivity, marketing the product, site selection, workforce development assistance. Technical assistance may also take the form of connecting a small business to state and federal resources and programs. Technical assistance is generally aimed at providing specific services that small businesses typically cannot afford. This is a means of providing customized business assistance or research separate from purely financial incentives.

Workforce Development – Workforce development is the range of activities, policies, and programs used to “create, sustain, and retain a viable workforce” that can support current and future business and industry across a state, region, or municipality. This may include education and training, job matching, and employer engagement. It also involves the coordination of public- and private-sector efforts, providing individuals with career opportunities and supporting business and industry workforce needs.

CURRENTLY AVAILABLE GRANTS AND INCENTIVES

Federal Incentives

The federal government provides a number of significant sources for financing economic development activities. Sources of financing include:

- The Small Business Administration (SBA) www.sba.gov
- The Economic Development Administration (EDA) www.eda.gov
- The United States Department of Housing and Urban Development (HUD) www.hud.gov
- The United States Department of Agriculture (USDA) www.usda.gov
- The Export-Import Bank of the United States www.exim.gov
- Various other United States government agencies

Opportunity Zone – Federal Opportunity Zones are a new community development program intended to spur investment in impoverished and economically distressed areas. This is a federal incentive that benefits local and state investors. By investing in an Opportunity Zone, through a qualifying Opportunity Fund, investors can defer and/or reduce their federal capital gains tax liability. If an investor's capital is left in a qualifying fund for 5 years, the investor will defer their federal capital gains taxes. In the fifth year the investor can reduce their capital gains tax. There is an additional reduction in year 7. If they leave the money in the fund for 10 years, then any appreciation in the asset from the time they invest through 10 years is not subject to any additional capital gains tax. This deferral and/or reduction on federal capital gains taxes will improve return on investment and also direct capital to areas that need investment. See Appendix B for a map of the existing Opportunity Zone in Owasso.

State Incentives (See Appendix A for a full list of all incentives offered by the State of Oklahoma)

Enterprise Zone – Enterprise Zones are designated by the Oklahoma Department of Commerce and identified on a list of eligible counties, cities, and census tracts. Enterprise Zones can be designated in disadvantaged counties, cities, or portions of cities. Businesses located in an Enterprise Zone are eligible to receive double the Investment/New Jobs Tax Credit. Additionally, companies obtaining ad valorem exemptions from local taxing entities could be exempted for up to 6 years, rather than 5. See Appendix C for a map of the existing Enterprise Zone in Owasso.

Local Incentives

Technical Assistance – This is an alternative incentive offering counseling and networking guidance that addresses the specific needs of businesses. Technical assistance is generally aimed at providing specific services that small businesses typically cannot afford. This is a means of providing customized business assistance or research separate from purely financial incentives. Technical assistance from the Economic Development Department may take the form of connecting a small business to various resources which could provide assistance in:

- Improving the design of its product or manufacturing process
- Preparing business plans
- Navigating the extensive lists of available grant and incentive programs
- Completing grant applications
- Training staff
- Applying for loans
- Market research
- Connectivity
- Marketing the product

- Site selection
- Workforce development assistance.

Tax Increment Financing District (TIF) – The Owasso Redbud District Project Plan is a project plan as defined under the Oklahoma Local Development Act. The project is being undertaken by the City of Owasso, Oklahoma to develop the area surrounding Main Street, known as the Redbud District, achieve the City's development objectives, improve the quality of life for its citizens, stimulate private investment, and enhance the tax base. At the heart of this project is the creation of the Redbud District as a special and unique place within Owasso, a place to live, work, shop, and play. Beginning with the Downtown Master Plan in 2001, the City has prioritized the revival of its Main Street and surrounding area. Since that time, through several planning documents, including approval of the Downtown Overlay District promoting smart development in the area, and robust branding, the Redbud District is ripe for its transformation. The City, through this Project Plan, is continuing its effort to revive its downtown and make the Redbud District a destination area for residents and visitors. The effort to create such a place requires public assistance to stimulate private development. An increment district provides funding for public sector costs to stimulate private development and provide improvements to and beautification of the area to create the dense, high-quality development that the City contemplates. The project will be financed from a combination of public and private sources, including apportionment of ad valorem and sales tax increments from Increment District No. 1, City of Owasso.

Workforce Development/Training

Workforce development is the range of activities, policies, and programs used to “create, sustain, and retain a viable workforce” that can support current and future business and industry across a state, region, or municipality. This may include education and training, job matching, and employer engagement. It also involves the coordination of public and private sector efforts, providing individuals with career opportunities and supporting business and industry workforce needs.

