

**SHOPS AT ADA
ECONOMIC DEVELOPMENT PROJECT PLAN**

Prepared by:

CITY OF ADA, OKLAHOMA

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SHOPS AT ADA

ECONOMIC DEVELOPMENT PROJECT PLAN

I. DESCRIPTION OF PROJECT

This Shops at Ada Economic Development Project Plan (the “**Project Plan**”) describes an economic development project of the City of Ada, Oklahoma (the “**City**”) that brings a significant commercial development to the City. The purpose of the Increment District (as described herein) is to encourage the prospective development by Burk Collins & Co., Ltd. (including its successors and assigns, referred to herein as the “**Developer**”), of up to approximately 21.77 acres located north of Lonnie Abbot Boulevard and west of N. County Club Road, immediately to the north of Staples, Tinker Federal Credit Union, Fenton Ford of Ada, and Chick-Fil-A, for use as a commercial retail development (the “**Project**”). The Developer proposes to invest or cause to be invested in excess of \$20.9 million to construct an estimated 146,000 square feet of retail and commercial space over the next two years, along with a potential expansion of an additional 24,000 square feet of retail and commercial space over the following two years.

The City recognizes the difficulty in development of the area due to significant costs necessary to correct current conditions at the planned Project site, including specifically the significant infrastructure and utility improvements necessary to support the development project. The purpose of the Increment District (as defined herein) is to promote economic development in the City by incentivizing capital investment in undeveloped property in order to enhance the tax base and create employment opportunities within the City. The City proposes to encourage the magnitude of the capital investment by providing a mechanism to offset a portion of the costs associated with the Project. Economic incentives are proposed in the amount of 90% of certain sales and use taxes generated by retail sales at the Project (i.e., the “**Sales Tax Increment Revenues**” or the “**TIF Revenues**”, as more particularly defined herein), up to a maximum aggregate incentive of \$11,600,000 (referred to herein as the “**Investment Incentive**”). The goal of the Investment Incentive is to maximize the attraction of new retail establishments to the City in order to reduce the leakage of sales tax dollars to other municipalities, enhance the quality of life for residents, and to provide a significant enhancement to the tax base long term that will provide funds for traffic and utility infrastructure and quality police, fire and other critical services to the community. The increase in sales and use tax revenues not utilized for the Investment Incentives and any Organizational Costs related to establishment of a tax increment district will directly benefit the City and Pontotoc County, Oklahoma (the “**County**”), as the affected sales tax jurisdictions. The Investment Incentive is collectively referred to herein as the “**TIF Projects**,” and the costs associated therewith (along with related Organizational Costs) are referred to herein as the “**Project Costs**”.

The City will recoup the costs of the upfront Organizational Costs from the TIF Revenues (as defined herein) derived from the Increment District (as defined herein). Pursuant to the terms of a development agreement between the City and the Developer (as required by the Local Development Act defined herein), the TIF Revenues generated by virtue of the sales and use tax levies by the City and the County shall be utilized as an incentive to maximize the capital

investment and the generation of new retail sales for a period of approximately fifteen and one half (15.5) years following the establishment of the Increment District (as defined herein). The TIF Revenues will be used to pay the costs of the Investment Incentive, reimburse the Organizational Costs, and/or pay debt service on obligations issued to pay the same.

Based solely on the proposed Phase One of the Project, the initial commercial development within the Increment District could result in a potential total taxable capital investment of approximately \$20.9 million (net taxable value subject to ad valorem taxes) and generate approximately \$522.5 million in taxable sales over the term of the Increment District. Based on full buildout of the Project, the total commercial development within the Increment District could result in a potential total taxable capital investment of approximately \$24.4 million (net taxable value subject to ad valorem taxes) and generate approximately \$623.2 million in taxable sales over the term of the Increment District. Please see Exhibit “E” for a more detailed description of projected development within the Increment District. Please see Exhibit “F” for a Preliminary Site Development Plan for the Project.

