

CITYSCAPE

JULY 2017 | ISSUE 7 | AN UPDATE ON THE PROGRESS MOVING OKC FORWARD

Strategic Investment Program Adds 4,200+ Jobs to OKC

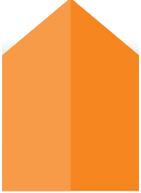
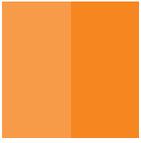
To help employers add more jobs to the Greater Oklahoma City region, Oklahoma City uses its groundbreaking Strategic Investment Program (SIP), a discretionary incentive fund designed to help companies that are looking to expand or locate their operations in Oklahoma City. The SIP is modeled after the state's well-known Quality Jobs Program in that it provides qualifying companies who meet certain annual wage and new payroll/employment thresholds with cash payments. The program also ensures accountability and transparency through a pay-for-performance model, meaning companies only receive funding if they meet their goals.

The SIP fund was created as part of the voter-approved 2007 General Obligation bond program, and since that time it has created more than 4,200 jobs in Oklahoma City. Companies who have used the fund have invested an estimated amount of \$929 million in capital investments within Oklahoma City.

Continued on page 5



SIP funds have helped qualified companies like GE Oil & Gas, Continental Resources and Centek increase their capital investment and create jobs in Oklahoma City.


more than 4,200

**JOBS
CREATED BY
APPROVED
COMPANIES**



**\$45 million
AWARDED**

**\$929 million
ESTIMATED
AMOUNT
OF CAPITAL
INVESTMENT**



**\$64.5 million
SET ASIDE FOR
PROJECTS**

Cathy O'Connor: SIP Program Brings Jobs to OKC While Protecting Taxpayers



Cathy O'Connor is president and CEO of The Alliance for Economic Development of Oklahoma City, where she works to promote job creation throughout

Oklahoma City. Formed in 2011, the Alliance for Economic Development of Oklahoma City coordinates land, incentives and economic tools that make Oklahoma City even more attractive to companies and developers. Prior to working at the Alliance, O'Connor served as assistant city manager for Oklahoma City, where she worked to develop the incentive program that allowed QuadGraphics, Dell Computers and Bass Pro Shops to locate in Oklahoma City. Below, O'Connor shares how the SIP program brings more jobs to Oklahoma City while ensuring that taxpayer money gets a return on its investment.

What is the SIP program?

The Strategic Investment Program is a job-creation incentive program which began in 2007 as a result of the sale and issuance of \$75 million of General Obligation-Limited Tax Bonds. The program helps bring high-quality, high-paying jobs to OKC, while keeping companies accountable for their performance.

Walk us through the SIP application process. What qualifies a company to receive SIP funds?

To qualify, a company must make the decision to locate in Oklahoma City, create at least 50 new full-time jobs, or have a new total payroll of at least \$1.75 million annually. The average

wages for the jobs generally must meet or exceed the average wage of the Oklahoma City Metropolitan Statistical Area. Firms locating or expanding within an enterprise zone will be given consideration if they pay within 20 percent of the MSA wages, and employers must also pay at least half the cost of employee health care benefits.

The application process is initiated through the Greater Oklahoma City Chamber of Commerce. The Chamber determines the expected local economic impact of the company's capital investment and job creation. Potential grant amounts are based on the expected economic impact, as well as available funds at the time of application.

How do SIP funds generate economic growth in a community?

Investing in business is an economic tool for investing in a community. Since 2007, the SIP has helped create more than 4,200 new jobs. The funds are often used for capital expenditures, which translates into additional spending on items such as site acquisition, construction, renovation, engineering, design and equipment. The jobs created bring new residents who purchase homes, pay taxes and shop in the local community. Many times these jobs would have gone to another city without the SIP incentive to the company.

What types of companies are considered for the SIP program?

SIP funds are available for companies creating primary jobs in areas like biotech, aerospace, energy, manufacturing, distribution and warehousing and business services. Retail businesses don't qualify for funding under applicable guidelines.

Two recent examples of companies supported with SIP funds are Boeing Co. and Paycom, Inc. Boeing used the incentive to build a new \$80 million, 290,000-square-foot facility near its other major facility. The expansion is projected to have an economic impact of about \$640 million.

