

ECONOMIC DEVELOPMENT INVESTMENT POLICY

Introduction

On October 19, 2010, the Peoria City Council approved an Economic Development Implementation Strategy (“EDIS”) which provides an implementation-based plan for achieving the economic development goals of the City as established by the Council. The EDIS includes a community and business climate assessment of Peoria, an economic base analysis, an identification of business activities and industries desirable to the City, and a general discussion of strategies to enhance the City’s economic development future. One such strategy identified in the EDIS is creation and implementation of an economic development investment program that sets forth in detail the types of public investments that the City is authorized and willing to make on a discretionary basis in furtherance of retaining existing businesses and attracting certain targeted businesses and industries identified in the EDIS as desirable to Peoria.

The Economic Development Investment Policy (“EDIP”) is adopted by the Peoria City Council for the purpose of implementing the EDIS. The EDIP and accompanying Economic Development Investment Policy Guidelines (“EDIP Guidelines”) provide a framework for evaluating City financial investment towards the retention and expansion of existing local businesses and attraction and expansion of targeted industries within the City of Peoria in a manner that is consistent with applicable laws. The City is authorized pursuant to Arizona Revised Statutes, Sections 9-500.05 and 9-500.11, to negotiate and enter into development agreements that include expenditures for economic development. The City will negotiate and enter into Economic Development Investment Agreements with those projects that qualify and are approved under the EDIP. Each Agreement will be presented to the City Council for consideration and possible approval.

The City will review each request for public investment on a project-by-project basis applying this EDIP and the EDIP Guidelines. By adopting this EDIP, the City is not obligated to make any investments. This EDIP shall not be applied retroactively and shall become effective on the date adopted by the City Council.

Public Purposes Promoted by this EDIP

The City Council expressly finds that implementing the EDIS through this EDIP will further a number of public purposes, including, but not limited to, stimulating the local economy by providing additional value-added employment opportunities, expanding the tax base required to provide essential public services, diversifying the local economy, expanding the economic base of the City, promoting redevelopment of unused or underutilized properties where the elimination of blight positively influences infill development opportunities, and providing educational and workforce training opportunities for Peoria residents. Indirect public purposes that may be served by adoption and implementation of this EDIP include, but are not limited to, reducing

vehicle miles travelled by Peoria residents who no longer have to commute to other communities for suitable employment, reduction of air pollution due to less vehicle miles being travelled, and an overall improvement in quality of life for Peoria residents.

This EDIP does not commit the City to providing economic development investment assistance in every instance, nor does it restrict the City from providing additional investments in a specific instance. The EDIP and EDIP Guidelines contain specific criteria, guidelines, and procedures necessary to effectively and fairly administer the City's economic development investment decisions.

Purpose

Public investment extended pursuant to this EDIP is intended to fill gaps in private business investment and development project financing that make the project improbable without public support to fill those financing gaps. This EDIP and the EDIP Guidelines establish criteria and procedures for the regulation and coordination of economic development financial investment by the City, as well as to create a return on investment ("ROI") analysis template that will be applied to each eligible project. These policies and procedures shall be used as a guide for the orderly review and disposition of applications requesting economic development investment assistance in coordination with the EDIS, as well as the economic development element of the Peoria General Plan and the City's Principles of Sound Financial Management concerning economic development.¹

A variety of economic development investment tools are available, or will be pursued by the City, for use by businesses and developers for those economic development projects that meet the eligibility criteria set forth in the EDIP and the EDIP Guidelines and are approved by the City Council. Not all tools are available for every project, and projects may be offered more than one tool. The type and number of investment tools is the sole discretion of the Peoria City Council. Investment tools include, but are not limited to, the following:

Enterprise Zone (state program) -- The primary goal of the Arizona Enterprise Zone (EZ) program is to improve the economies of areas in the state with high poverty and/or unemployment rates. The program does this by enhancing opportunities for private investment in certain areas that are called enterprise zones. The program offers two types of benefits: income or premium tax credits and property tax reduction.

¹ The EDIS, economic development element of the Peoria General Plan, and the City's Principles of Sound Financial Management are incorporated into this EDIP by reference. Italicized terms are defined in the EDIS document.