II. PROJECT AREA AND INCREMENT DISTRICT BOUNDARIES

The Increment District is the specific geographic area within which the identified tax increments will be generated and utilized as set forth in this Project Plan (referred to herein as the “**Increment District**”). The Project Area is the area within which all project activities, including construction of the supporting public improvements, will take place (referred to herein as the “**Project Area**”). The Increment District is located entirely within the Project Area. Most of the contemplated project activities will occur within the boundaries of the Increment District, however certain project activities may occur outside the boundaries of the Increment District but within the Project Area. A map showing the Increment District is attached as Exhibit “A”. The legal description of the Increment District is set forth in Exhibit “B”. A map showing the Project Area is attached as Exhibit “C”. The legal description of the Project Area is set forth in Exhibit “D”.

III. ELIGIBILITY OF PROJECT

The Increment District is undeveloped and/or underdeveloped within the meaning of Article 10, §6C of the Oklahoma Constitution and the Local Development Act, 62 O.S. §850, *et seq* (the “**Local Development Act**”). The Project Area (including the Increment District) is located in a reinvestment area (as defined in Section 853(17) of the Local Development Act) and is therefore eligible for assistance under the Local Development Act.

The Increment District comprises an area where investment, development and economic growth have not occurred, and which requires significant public infrastructure improvements to serve as a catalyst to expand employment opportunities, to attract major investment in the area, and to enhance the tax base.

IV. OBJECTIVES

The purpose of the Project and the Increment District is to support the achievement of the economic development objectives of the City in order to:

- A. Create a significant commercial development within the City that will act as a catalyst for additional development within the community;
- B. Attract major investment in the area;
- C. Serve as a catalyst for retaining and expanding employment in the area;
- D. Promote economic development to increase tax revenues, raise property values, and improve economic stability;
- E. Preserve and enhance the tax base; and
- F. Make possible investment, development and economic growth which would otherwise be difficult or impossible without the TIF Projects and the apportionment of ad valorem taxes and sales and use taxes from within the Increment District.

V. FINANCIAL IMPACTS

The proposed private development will generate tax increments necessary to pay all or a portion of the authorized costs of the TIF Projects. Without the creation of the proposed Increment District, significant development within the Increment District would be unlikely and as a result, any significant increases in ad valorem taxes and sales and use taxes would be extremely improbable.

The proposed development project does not create a significant increase in demand for services or costs to the affected taxing entities other than the City, whose public sector costs will be offset by apportioned tax increments as provided in this Project Plan.

The creation of the Increment District will allow the City to apportion the incremental increase in and sales and use tax revenues generated through construction and operation of the commercial developments within the Increment District for the purpose of paying Project Costs, either through direct payment and/or reimbursement and/or paying debt service on tax apportionment bonds or notes (collectively, the “**TIF Bonds**”), which may be issued in one or more series by a public trust created under Title 60, Oklahoma Statutes 2011, Section 176 *et seq.*, for the benefit of the City and including any interest, capitalized interest and other related financing costs. The proceeds of any such TIF Bonds (if issued) shall be utilized for the Project Costs.

The formation of an Increment District should result in no net loss in existing sales and use tax revenue to the City or the County, as the affected sales tax jurisdictions. A baseline sales tax collection level within the Increment District will be identified and will continue to accrue to the City and the County, respectively. A potentially negative impact of utilizing incremental sales tax

revenues to promote the creation of a significant retail development is the potential for transfer of sales tax dollars from existing retail establishments located outside the Increment District to new retail establishments located inside the Increment District. To offset this concern, the Increment District will only capture 90% of the incremental sales tax revenue generated on the existing 2.0% permanent sales tax levy of the City and 90% of the County's sales tax levy for the payment of Project Costs. Further, the incremental sales and use tax revenues will exclude any business located within the City that relocates to a site within the Increment District. A portion of the County's sales tax levy is subject to periodic renewal; the Increment District will only capture revenues to the extent of the County's then applicable sales tax levy rate. The City currently has an additional 2% sales tax levy that expires by 2024; no portion of that levy, even if extended, will be captured by the Increment District. Upon completion of Phase One of the Project, the City could realize an estimated gross gain in annual sales and use tax revenues in the approximate amount of \$70,300 (based only upon 10% of the 2.0% permanent sales tax levy; collections based on the uncaptured other 2.0% sales tax levy could result in an additional \$703,000 annual collections), and upon expiration of the Increment District, an estimated gross gain in annual sales and use tax revenues of approximately \$840,100 (based only upon the 2.0% permanent sales tax levy; collections based on the uncaptured other 2.0% sales tax levy could result in an additional \$840,100 annual collections). Upon completion of the Phase One of the Project, the County could realize an estimated gross gain in annual sales and use tax revenues in the approximate amount of \$30,700, and upon expiration of the Increment District, an estimated gross gain in annual sales and use tax revenues of approximately \$367,500. Based on the full buildout, the City could realize an estimated gross gain in annual sales and use tax revenues in the approximate amount of \$1,012,000 (based only upon the 2.0% permanent sales tax levy) and the County could realize an estimated gross gain in annual sales and use tax revenues in the approximate amount of \$442,800.