Paycom was considering building a new office in the Dallas-Fort Worth area, but SIP funding helped the company expand in Oklahoma. Paycom plans to build a new \$14 million building and purchase an additional \$2 million worth of new equipment for its headquarters. The company expects the expansion will provide an additional 423 new jobs.

We know how the SIP program works when everything goes well, but what about when a company does not live up to its end of the bargain? How are we protecting taxpayer money?

Funds are allocated on a pay-for-performance basis. Funds are not released until companies prove they have made progress on fulfilling job creation requirements. Reimbursement for job creation occurs on an annual basis, so there is no possibility of incentivizing a job that does not materialize.

Why should a city invest in a SIP program?

We have seen through examples like Paycom that SIP can help tip companies toward our city. By providing pay-for-performance job creation incentives, we ensure accountability and transparency while encouraging new jobs and economic growth.

SIP Success Story: M-D Building Products

In 1920, M-D Building Products was founded as Maclanburg-Duncan in Oklahoma City by a man who did not want dust blowing into his house. His first product was a brass-folding weatherstrip machine that debuted at the Oklahoma State Fair in July 1920. The company's ability to innovate and create solutions is a key trait that it has carried through its nearly 100-year history.

The company supplies more than 60 percent of the weatherization products in the United States – its legacy business – but it has also diversified and expanded what it is able to offer customers. In 2012, M-D Building Products purchased Loxscreen Company, a leader in the production of OEM aluminum and plastic extrusions. With this purchase, M-D Building Products was able to significantly expand its reach while ushering in a new era of growth.

The company went from 442 Oklahoma City employees in 2014 to 528 today, and the company also has plants located in Ohio, South Carolina, Georgia, Missouri, Oregon and Toronto. In early 2017, the company was awarded funds from the city's Strategic Investment Program, which will help them invest \$11.8 million in infrastructure improvements and add 105 jobs to their Oklahoma City plant.

“The SIP funds help us increase our capital investment in Oklahoma City without diverting funds from employment growth,” said Lynn Ely, chief financial officer at M-D Building Products.

The \$11.8 million in capital investments includes adding 100,000 square feet to their production and distribution space, a new vinyl clad production line, a \$5 million aluminum extrusion press and an expansion to their anodizing process.

“Our company is a good example of how SIP funds make a difference when deciding where to invest,” Ely said. “We have other options where we could put this equipment, but because of the support that we get from the community, we are more willing to invest back in Oklahoma City.”

M-D Building Product's history also plays an important role in its dedication to the Oklahoma City community. The company is privately-held, primarily family-owned, and all of its shareholders are employees.

“Because of that, our shareholders and employees really view this as being a family, and they want to invest back in the company and community,” Ely said. “They want to see growth. With a family-owned business, they are in it for the long haul, so they are willing to make those investments.”



M-D Building Products has been located in Oklahoma City since it was founded in 1920.



Thanks to SIP funds, M-D Building Products plans to add 105 jobs and \$11.8 million in capital investments during the next few years.

SIP Program Brings MedXM, 400 jobs to OKC

Mobile Medical Examination Inc. (MedXM), a national leader in the design and implementation of preventive care technology and in-home health risk assessments, recently announced their expansion into Oklahoma City to house additional support for MedXM outreach initiatives. Because of the availability of funds from Oklahoma City's Strategic Investment Program, the new outreach center will aim to provide 400 full-time jobs over the course of five years in the Oklahoma City community.

"Oklahoma City's business-friendly environment is what attracts companies, but it is the SIP funds that allow them to commit to our community and create jobs for our residents," said Roy H. Williams, CCE, president and CEO of the Greater Oklahoma City Chamber. "We are confident that MedXM will grow in our community and will provide a return on investment to our taxpayers."

For the past five years, MedXM has experienced substantial growth and plans for the trend to continue. The new Oklahoma City facility will be MedXM's second-largest national outreach center, adding an initial 23,000 square feet of office space with plans to expand.

In agreement with the aspirations of more than 50 health insurance plans partnered with MedXM, the company plans to double its capacity for in-home and retail clinic health assessments and screenings.