Tribes

Owasso is located in the Cherokee Nation. The Cherokee Nation is a valuable partner in economic development. The Cherokee Nation Small Business Assistance Center (SBAC) supports Indian-owned businesses by providing access to capital for new business start-ups and business expansion projects. The Cherokee Nation Economic Development Authority lends to businesses and individuals located within the contiguous 14 counties of the Cherokee Nation.

For more information and assistance with any of the sources listed above, please contact the Owasso Economic Development Department at (918) 376-1518 or info@chooseowasso.com.

SMALL BUSINESS PROJECTS

A Small Business Project involves a business that has fewer than 25 employees. These types of businesses are typically not eligible for a monetary economic development incentive from the City, but the City has several other services, including Technical Assistance, that it can offer to Small Businesses.

STEP 1 – Pre-Application Meeting

A pre-application meeting will be held with the Economic Development Department staff to determine if a business qualifies as a Small Business Project.

STEP 2 – Technical Assistance

Economic Development Department staff determine the most effective and appropriate Technical Assistance for the Small Business Project. For more information on what Technical Assistance encompasses, please refer to the section “Currently Available Grants and Incentives” in this guide.

NEW RETAIL PROJECTS

A New Retail Project is a development that contains a retailer or group of retailers who will offer a product and/or good (subject to sales tax) that is unique to the market and which is not otherwise available for purchase at a retail business physically located in the City. A New Retailer is expected to attract new sales dollars or retain sales tax dollars that may otherwise go to nearby city or metropolitan area. Each New Retailer must have a minimum of \$5 million in annual sales (subject to sales tax).

STEP 1 – Pre-Application Meeting

A pre-application meeting will be held with the Economic Development staff to determine if a project qualifies as a New Retail Project.

STEP 2 – Application Submittal

In addition to a non-refundable application fee, all New Retail Project applicants shall provide a Trade Area Analysis may include the following:

- Zip Code Analysis
- Market Analysis
- Feasibility Study
- Traffic Study
- Any other relevant information that will allow the City to make an informed decision

STEP 3 – Review and Approval Process

Tier 1 Review – Staff Review and Recommendation

All New Retail Projects shall be evaluated using a Retail Impact Analysis, a Credit Analysis, and a City Fiscal Impact Analysis, all to be conducted by City staff. A City Fiscal Impact Analysis considers the following issues regarding the project in order to prove that the public benefits to the City will be positive within a projected time frame:

- Cost of the incentive (including labor costs of City staff)
- Cost of City services such as Police and Fire
- Wear and Tear on City streets and roads
- Increased burden on water, sewer, and storm systems
- Estimated “Transfer losses” from existing merchants

New Retail Projects are also evaluated using the Trade Area Analysis provided by the applicant. The expected capital investment and additional sales tax accumulation will also be taken into consideration. Once the application has been evaluated and staff has conducted all aforementioned analyses, staff will establish a recommendation that will be given to the Owasso Economic Development Authority and the City Council, along with all application and analysis materials, for their review and recommendation or final action.

Tier 2 Review – OEDA Review and Recommendation

All application materials and analyses conducted by City staff, as well as the recommendation of City staff, are presented to the Owasso Economic Development Authority (OEDA) for its review, discussion, and recommendation.



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Tier 3 Review – City Council Review and Final Action

All application materials, analyses conducted by City staff, City staff recommendation, as well as the recommendation of the OEDA, are presented to the City Council for its review, discussion, and final action. Upon City Council approval of an application and agreed upon incentive award, staff will draft a Performance Agreement to incorporate obligations and terms.

Tier 4 Review – Annual Performance Review for Compliance

City staff may conduct an annual Performance Evaluation for each Agreement, as well as a Fiscal Impact Analysis for recording and tracking purposes.

PRIMARY BUSINESS PROJECTS

A Primary Business Project is an economic development project that increases employment in an industry thereby increasing the dollars circulating in the local economy, which increases the demand for the products and services provided by retail and service industries. Owasso's Target Industry Clusters are metal manufacturing, aircraft parts, destination and/or research and development (R&D) medical, office/headquarters, and information technology. The Target Industries are not intended to exclude other primary business projects. The City of Owasso will assess all primary business project applicants to determine whether the projects will generate the desired jobs and economic impact for the community.