These impacts may be mitigated by any decrease in sales and use tax collections outside the Increment District (for example, potential decline in overall sales of competing businesses, or relocation of existing businesses from other areas of the City to the Increment District) or by increased costs of providing city services to the development (police, fire, etc.) but may be augmented by the increased retention of customer spending within the City (for example, by reducing the leakage of sales to other municipalities by offering a wider and more diversified retail selection within the City).

The ad valorem taxing jurisdictions are Pontotoc County, the Pontotoc City County Health Department, Independent School District No. 19 of Pontotoc County (Ada Public Schools, and referred to herein as the "**School District**"), Pontotoc Technology Center No. 14, and the City. The general and intangible impacts on the affected taxing jurisdictions from implementation of this Project Plan are positive and include the achievement of the objectives set forth in Section IV of this Project Plan. No portion of the ad valorem tax increments generated by the Project will be captured by the City. Upon completion of the Project, the ad valorem taxing jurisdictions could see an aggregate net gain in annual ad valorem tax revenues of approximately \$232,400 (based on an initial taxable capital investment of approximately \$20.9 million) and potentially \$270,600 (based on an aggregate taxable capital investment of approximately \$24.4 million).

VI. STATEMENT OF PRINCIPAL ACTIONS

Implementation actions for the project, including all necessary, appropriate and supportive steps, will consist of any of the following:

- A. Site preparation, planning and construction of public improvements necessary to support the development project;
- B. Acquisition by private developers of any additional property interests necessary for the development project including connecting public easements;
- C. Negotiation, preparation, execution, and implementation of development agreements, including agreements for financing, demolition, and construction by private developers, as authorized by the Local Development Act. Such agreements may include the granting of incentives for private developers to complete certain improvements within the Project Area;
- D. Issuance of tax apportionment bonds or other debt issuance necessary to provide funds for Project Costs;
- E. All other actions necessary and appropriate to carry out the development project as authorized by the Local Development Act.

VII. ESTABLISHMENT OF INCREMENT DISTRICT NO. 1, CITY OF ADA

Increment District No. 1, City of Ada shall be created upon adoption of an Ordinance of the City Council of the City approving this Project Plan. In accordance with the provisions of the Local Development Act, the following incremental revenues shall be apportioned and used to pay (or reimburse the payment of) Project Costs authorized pursuant to Section IX of this Project Plan. The apportionment of the Sales Tax Increment Revenues (as defined herein, and collectively referred to as the “**TIF Revenues**”) shall continue for that period required for the payment of the Project Costs, or a period of approximately fifteen and one-half (15.5) years (ending December 31, 2036, and referred to as the “**Expiration Date**”), whichever is less:

- A. [Reserved]
- B. Ninety percent (90%) of the incremental sales and use tax revenues derived from the levy of two percent (2.0%) sales and use tax pursuant to the provisions of Ordinance No. 66-37 and Ordinance No. 1414 of the City (collectively, the “**Sales Tax Ordinance**”), as such Sales Tax Ordinance may be amended, replaced, extended, superseded, terminated, or otherwise modified from time to time (collectively representing the levy of a one and eight-tenths of one percent (1.8%) sales and use tax, and the revenues derived therefrom referred to as the “**City Sales Tax Increment Revenues**”), and ninety percent (90%) of the total sales and use tax levied by the County (currently a seven-eighths of one percent (0.875%) sales and use tax) pursuant to Resolution No. 07-58, Resolution No. 13-12, and Resolution No. 18-31 of the County (collectively, the “**County Sales Tax Resolution**”), as such County Sales Tax Resolution may