MedXM's Member Outreach Center expansion to Oklahoma City will also help bolster MedXM's services into the ever-changing healthcare landscape.

"As part of our expansion plan and to better serve our national footprint, we researched and spoke to a number of different state governments. I'm happy to announce that Oklahoma, specifically Oklahoma City, was chosen as our new home," said MedXM CEO Sy Zahedi. "We look forward to being part of this community by creating jobs and contributing to the state economy. I would like to thank Governor Mary Fallin and her staff in making this a wonderful

experience. We were able to check every box we needed to make this an obvious choice."

"We are excited to add MedXM to our business community," said Oklahoma Governor Mary Fallin. "Oklahoma City has seen growth in customer service and support operations. MedXM's decision to expand to this area showcases the positive benefits of operating in Oklahoma City and the state of Oklahoma. This expansion will also open the door for Oklahomans looking for career opportunities in the field of customer service."

In 2017, two additional companies received SIP funds and pledged job growth for Oklahoma City: McClaren Plastics, a contract manufacturer of thermoplastic and fiberglass reinforced plastic parts and assemblies, and

M-D Building Products, a leader in energy efficiency products, floor trims, floor installation tools and digital level technology.

McClaren Plastics will expand in the Oklahoma City market from its headquarters in Pennsylvania. The company will build a plant and hire 60 employees in Oklahoma City to manufacture custom-designed fiberglass products, and the location has potential for future growth.

“Oklahoma City’s business-friendly environment is what attracts companies, but it is the SIP funds that allow them to commit to our community and create jobs for our residents.”
-Roy H. Williams, President and CEO of the Greater Oklahoma City Chamber



Strategic Investment Program Adds 4,200+ Jobs to OKC

(continued from page 1)

How does the program work?

In order to receive SIP funds, a company must meet strict criteria. Qualifying applicants must create new direct jobs within the limits of Oklahoma City. Those jobs must be primary, meaning that the goods and services are primarily sold outside the state of Oklahoma. The jobs must meet qualifying average wage thresholds, which is 100 percent of the Oklahoma City Metropolitan Statistical Area's average wage. The company must provide 50 percent of the employee health care benefits, and the company must create at least 50 full-time jobs with an annual new payroll equal to or greater than \$1.75 million.

In order to qualify for incentive funds, companies must submit corporate financial information for scrutiny, and calculations are done in order to make sure the city "gets its money's worth" on its investment.

How does a company receive funds?

The funds are dispersed on an annual basis and only after the company meets their previously agreed-upon wage and job creation goals. If a company qualifies with the program guidelines and meets their wage and job creation goals, incentive funds can be used to pay for capital expenses like site acquisition, construction, renovation, engineering, design and equipment. The program is pay-for-performance – no funds are released until companies prove they have fulfilled previously agreed-upon requirements.

How is the SIP program funded?

A portion of the 2007 General Obligation Bond approved by the voters of OKC in 2007 (\$75 million of the \$835.5 million package, or less than 9 percent) was dedicated to funds used to establish the SIP program. Since its creation, \$64.5 million has been set aside for SIP projects, and \$45 million has been made in payments. Companies continue to meet their obligations in order to receive the remaining payments.



SIP Success Story: The Boeing Company

SIP funds make job creation possible

Fifteen years ago, the Boeing Company employed a little more than 300 people in the Oklahoma City area. Today, Boeing's presence in Oklahoma City has grown to more than 2,500 total employees with an annual payroll of more than \$200 million. A key contributor to the company's job growth? The Oklahoma City Strategic Investment Program.

"Oklahoma City is a great place for companies like Boeing to do business, and it is a great place for highly skilled employees to live and work," said Steve Hendrickson, director of government operations for The Boeing Company. "When combined with statewide incentives, the SIP program is a significant contributing factor in adding new jobs here in Oklahoma City."

Since 2010, Boeing has participated in the city's SIP program three times: first in 2010 when it announced an employment increase of 550 jobs, again in 2012 when 900 positions were added to their Oklahoma City facility, and most recently in 2014 when the company announced the addition of 900 jobs to support their growing Oklahoma City workload.

