



MEMORANDUM

Council Agenda
Item No. VIII.C.
5/5/2015

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: James D. Couch, City Manager

Concurrence with the Oklahoma City Economic Development Trust adopting in resolution authorizing negotiation of an Economic Development Agreement, for subsequent Trust and City Council consideration, with The Boeing Company to provide for certain economic development incentives in exchange for the creation of quality jobs related to Boeing Project No. 3 in Oklahoma City, near 6001 South Air Depot Boulevard. Ward 4.

Location Near 6001 South Air Depot Boulevard

Background The Company plans to add 900 new jobs in Oklahoma City over the next three years. These jobs will be relocated to Oklahoma City from other Boeing locations and are the result of Companywide decisions on efficiencies, cost and proximity to clients or customers. The average first year wage for these new jobs is conservatively estimated to be \$90,000. Each year thereafter, salaries are estimated to increase, ultimately ending at approximately \$99,000 in the final year of the project. After evaluating options for the location of these programs, The Boeing Company has decided to construct a new approximately 290,000 square-foot facility, including over 150,000 square feet of state-of-the-art lab space, in Oklahoma City near its current facility. This effort will involve capital investments of approximately \$80 million. The availability of state and local business incentives were a key part of this decision making process.

Company Background

Boeing is the world's largest aerospace company and leading manufacturer of commercial jetliners and defense, space and security systems. Boeing products and tailored services include commercial and military aircraft, satellites, weapons, electronic and defense systems, launch systems, advanced information and communication systems, and performance-based logistics and training. With corporate offices in Chicago, Boeing employs more than 165,000 people across the United States and in 65 countries.

In Oklahoma, Boeing employs approximately 1,850 people with nearly all in Oklahoma City and the remainder at Altus AFB and Vance AFB (Enid). These approximately 1,850 employees generate an annual statewide payroll of more than \$178 million. Boeing and its employee

philanthropic organization contribute more than \$889,000 annually to worthy Oklahoma causes and employees logged more than 5,600 hours of community volunteer time in support of their community. More than 5,000 Boeing retirees live in Oklahoma. Boeing has 145 Oklahoma based-suppliers who were paid \$850 million in 2014.

The programs relocating to Oklahoma City, along with the work already based in the city, are part of the Aircraft Maintenance & Sustainment subdivision. This business unit maintains, modifies, and upgrades existing aircraft and weapons systems for the United States military and for select foreign customers around the globe. Employees in these programs oversee engineering solutions to infrastructure and software and modernize aircraft to remain relevant for decades to come.

Examples of supported platforms include B-1B Lancer, B-2 Spirit and B-52 Stratofortress bombers; KC-135 tanker; E-3 Airborne Warning and Control System (AWACS) and Advanced Early Warning and Control (AEW&C); Executive Transport Services and Support and C-130 aircraft.

Project Background

The Greater Oklahoma City Chamber and the City have worked with the Company since June 2014 on this recruitment. In evaluating its location options for this business, the Company management met with City and Chamber staff to discuss the needs of their planned operation. Based in part upon local incentives (city and state), the company decided to locate this operation in Oklahoma City and announced the project in September of 2014.

Economic Impact

The total estimated economic impact of the approximately 900 jobs and \$80 million capital investment is \$637.7 million over the first four year period (based on total project impact, including capital investment, wages, state and local taxes). The estimated local sales tax and property tax revenue is expected to be \$4.7 million over the first four year period and \$1 million annually from the fourth year forward.

Recommended SIP offer: \$6,000,000

The Greater Oklahoma City Chamber Economic Development Division recommends a local incentive package of \$6,000,000 based on the following information provided by the Company:

- Incentive based on the creation of 900 new jobs over three (3) years.
- Estimated average annual wage of \$90,000 (first year wage).
- Estimated first year additional payroll of \$21.6 million, ramping up to \$89.1 million by the end of the fifth year.
- The company plans to invest or cause the investment of \$80 million in new equipment and facility improvements.
- This is the latest expansion in an established pattern or continual growth by the Company.

- There is the potential for additional future growth.
- The Company considered a number of alternative locations for these jobs. The state and local incentives were important in positioning Oklahoma City as a competitive location for this operation.

Adoption of the resolution authorizes the OCEDT General Manager or designee to begin negotiations with The Boeing Company for the development of an economic development agreement.

Review

City Manager's Office - Economic Development

Recommendation: Concur with the Oklahoma City Economic Development Trust in adopting the Resolution(s).