be amended, replaced, extended, superseded, terminated, or otherwise modified from time to time (collectively representing the current levy of a 0.7875% sales and use tax, and the revenues derived therefrom referred to as the “**County Sales Tax Increment Revenues**”, and together with the City Sales Tax Increment Revenues, referred to herein as the “**Sales Tax Increment Revenues**”); provided that all such Sales Tax Increment Revenues shall be pledged as security for the payment of the TIF Bonds or otherwise used to pay (or reimburse the payment of) Project Costs authorized pursuant to Section IX of this Project Plan; provided, however, the Sales Tax Increment Revenues shall exclude the amount of sales tax revenues generated by any existing businesses (currently located within the City, but outside the boundaries of the Increment District) that cease operations at their existing location and relocate to within the Increment District. Provided further, that if said rate of sales and use tax levied by the County shall increase or decrease pursuant to the County Sales Tax Resolution, said percentages of allocation shall automatically be revised in a manner that will yield Sales Tax Increment Revenues equivalent to ninety percent (90%) of the total County sales and use tax rate. Provided further, the County shall grant its specific consent as required by Section 861(A)(2)(c) of the Local Development Act prior to the capture of any Sales Tax Increment Revenue derived from the levy of sales and use tax by the County. The remaining unapportioned ten percent (10%) of the incremental sales and use tax revenues derived from the Increment District, shall be retained by the City and the County, respectively, and utilized for any lawful purpose consistent with the aforementioned Sales Tax Ordinance and County Sales Tax Resolution.

VIII. PROJECT AND INCREMENT DISTRICT AUTHORIZATIONS

A. Upon adoption of an Ordinance of the City Council of the City approving this Project Plan, the City is hereby designated and authorized as the public entity to carry out and administer the provisions of this Project Plan and to exercise all powers necessary or appropriate thereto, including, without limitation, those powers described in Section 854 of the Local Development Act.

B. The City may create a new public trust with the City named as its beneficiary, and/or designate an existing public trust with the City named as its beneficiary (said public trust referred to herein as the “**Authority**”), and said Authority shall be the public entity designated by the City to assist in carrying out and administering the provisions of this Project Plan and authorized to exercise all powers necessary or appropriate thereto pursuant to Title 62, Section 854 of the Local Development Act, except for approval of this Project Plan and those powers enumerated in paragraphs 1, 4, 7, and 16 of that section, which powers shall be reserved to the City.

C. The person in charge of implementation of this Project Plan in accordance with the provisions, authorizations and respective delegations of responsibilities contained herein is Mr. Cody Holcomb, City Manager. Mr. Holcomb, or his successor as City Manager, is authorized to empower one or more designees to exercise responsibilities in connection with project implementation.

IX. BUDGET OF ESTIMATED PROJECT COSTS TO BE FINANCED FROM INCREMENT DISTRICT NO. 1

Project Costs to be financed by the apportionment of tax increments from the Increment District include: (i) the Investment Incentive in the amount equal to ninety percent (90%) of the TIF Revenues derived from the sales and use taxes collected within the Increment District in an amount not to exceed a maximum aggregate incentive of \$11,600,000; (ii) the payment of assistance in development financing (as authorized by Section 853(14)(o) of the Local Development Act) to a third party as reimbursement for the payment of Investment Incentive Costs; and (iii) the direct or incidental costs incurred or to be incurred by or on behalf of the City or the Authority (as contemplated in Title 62, Section 853(14)(e) of the Local Development Act) in organizing, supervising, implementing and administering this Project Plan, including, but not limited to, payment and/or reimbursement of costs advanced in connection with the preparation and approval of this Project Plan, administrative costs, organizational costs, professional service costs, including those incurred for architectural, planning, engineering, legal and financial advisors and services, and costs for determining or re-determining the base assessed value of the Increment District, financing costs and fees, and principal, interest (including capitalized interest), and prepayment premium paid on debt service and/or any reimbursement obligation. The Organizational Costs associated with the creation and implementation of the Increment District are preliminarily estimated at \$55,000.

The total estimate of Project Costs that may be made available for improvements and incentives from apportioned tax revenues shall be \$11,655,000 (including all engineering, construction, planning, and contingency costs). Apportioned tax revenues in excess of the amounts needed for Project Costs may be utilized if necessary (x) to pay interest and other financing costs, as well as to fund any capitalized interest and reasonably required reserves associated with obligations issued to fund said improvements; and/or (y) to pay the direct administrative costs incurred or to be incurred by or on behalf of the City or the Authority in implementing and administering this Project Plan (as contemplated in Title 62, Section 853(14)(e) of the Local Development Act. The Organizational Costs are an estimated total amount of preliminary costs incurred by the City in connection with the establishment of the Increment District.