Beyond Boeing's job growth, the company has contributed more than \$1.1 million in charitable investments in the state, and in 2016, it supported Oklahoma suppliers with \$878 million in business. Boeing also continues to increase its capital investment in the area. In 2016, the company opened a world-class lab facility that allows it to modify airplanes that have flown beyond their original intended lifespan.

Because of Oklahoma City's central location and proximity to Tinker Air Force Base, Boeing is able to work closely with the Air Force on defense projects while meeting the needs of its other global



Boeing's participation in Oklahoma City's SIP program has allowed the company to grow to more than 2,500 Oklahoma City employees with an annual payroll of more than \$200 million.

customers. Hendrickson also found that Oklahoma City's quality of life investments make this location more appealing to employees, which helps them fill positions.

"There is a critical mass of employees with the skills our customers need in Oklahoma City," Hendrickson said. "SIP funds help make that possible. It is very expensive to create new positions, and the SIP funds offset some of those costs."



Boeing continues to increase its investment in the Oklahoma City area, including the construction of new facilities. In 2016, Boeing opened a world-class lab facility that allows it to modify airplanes that have flown beyond their original intended lifespan. Above, officials gather for that building's grand opening.

Upcoming Bond, Sales Tax Election Allows OKC to Continue Renaissance

The Oklahoma City Council voted to call a special election Sept. 12 for voters to consider investing more than \$1.2 billion in critical infrastructure like streets and sidewalks, including an annual \$26 million boost for public safety and other day-to-day operations.

The Council approved three proposals to present to voters:

- A 10-year, \$967 million bond package to invest in streets, police and fire facilities, parks and other basic needs. The bond package would succeed the almost-complete 2007 bond program.
- A temporary, 27-month penny sales tax to fund \$240 million for street resurfacing, streetscapes, trails, sidewalks and bicycle infrastructure.
- A permanent quarter-cent sales tax to fund \$26 million annually in police services, fire protection and other critical services.

The proposals will be presented on the ballot separately: One item for the quarter-cent permanent sales tax, one item for the temporary penny sales tax, and one item for each of the bond projects.

If voters approve the temporary penny sales tax, it would replace an expiring penny sales tax.

Investing in OKC's infrastructure

The largest component is a \$967 million general obligation bond package, which uses property tax revenue to fund basic infrastructure needs. The package would succeed the \$835.5 million program approved in 2007, which is almost complete.

More than half the funds – about \$491 million – are dedicated to building and rebuilding streets across Oklahoma City, including sidewalk and bike lane projects.

Streets are perennially a top concern among Oklahoma City residents, which is reflected in the size of the investment included in the bond package. An additional \$28 million for traffic control and \$27 million for bridges are also included in the bond package.

A proposed investment of about \$138 million for parks and recreation facilities includes new parks and improvements to regional and neighborhood parks across the City.

Also proposed is \$62 million for drainage control, \$60 million in economic and community development funding, \$45 million for firefighting facilities and \$31 million for police facilities.

Rounding out the proposed bond package is \$24 million for libraries, \$20 million for transit, \$20 million for the Civic Center complex, \$13 million for City maintenance facilities and \$9 million for the downtown arena.

The City millage rate is proposed to remain at or below 16 mills, as it has been since the 1980s—meaning property taxes will NOT increase.

More funding for safety

The proposed permanent quarter-cent sales tax would be invested in the City's General Fund. About two-thirds of the General Fund goes to public safety services, with the rest paying for other basic services like animal control, parks and transit.

Included in the proposal is a statement of intent from the Council to use the funds to pay for hiring additional police officers, staffing two additional fire stations and bringing an idled fire engine back into service. The funds would also allow the Council to reverse the cutbacks to other critical services included in recent budgets.

The permanent quarter-cent sales tax would add an estimated \$26 million per year to the General Fund.

Improving OKC's roads

The other component, the proposed temporary penny sales tax, would help continue catching up on a complete and safe street network for all Oklahoma City residents.

Over 27 months, the temporary sales tax would generate \$240 million of revenue for better and safer streets, sidewalks and trails for drivers, pedestrians and cyclists.

The debt-free projects will create smooth and safe streets for drivers, on-street amenities for recreational and commuting cyclists, and streetscapes and trails that protect pedestrians and cyclists and enhance opportunities for economic development.