Foreign Trade Zone (federal program) -- Merchandise can be brought duty-free into a designated Foreign Trade Zone (FTZ) for purposes of storing, repacking, display, assembly or manufacturing. Imports may be landed and stored without full customs formalities. Arizona is the only state in the US that provides an 80 percent reduction in real and personal property taxes for companies qualifying for Foreign Trade Zone or sub-zone designation.

City Direct Investment -- Provides direct city advance payment or reimbursement to private industry for a variety of capital or operating expenditures such as business relocation costs, worker relocation costs, tenant improvements, impact fee payments, permit fee waivers, etc. to attract both capital investment and high quality jobs in targeted industries.

Peoria Industrial Development Authority Bonds -- Development Authority issued bonds are conduit financing for an eligible project to assist a private developer or business in facility creation or expansion. Liability of the bonds is solely that of the developer or business. Conduit feature is used to obtain access to capital and competitive interest rates. City charges 1% fee for services provided and pays its costs from that fee. Other fees may apply. Issues for nonprofit entities may be charged a discounted fee and receive a discounted interest rate under the federal tax law, pursuant to IDA policy guidelines.

Lease Revenue Bonds -- Bonds issued by the City, the proceeds from which are used to construct facilities for private business enterprise. Lease payments made by the business enterprise to city government are used to service the bonds.

Government Purchase Lease Excise Tax (GPLET) -- The GPLET is a local excise tax that is levied on a square footage, as opposed to value, basis against improved real property leased by private parties from a municipality or county. The result is a reduction in property tax base for the subject property.

Maricopa County Economic Development Fund -- Maricopa County passed a resolution to fund economic development activities that assist in the creation or retention of jobs or otherwise improve or enhance the economic welfare of the residents of Maricopa County. The program has two goals: to increase the per capita income and to increase the share of employment in base industries in Maricopa County. Funding for such projects will be appropriated from the County General Fund's interest earnings.

Guiding Principles

In carrying out its economic development objectives, the City of Peoria will adhere to the following guiding investment principles for strategically investing its resources in *targeted industries* and *investment zone* redevelopment opportunities appropriate for consideration under this EDIP:

- Eligible projects that retain, expand, or attract existing or targeted industries providing: (1) high-wage, knowledge-based jobs; and/or (2) significant capital investment and new wealth to the community.
- Eligible projects that create or attract a top-tier workforce desirable to targeted industries, including the creation of industry specific workforce training programs through coordination among community institutions including economic development organizations, non-profit entities and groups, colleges and universities, the business community, and workforce development entities.
- Eligible projects that provide infrastructure improvements and other public benefit necessary to retain and/or expand existing businesses, attract targeted industries, and/or revitalize key development nodes in the City's *investment zones*.
- Eligible projects that nurture and grow targeted startup businesses.
- Eligible projects that promote the development of bioscience and technology-based products and services.
- Eligible projects that redevelop vacant or under-utilized commercial and industrial properties in targeted investment zones.
- Eligible projects for business assistance (new or expansion) focused primarily on targeted industries.

The minimum project qualifications for consideration under the EDIP are listed in the table below:

Category of consideration	Minimum Requirements
Capital investment	\$250,000
Jobs created	10
Avg. salaries of jobs created	\$50,000 FTE with benefits
Avg. education level	4-year degree
Targeted Industries	Manufacturing, corporate or divisional HQ, advanced business services, back office operations (e.g. data centers, etc.), research and development, or processes which involve the utilization of high technology or innovative new technologies, bioscience, alternative energy, telecommunications, health care, and higher education
Redevelopment Projects	Defined as projects that will economically reposition unused or underutilized blighted properties

The City reserves the right to consider projects beyond the parameters outlined in this section. Projects outside of the scope detailed herein will only be considered if it is found that the nature of such project would have a significantly transformative and dramatically positive net economic impact on the City.