X. METHODS OF FINANCING PROJECT COSTS, EXPECTED SOURCES OF REVENUES, AND TIME WHEN COSTS OR MONETARY OBLIGATIONS ARE TO BE INCURRED

A. Methods of Financing. It is expected that the Project Costs will be directly paid by the Developer or the City and reimbursed from TIF Revenues. Alternatively, certain Project Costs may be paid from the proceeds of any TIF Bonds and payment of principal and interest due on such TIF Bonds will be paid from available TIF Revenues. Certain other costs of the TIF Projects may be paid from such other funds of the City as may be lawfully used for the purposes hereinabove stated.

B. Expected Sources of Revenues. The payment or reimbursement of Project Costs, including any interest component on reimbursed funds and any principal, interest, and premium on any TIF Bonds, will be made from one or more of the following sources of revenues:

- (i) [Reserved]
- (ii) *Sales Tax Increment Revenues.* In accordance with the provisions of the Local Development Act, the Sales Tax Increment Revenues are to be apportioned and set aside from all other sales and use taxes levied within the Increment District, to be used exclusively for:
 - (a) the payment of principal, interest and premium, if any, on any TIF Bonds issued pursuant to Section 863 of the Local Development Act (including pledging as security for such payments);
 - (b) the payment, if required, of amounts necessary to satisfy or replenish any reserve requirement established with respect to any TIF Bonds;
 - (c) the payment of Project Costs incurred in connection with the development, construction, or implementation of the TIF Projects; and
 - (d) the reimbursement of a third party developer (pursuant to a development agreement with the City or the Authority), including any interest component (pursuant to a development agreement with the City and/or the Authority), the City, or any agency thereof (including the Authority), which has paid Project Costs from funds which were not increments derived from the Increment District, but only to the extent that such sums were actually paid or, in the case of reimbursement of a third party developer, constitute an interest component on sums that were actually paid.

Provided, however, the remaining unapportioned ten percent (10%) of the incremental sales and use tax revenues derived from the Increment District, shall be retained by the City and County, respectively, and utilized for any lawful purpose consistent with the aforementioned Sales Tax Ordinance or County Sales Tax Resolution. For purposes of determining the incremental portion of the sales and use taxes generated within or sourced to the Increment District, the Mayor of the City shall certify as the “base sales tax amount” the annual sales taxes received by the City that were generated within the area comprising the Increment District between January 1, 2020, and December 31, 2020. The base sales tax amount is projected to be \$0.00. Ninety percent (90%) of the sales and use tax revenue generated within or sourced to the Increment District and received by the City which are in excess of such base amount, excluding any existing businesses that relocate to the Increment District, shall be considered to be the “increment” subject to apportionment by this section. In addition to sales and use tax generated from retail sales, the Sales Tax Increment Revenues shall include sales and use tax generated from actual construction occurring within the Increment District. The City shall establish procedures related to the calculation and determination of construction related sales and use tax revenue qualifying as Sales Tax Increment Revenues. Such procedures shall stipulate that construction related Sales Tax Increment Revenues be derived only from new construction activities

occurring within the Increment District. The City shall be entitled to rely on certifications of actual construction costs provided by a third party developer(s) or related parties in connection with determining any applicable Sales Tax Increment Revenues.

Pursuant to the Local Development Act, the Sales Tax Increment Revenues apportioned hereunder and so collected shall be placed into a special fund to be known as the “Increment District No. 1 - Apportionment Fund” (hereinafter, the “**Apportionment Fund**”), which fund will be held by and be the property of the City (except that such fund may also be held by the Authority or a trustee acting on behalf of the Authority). No portion of such increments and no portion of the Apportionment Fund shall constitute a part of the general fund of the City. All Sales Tax Increment Revenues so collected shall be pledged as security for the payment of the TIF Bonds or otherwise used to pay (or reimburse the payment of) Project Costs authorized pursuant to Section IX of this Project Plan, including any interest component (pursuant to a development agreement with the City and/or the Authority).

