



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 06/11/2024

REQUESTER: Kathryn Walker

PRESENTER: Kathryn Walker, City Attorney

ITEM TITLE: CONSIDERATION OF ADOPTION, REJECTION, AMENDMENT AND/OR POSTPONEMENT OF PAYMENT OF QUALITY JOBS INCENTIVE TO THE NORMAN ECONOMIC DEVELOPMENT COALITION IN THE AMOUNT OF \$104,615 IN ACCORDANCE WITH CONTRACT K-1314-106, UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT #2 (UNP TIF) DEVELOPMENT AGREEMENT 6, AS AMENDED; AND APPROPRIATION OF UNP TIF FUND BALANCE.

BACKGROUND:

On January 28, 2014 the Norman Tax Increment Finance Authority (NTIFA), Immuno Mycologics, Inc. (IMMY), and the Norman Economic Development Coalition (NEDC) memorialized an agreement (Development Agreement 6; herein DA#6) providing incentives for job creation related to an Advanced Manufacturing Facility to be built in the University North Park Tax Increment Finance District (UNP TIF). DA#6 supports the City of Norman's economic development plans for expanding employment, attraction of major investments, preservation and enhancement of the tax base, and facilitation of investments in the city. DA#6 provides that job creation incentive payments earned by IMMY are assigned for payment to NEDC.

Definitions under DA#6

Qualifying Job and Qualifying Wage calculations. Employers qualifying for job creation incentives must create a "Quality Job" and pay a "Qualifying Wage". A "Quality Job" is defined as a "permanent full-time employ[ee] . . . which [receives] fringe benefits . . . [and receives] a "Qualifying Wage". The employee must work at least 35 hours a week a "normal year" or 1,680 hours per year, whichever is less. Additionally, a "Qualifying Wage" is defined as "the average wage per New Job that results in an average hourly rate of at least \$24.04 per hour calculated on a quarterly basis" (\$50,000 per year).

Incentive for Creation of New Quality Jobs Schedule Calculations. DA#6 provides a schedule which is used to calculate quality job creation incentives earned by IMMY by satisfying the "Quality Job" and "Qualifying Wage" requirements. Once the number of new jobs created has been determined, then the incentive schedule will prescribe the percentage of incentive that is available based on average salaries of the new jobs created.

Quarterly Maximums per New Job. The Incentive Schedule in DA#6 also provides maximum payments an employer can receive per new job created. For instance, once a qualifying quarterly average per-employee wage is determined, a comparison is necessary to make sure that the “Quarterly Max per New Job” section of the Incentive Schedule is not exceeded.

Analysis of 2022 Quarterly OESC forms from IMMY

The baseline to determine the addition of “New Quality Jobs” in 2022 that could be considered for quality job creation incentive payments is the total number of employees shown on the quarterly form required to be filed with the Oklahoma Employment Security Commission (OESC) for Quarter 4 of 2013. The OESC form for Quarter 4 of 2013 filed by IMMY identifies 29 employees. The OESC forms filed by IMMY for each quarter of 2023 were then reviewed using 29 employees as the baseline to determine “New Quality Jobs”, and a “Qualifying Wage” for incentive considerations.

a. 2023 Quarter 1 - Incentive Payments

Total number of jobs indicated in this quarter is 97. This results in a net gain of 68 jobs. To identify the new jobs to be considered for incentive, the employees at the end of 2013 were compared to the employees in the current quarter using the last four digits of their social security number as an identifier. There were a total of 97 new employees when compared to December of 2013. Of those 97 new employees, the average quarterly payroll for the top 68 equaled \$15,077.86 (\$60,311.43 annual equivalent), which is an average hourly equivalent of \$29.00. These 68 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.35% Credit is indicated. The incentive calculation for this quarter is \$29,645.12.

However, the Incentive Schedule caps the quarterly quality job creation incentive payments paid per new job based on the *Average Quarterly Salary*. Here, the quarterly maximum per new job at 2.35% is capped at \$411.25. Applying that capped amount to 68 new jobs equals a total quality job creation incentive payment of \$27,965 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 1 of 2023, the quality job creation incentive earned by IMMY and payable to NEDC is \$27,965.

b. 2023 Quarter 2 - Incentive Payments

Total number of jobs indicated in this quarter is 93. This results in a net gain of 64 jobs. To identify the new jobs to be considered for incentive, the employees at the end of 2013 were compared to the employees in the current quarter using the last four digits of their social security number as an identifier. There were a total of 93 new employees when compared to December of 2013. Of those 93 new employees, the average quarterly payroll for the top 64 equals \$18,538.35 (\$74,153.39 annual equivalent), which is an average hourly equivalent of \$35.65. These 64 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.35% Credit is indicated. The incentive calculation for this quarter is \$27,881.67.