STEP 1 – Pre-Application Meeting

A pre-application meeting will be held with the Economic Development staff to determine if a project qualifies as a Primary Business Project.

STEP 2 – Application Submittal

In addition to a non-refundable application fee, all Primary Business Project applicants shall submit a written Application Statement. All information provided by the applicant will be returned to the applicant upon completion of the review process. The Application Statement may include the following information:

1. A comprehensive description of the applicant listing of all officers, directors, members, and key personnel that control 20% or more of the shares or other controlling interest.
2. A comprehensive description of the products and services of the applicant and/or project.
3. A Business Plan with comprehensive financial projections for not less than three successive years.
4. Three years of corporate tax returns and financial statements, if available.
5. A detailed and well-articulated request of desired incentives including the amount requested and duration.
6. A statement describing all direct and indirect benefits to the City for providing incentives which shall include, but not be limited to:
 - Estimated taxes paid (all)
 - Purchases from local vendors
 - Utilizing local contractors
 - Hiring from the City workforce
 - Congruity with the goals of this Policy
 - Skills and technology advancement
 - Expanded infrastructure capacity
7. If applicable, precise location of the site to be developed accompanied by legal description, Assessor's parcel number, and a preliminary title report with all easements plotted.
8. If applicable, a copy of the Grant Deed or similar document showing ownership vested in the applicant or business requesting assistance.
9. If leased, a copy of the fully-executed lease along with any specific rules, use, or occupancy restrictions.

10. If applicable, a preliminary Site Plan in sufficient detail to evaluate appropriateness with City land use standards and zoning.
11. If applicable, conceptual Building Plans with elevations (front, side, and rear).
12. For speculative industrial development projects, a preliminary Master Plan in sufficient detail to conduct an Economic Impact Analysis (EIA) and determine marketability, absorption period, and viability of proposed financing structure.
13. Infrastructure needs/requirement estimate or value of improvements to be made by project that represent excess capacity that will support future development.
14. Total project costs.
15. Construction schedule, and if phased, a phasing plan.
16. Estimated annual revenues.
17. If applicable, current assessed valuation of the property and any improvements.
18. Estimated post-development value of the property, equipment, and all other improvements (Cap Rate).
19. Estimated annual sales, composition (taxable vs. non-taxable) and whether goods and services primarily serve local or out-of-city/state consumers and businesses.
20. Estimated number of jobs created or retained by development, average wage per job, specific job classifications and minimum qualifications.
21. Listing of incentives provided by other agencies, or jurisdictions, regardless of whether they are tax or financial and whether they are committed and any security instruments or covenants that could impact the City's incentive evaluation.
22. Any additional information requested from staff for an Economic Impact Analysis, a Credit Analysis, and a City Fiscal Impact Analysis.
23. Any other information deemed necessary by the City to substantiate the incentive request.

STEP 3 – Review and Approval Process

Tier 1 Review – Staff Review and Recommendation

All Primary Business Project applications will be evaluated by City staff using a Point System Evaluation, a review of the Application Statement, and a City Fiscal Impact Analysis. A City Fiscal Impact Analysis considers the following issues regarding the project in order to identify that the public benefits to the City will be positive within a projected time frame:

- Cost of the incentive (including labor costs of City staff)
- Cost of City services such as Police and Fire
- Wear and Tear on City streets and roads
- Increased burden on water, sewer, and storm systems
- Estimated "Transfer losses" from existing merchants

Each applicant/project will be assigned a numerical score based on capital investment, wage level of new jobs, number of jobs, and type of industry. The numerical score will be used in the evaluation to establish the amount and terms of the potential incentive award.

Once the Point System Evaluation and the City Fiscal Impact Analysis are complete, City staff will establish a recommendation that will be given to the Owasso Economic Development Authority



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and the City Council, along with all application and analysis materials, for their review and recommendation or final action.

Tier 2 Review – OEDA Review and Recommendation

Application materials and analyses conducted by City staff, as well as the recommendation of City staff, are presented to the Owasso Economic Development Authority (OEDA) for its review, discussion, and recommendation.

Tier 3 Review – City Council Review and Final Action

Application materials, analyses conducted by City staff, City staff recommendation, as well as the recommendation of the OEDA, are presented to the City Council for its review, discussion, and final action. Upon City Council approval of an application and agreed upon incentive award, staff will draft a Performance Agreement to incorporate obligations and terms.

Tier 4 Review – Annual Review for Compliance

City staff may conduct an annual Performance Evaluation for each Agreement, as well as a Fiscal Impact Analysis for recording and tracking purposes.