The apportionment of sales and use taxes pursuant to this section shall terminate upon the final payment of, or reimbursement for, all Project Costs incurred in connection with the projects listed in this Project Plan, and the payment of all outstanding principal, accrued interest, and premium due on the TIF Bonds; provided, however, that in no case shall the apportionment of revenues pursuant hereto extend beyond the Expiration Date.

In the event that any portion of the principal of or interest on the TIF Bonds, issued in connection herewith, or any amount due and owing for reimbursement under a development agreement between the City and the Company, remains unpaid as of the Expiration Date, then the Increment District shall not terminate until the increment apportioned during the term of the Increment District is actually received by the Apportionment Fund, even if the receipt of such revenues occurs subsequent to the Expiration Date.

C. Time When Costs Or Monetary Obligations Are To Be Incurred. The costs of the Investment Incentive will be paid over the duration of the Increment District, based upon actual TIF Revenues derived from the ad valorem tax on real and personal property. It is anticipated that all Project Costs will be directly paid or reimbursed from apportioned TIF Revenues, provided, however, certain Project Costs may be paid from proceeds of TIF Bonds.

D. Flow of Funds; Excess Revenues. During the term of the Increment District, TIF Revenues shall be utilized as follows:

- FIRST: The payment of principal, accrued interest, and premium, if any, due on the TIF Bonds;
- SECOND: If applicable, transfers to any debt service reserve established in connection with the TIF Bonds in such amounts as may be necessary to restore the reserve to its prescribed levels;

- THIRD: The payment and/or reimbursement of authorized Project Costs (including any interest component pursuant to a development agreement);
- FOURTH: If applicable, the prepayment of principal on any TIF Bonds until such time as all TIF Bonds are retired; and
- FIFTH: Upon retirement of all TIF Bonds (if any) and payment of all Project Costs (including any interest component pursuant to a development agreement), any remaining Sales Tax Increment Revenues shall be transferred to the City or the County, respectively, for deposit into the General Fund or to the appropriate special fund, in each case consistent with the provisions of the Local Development Act.

XI. FINANCING REVENUE SOURCES

The TIF Revenues are expected to finance all or a portion of the Project Costs authorized by Section IX. Based on the initial projections of Sales Tax Increment Revenues for Phase One of the Project, it is estimated that approximately \$13.52 million of TIF Revenues could be generated by the incremental increase in sales and use tax revenue during the term of the Increment District for allocation to Project Costs, with an additional amount of non-TIF Revenues of approximately \$1,045,000 retained by the City, and approximately \$457,200 retained by the County. The initial projections of incremental sales and use tax revenue are based upon the projected revenues generated within the Increment District from the levy of an aggregate total of two percent (2.0%) City sales and use tax and an aggregate total of 0.875% County sales and use tax, all on new construction within the Increment District and new retail and other space generating approximately \$522.5 million in gross taxable sales during the term of the Increment District. Additionally, assuming completion of full buildout of the Project, it is estimated that approximately \$16.127 million of TIF Revenues could be generated by the incremental increase in sales and use tax revenue during the term of the Increment District, with approximately \$11,655,000 available for allocation to Project Costs, approximately \$3,110,900 retained by the City, and approximately \$1,361,000 retained by the County, plus an additional amount of non-TIF Revenues of approximately \$1,246,500 million retained by the City, and approximately \$545,300 retained by the County, all based upon new construction within the Increment District and new retail and other space generating approximately \$623.2 million in gross taxable sales during the term of the Increment District.

The calculation of projected TIF Revenues will be refined based upon (i) the total net capital investment resulting from development within the Increment District, (ii) the timing of the development; and (iii) the impact of the specific nature of the actual retail investment on projected sales per square foot.

The realization of the TIF Revenues is directly dependent on the Developer's ability to recruit, construct, lease, sell, and/or maintain the Shops at Ada development contemplated by this Project Plan within the Increment District during the term of the Increment District. The Authority

and/or the City may enter into economic development agreements with the Developer or any other parties as required by the Local Development Act.

Certain TIF Projects may be designed and/or constructed by the City. Authorized Project Costs, or the payment of debt service on TIF Bonds issued to pay Project Costs, will be paid from TIF Revenues by the City or the Authority, and may include (i) reimbursement of the City or the Authority for certain public improvements constructed from other available funds, and (ii) assistance in development financing (as authorized by the Local Development Act) to the Developer for certain public infrastructure and/or other site improvements constructed on behalf of the City in furtherance of the purposes of this Project Plan. The financing of the projected private development in the area may be provided by private equity and private mortgage financing, secured by the private developments.