The amount and timing of the City's public investment in an eligible project will be dictated by the terms of the Economic Development Investment Agreement approved

by the City Council pursuant to the EDIP. In general, the City's investment will not occur until the eligible project has completed certain of its contractual obligations under the Agreement. For example, proof that a certain number of high-wage, knowledge-based jobs have been created may trigger a predetermined investment by the City. However, for certain projects deemed extraordinary, the City may make a portion of its public investment at an earlier point in time, but subject to repayment or security in the event that subsequent contractual obligations are not timely satisfied. For example, a public investment may be made in the form of tenant improvements to private property so as to facilitate the business' relocation or location in Peoria. In this case, the commitment to locate in the City would be memorialized in an executed lease agreement. Other documentation may be accepted at the discretion of the City Council.

Investment funds may be used for one or more of the following eligible activities to retain an existing eligible business, assist a targeted industry in locating in Peoria, or to facilitate a redevelopment project:

- Real property lease or acquisition
- Personal property lease or purchase (e.g. equipment)
- Site preparation costs
- On-site infrastructure
- Off-site infrastructure
- Improvements to a building such as tenant improvements
- Other capital investments
- Job training costs not otherwise reimbursed by grants or tax credits
- Other purposes which bring value to the community as determined by the Economic Development Services (EDS) Department on a project-by-project basis
- Payment of site development and building plan review and permit costs

This is not an exclusive list, but rather a sample of the types of public investments that may be approved by the City Council in its discretion in regard to a particular eligible project.

Return on Investment Considerations

Each eligible project under the EDIP guidelines must provide a return on investment (ROI) for the assistance provided. The specific ROI will be determined through the negotiation process and stipulated in the Economic Development Investment Agreement. Qualifying items for equivalent ROI would include the following:

- Jobs that meet wage and education goals according to the EDIP guidelines
- Jobs provided to Peoria residents, specifically new employees that move to the City of Peoria.
- Elimination of blight through redevelopment of underutilized properties and infill development
- Space absorption resulting in reduced commercial or industrial vacancy rates
- Ability to bring additional targeted investment to the City

- Ability to partner with the City, universities, and others on workforce development goals
- Tax revenue generated through increased property taxes, lease rate taxes, and sales taxes

Request for Public Investment Process

Each entity requesting City economic development assistance under the EDIP will be required to prepare and submit to the Economic Development Services Department (“EDS”) an application and supporting documentation as required by the EDIP Guidelines. EDS will review each application for sufficiency on a case-by-case basis using the EDIP Guidelines. This review process will also include reviews by other City Departments to ensure consistency with all applicable City laws and policies, such as the General Plan, Zoning Ordinance, and Principles of Sound Financial Management. As appropriate, the review process may also include submission of the application and supporting documentation to a panel of relevant industry experts for technical appraisal.

The Guidelines shall be subject to periodic review and may be modified or amended, due to changed economic conditions or competitive considerations. In the event of any modification or amendment, Economic Development Investment Agreements previously approved by the City Council pursuant to the EDIP will not be affected.

In determining whether to make a public investment in response to a request and, if so, the amount of assistance to be extended, the City will consider, among other relevant factors, the following:

- The total private capital investment in the project including site acquisition, site improvement, building development, tenant improvements, and equipment purchases.
- The number, type and quality of full time jobs created or retained.
- Wage levels and benefits for jobs created by the project.
- The potential for future expansions and increased employment.
- Project specific benefits that impact positively on economic development objectives related to business attraction, business retention, redevelopment, small business, and workforce development, which will further stimulate development in targeted areas of the City, thereby benefiting overall community development.
- The potential for the project to attract other companies which would be suppliers to or affiliated with that company.
- Other factors promoting the public welfare and deemed relevant by the City Council in its discretion.

The City Council desires to make public investments pursuant to this EDIP to attract new jobs and capital investments to Peoria by adding new companies and businesses to the

community and expanding existing businesses. The City, however, will also consider on a case-by-case basis the utilization of this Policy when necessary to preserve existing jobs and capital investments which are at risk of being lost. This will apply to situations in which a targeted industry is considering the consolidation of operations within a facility in Peoria or a facility outside of Peoria, in which a targeted industry must modernize its equipment or facility to remain competitive in its market, or in other situations in which it is considering reducing or eliminating its operations in Peoria. In such situations, assistance may be made, at the discretion of the City Council, if the overall amount of taxable capital investment for the subject company will increase.

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