**CITY OF OWASSO
ECONOMIC DEVELOPMENT INCENTIVES
APPENDIX A – STATE ECONOMIC INCENTIVES**

MAJOR FINANCIAL AND PROPERTY TAX INCENTIVES (Cash Payment Rebates)
The Oklahoma Quality Jobs Program
The 21st Century Quality Jobs Program
Oklahoma Quality Events Program
ECONOMIC DEVELOPMENT AND INFRASTRUCTURE FUNDING
Oklahoma Quick Action Closing Fund
Oklahoma Community Economic Development Pooled Finance
State Small Business Credit Initiative
TAX EXEMPTIONS AND CREDITS
Ad Valorem Exemption
Ad Valorem Exemption for Warehouse and Distribution Facilities
Exempt Inventory
Intangible Property
Aircraft Manufacturers Exemption License
Local Incentive
The Investment/New Jobs Income Tax Credit
Quality Jobs + Investment Tax Credits
Aerospace Industry Engineer Workforce Tax Credit
Federal Tax Incentives on Former Indian Reservation Lands
Alternative Energy Sources Tax Credits
Insurance Premium Tax Credit
Clean Burning Fuel Vehicle Credit
Clean Burning Fuel Vehicle Infrastructure Credit
Ethanol Fuel Retailer Tax Credit
INCOME TAX CREDITS AND EXEMPTIONS FOR INVESTORS
Technology Transfer Income Tax Exemption
Income Tax Exemption for Interest Paid on Bonds Issued by or on Behalf of Public Agencies
Historic Rehabilitation Tax Credit
INCOME TAX CREDITS AND EXEMPTIONS FOR ENTREPRENEURS
Incubator Site Tenant Tax Exemption
The Work Opportunity Tax Credit Program (WOTC)
SALES TAX EXEMPTIONS AND REFUNDS
Manufacturers
Computer Services and Data Processing
Sales at Aircraft Maintenance Facilities
Aircraft Repairs and Modifications
Aircraft Maintenance or Manufacturing Facility
Excise Tax on Aircraft Sales
Telecommunications
Spaceport
Sales Tax Refunds
Computer Services/Data Processing/Telecommunications Equipment
Construction Materials
TRANSPORTATION AND DISTRIBUTION BENEFITS
Industrial Access Roads
Truck Registration Benefits
Benefits Under IFTA/IRP
Foreign Trade Zones



**CITY OF OWASSO
ECONOMIC DEVELOPMENT INCENTIVES
APPENDIX A – STATE ECONOMIC INCENTIVES**

MAJOR FINANCE ASSISTANCE PROGRAMS
Oklahoma Finance Authorities
Public Trust Financing: Industrial Revenue Bonds
General Obligation Limited Tax Bonds (GOLTBs)
Tax Increment Financing (TIF)
The Oklahoma Local Development and Enterprise Zone Incentive Leverage Act
Sales Tax Financing
Private Activity Bond Allocation
Small Business Linked Deposit Program
Small Business Loan Guarantees
TECHNOLOGY FINANCE ASSISTANCE
Technology Partnerships
I2E - Innovation to Enterprise
Basic and Applied Research and Technology Programs
OCAST Commercialization Programs
INVESTMENT PROGRAMS
Oklahoma Capital Investment Board
Quality Jobs Investment Program
Infrastructure Finance Community Development Block Grants (CDBG)
WORKFORCE ASSISTANCE
Advanced Degree Programs
Job Matching and Job Search Assistance
Workforce Innovation and Opportunity Act (WIOA)
Governor's Council for Workforce and Economic Development
Job Matching and Job Search Assistance
Workers' Compensation Insurance
EMPLOYEE TRAINING OPPORTUNITIES
Training for Industry Program (TIP)
Customized Industry Training Program
Industrial Safety Training Program
BUSINESS FILING FEES
Domestic Corporations
Foreign Corporations
Domestic Limited Liability Companies (LLCs)
Foreign Limited Liability Companies
Domestic Limited Partnerships (LPs)
Foreign Limited Partnerships
Limited Liability Partnerships (LLPs)
Business Licenses
OVERVIEW OF OKLAHOMA TAX SYSTEM
Franchise Tax
Personal Income Tax
Corporate Income Tax
General Property (Ad Valorem) Tax
Unemployment Compensation Tax
Oklahoma Business Activity Tax
Workers' Compensation Assessment
Retail Sales and Use Tax
Corporate State Income Tax