XII. PUBLIC REVENUE ESTIMATED TO ACCRUE FROM THE PROJECT AND OTHER ECONOMIC IMPACTS

The increase sales and use tax revenues (estimated at a total of approximately \$15.022 million over the term of the Increment District based on Phase One of the Project, and approximately \$17.918 million over the term of the Increment District assuming full buildout of the Project), of which portions will serve as all or a portion of the revenue source for financing the Project Costs authorized by Section IX of this Project Plan, are the public revenues directly attributable to the project defined by establishment of the Increment District. Additionally, the various taxing jurisdictions may realize additional ad valorem tax and/or sales and use tax revenue from additional development outside the boundaries of the Increment District.

Construction of the improvements and subsequent development should have a positive impact on total employment in the City's metropolitan area, including temporary construction jobs and permanent positions at the Company's facilities. Indirect impacts (associated with the employment and income which result from the provision of inputs in support of the primary activity), and induced impacts (associated with the wages and jobs resulting from changes in household expenditures which come about through direct and indirect employment) will also result in additional growth in the City's metropolitan area.

This Project Plan includes certain projections and estimates, which are based on the current expectations or beliefs of third party developer(s) and are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to changes in economic conditions, market demand and other factors affecting the development of the Project.

XIII. PRIVATE AND PUBLIC INVESTMENTS EXPECTED FOR THE PROJECT

The publicly financed project costs in the amount of \$11,655,000, as authorized by this Project Plan, represent approximately 47.74% of the projected total public and private investment

for the Project, which including anticipated expenditures by or on behalf of commercial, industrial, or governmental entities within the Increment District, could exceed \$24.4 million.

XIV. MISCELLANEOUS PROVISIONS

The majority of the property within the Increment District was historically zoned as general agriculture district. Development is anticipated to occur in accordance with current zoning requirements. The proposed project conforms to the comprehensive plan for the City of Ada, as amended. No changes in the ordinances (other than minor zoning adjustments to accommodate the proposed Project) of the City of Ada are contemplated under this Project Plan.

EXHIBIT "A"

MAP OF INCREMENT DISTRICT NO. 1

The boundaries of Increment District No. 1, City of Ada contain an area generally described as an area north of Lonnie Abbot Boulevard and west of N. County Club Road, immediately to the north of Staples, Tinker Federal Credit Union, Fenton Ford of Ada, and Chick-Fil-A.



* Increment District boundaries contained within blue border and shaded blue

EXHIBIT “B”

INCREMENT DISTRICT LEGAL DESCRIPTION

INCREMENT DISTRICT NO. 1

An area located entirely in Pontotoc County, Oklahoma, more particularly described as follows:

Tract 1: (Parcel # 0525-27-004-006-0-088-00) (Partial)

The south portion (approximately 21.77 acres) of Block 004 Lot 006 located in the NE/4 of Section 27, Township 04N, Range 06E, a parcel described as a 37AC TRACT IN NE DESC 3093/123 SEC. 27-4-6 ADA LIC

* The above Tract is subject to confirmation but is approximately representative of the Increment District boundaries shown in the map below.

EXHIBIT “C”

MAP OF ECONOMIC DEVELOPMENT PROJECT AREA

The boundaries of the Project Area associated with Increment District No. 1, City of Ada contain an area comprising all of the Northeast Quarter (NE/4) of Section 27, Township 4 North, Range 6 East, Pontotoc County, Oklahoma. The Project Area is bordered on the north by Patterson Road, on the east by N. Country Club Lane, on the south by the Walmart Supercenter, and on the west by North Hills Shopping Center.



Project Area is outlined by red border.

EXHIBIT “D”

PROJECT AREA LEGAL DESCRIPTION

INCREMENT DISTRICT NO. 1 PROJECT AREA

An area located entirely in Pontotoc County, Oklahoma, more particularly described as follows:

NE/4 of Section 27 of Township 4 North, Range 6 East of the Indian Base and Meridian, Pontotoc County, Oklahoma

EXHIBIT “E”

PROPOSED DEVELOPMENT IN THE PROJECT AREA AND INCREMENT DISTRICT

This Shops at Ada Economic Development Project Plan describes an economic development project of the City of Ada, Oklahoma, that brings a significant commercial development to the Ada area. The purpose of the Increment District is to encourage economic development in the City by Burk Collins & Co., Ltd., of up to approximately 21.77 acres located north of Lonnie Abbot Boulevard and west of N. County Club Road, immediately to the north of Staples, Tinker Federal Credit Union, Fenton Ford of Ada, and Chick-Fil-A, for use as a commercial retail development. The Developer proposes to invest or cause to be invested in excess of \$20.9 million to construct an estimated 146,000 square feet of retail and commercial space over the next two years, along with a potential expansion of an additional 24,000 square feet of retail and commercial space over the following two years.

The City recognizes the difficulty in development of the area due to significant costs necessary to correct current conditions at the planned Project site, including specifically the significant infrastructure and utility improvements necessary to support the development project. The purpose of the Increment District (as defined herein) is to promote economic development in the City by incentivizing capital investment in undeveloped property in order to enhance the tax base and create employment opportunities within the City. The City proposes to encourage the magnitude of the capital investment by providing a mechanism to offset a portion of the costs associated with the Project. Economic incentives are proposed in the amount of 90% of certain sales and use taxes generated by retail sales at the Project, up to a maximum aggregate incentive of \$11,600,000.

The goal of the Investment Incentive is to maximize the attraction of new retail establishments to the City in order to reduce the leakage of sales tax dollars to other municipalities, enhance the quality of life for residents, and to provide a significant enhancement to the tax base long term that will provide funds for traffic and utility infrastructure and quality police, fire and other critical services to the community. The increase in sales and use tax revenues not utilized for the Investment Incentives and any Organizational Costs related to establishment of a tax increment district will directly benefit the City and Pontotoc County, Oklahoma, as the affected sales tax jurisdictions.

The Investment Incentive represents a calculated amount equivalent to the difference between the cost of the Developer undertaking the Project and the projected market value of the Project upon completion, taking into consideration the site preparation costs, including traffic, utility, and drainage improvements, and the ability of the Developer to divest from the Project upon completion of the facilities and tenant leasing. Assuming a CAP rate of 8.0% (property's net income divided by total purchase price) as a measure of the potential income of commercial real estate, and assuming the revenue projections provided by the Developer, the maximum Investment Incentive has a present value of approximately \$7.616 million. Better than expected performance by the Developer and the retail participants may increase the net present value of the Investment Incentive, and may result in an earlier termination of the Increment District, to the benefit of the City and the County. Conversely worse than projected performance by the Developer and the

retail participants may decrease the net present value of the Investment Incentive, and may result in the Developer realizing less than the total possible Investment Incentive.

The City will recoup the costs of the upfront Organizational Costs from the TIF Revenues derived from the Increment District. Pursuant to the terms of a development agreement between the City and the Developer (as required by the Local Development Act defined herein), the TIF Revenues generated by virtue of the sales and use tax levies by the City and the County shall be utilized as an incentive to maximize the capital investment and the generation of new retail sales for a period of approximately 15.5 years following the establishment of the Increment District (expiring December 31, 2036). The TIF Revenues will be used to pay the costs of the Investment Incentive, reimburse the Organizational Costs, and/or pay debt service on obligations issued to pay the same.

Based solely on the proposed Phase One of the Project, the initial commercial development within the Increment District could result in a potential total taxable capital investment of approximately \$20.9 million (net taxable value subject to ad valorem taxes) and generate approximately \$522.5 million in taxable sales over the term of the Increment District. Based on full buildout of the Project, the total commercial development within the Increment District could result in a potential total taxable capital investment of approximately \$24.4 million (net taxable value subject to ad valorem taxes) and generate approximately \$623.2 million in taxable sales over the term of the Increment District. Please see Exhibit “F” for Preliminary Site Development Plan for the Project.

The estimated \$24.4 million capital investment and \$623.2 million in total taxable sales is based on the following assumptions:

- Phase One of Project
 - 146,000 square foot retail space, with average build cost of \$143.62/sf and average retail sales of \$240.75/sf.
- Phase Two of Project
 - 24,000 square foot additional retail space, with average build cost of \$143.62sf and average retail sales of \$300/sf.

Please see Exhibit “F” for a Preliminary Site Development Plan for the planned Shops at Ada retail development project.