However, the Incentive Schedule caps the quarterly quality job creation incentive payments paid per new job based on the *Average Quarterly Salary*. Here, the quarterly maximum per new job at 2.35% is capped at \$411.25. Applying that capped amount to 64 new jobs equals a total quality job creation incentive payment of \$26,320 for this quarter. Therefore, based on the

quarterly analysis of jobs created in Quarter 2 of 2023, the quality job creation incentive earned by IMMY and payable to NEDC is \$26,320.

c. 2023 Quarter 3 - Incentive Payments

Total number of jobs indicated in this quarter is 89. This results in a net gain of 60 jobs. To identify the new jobs to be considered for incentive, the employees at the end of 2013 were compared to the employees in the current quarter using the last four digits of their social security number as an identifier. There were a total of 89 new employees when compared to December of 2013. Of those 89 new employees, the average quarterly payroll for the top 60 equals \$20,541.50 (\$82,166.01 annual equivalent), which is an average hourly equivalent of \$39.50. These 60 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.45% Credit is indicated. The incentive calculation for this quarter is \$30,196.01.

However, the Incentive Schedule caps the quarterly quality job creation incentive payments paid per new job based on the *Average Quarterly Salary*. Here, the quarterly maximum per new job at 2.45% is capped at \$490. Applying that capped amount to 60 new jobs equals a total quality job creation incentive payment of \$29,400 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 3 of 2023, the quality job creation incentive earned by IMMY and payable to NEDC is \$29,400.

d. 2023 Quarter 4 - Incentive Payments

Total number of jobs indicated in this quarter is 85. This results in a net gain of 56 jobs. To identify the new jobs to be considered for incentive, the employees at the end of 2013 were compared to the employees in the current quarter using the last four digits of their social security number as an identifier. There were a total of 85 new employees when compared to December of 2013. Of those 85 new employees, the total quarterly payroll for the top 56 equals \$17,427.95 (\$69,711.81 annual equivalent), which is an average hourly equivalent of \$33.52. These 56 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.30% Credit is indicated. The incentive calculation for this quarter is \$22,447.20.

However, the Incentive Schedule caps the quarterly quality job creation incentive payments paid per new job based on the *Average Quarterly Salary*. Here, the quarterly maximum per new job at 2.30% is capped at \$373.75. Applying that capped amount to 56 new jobs equals a total quality job creation incentive payment of \$20,930 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 4 of 2023, the quality job creation incentive earned by IMMY and payable to NEDC is \$20,930.

DISCUSSION:

After the calculation is done each year, the information is presented to Council to formally authorize the payment of the incentive to NEDC. Based on the quarterly analysis of jobs created for Calendar Year 2023, applied to the *Incentive for Creation of New Quality Jobs Schedule*, the quality jobs creation incentive earned by IMMY and payable to NEDC is as follows:

| | |
|-----------|-----------|
| Quarter 1 | \$ 27,965 |
| Quarter 2 | \$ 26,320 |
| Quarter 3 | \$ 29,400 |

| | |
|---|------------------|
| Quarter 4 | <u>\$ 20,930</u> |
| Total 2023 Quality Job Creation Incentive | \$104,615 |

Summary

Development Agreement 6 required IMMY to create at least 50 Qualifying Jobs over the ten-year incentive period. As noted above Quality Job incentives were to be paid for those Quality Jobs that were paid a Qualifying Wage.

Section 4.c of Development Agreement 6 specifies that the maximum payment for earned incentives shall be limited to \$770,000. To date (and including the proposed 2023 payment), IMMY has earned (and assigned to NEDC) quality job incentives as follows:

| | |
|--------|--------------|
| 2014 | \$ 10,300.00 |
| 2015 | \$ 12,775.00 |
| 2016 | \$ 21,875.00 |
| 2017 | \$ 33,633.75 |
| 2018 | \$ 49,021.25 |
| 2019 | \$ 61,736.25 |
| 2020 | \$ 94,776.25 |
| 2021 | \$ 91,240.00 |
| 2022 | \$113,358.75 |
| 2023 | \$104,615.00 |
| TOTAL: | \$593,331.25 |

Calendar year 2023 is the final year of the incentive obligations under this agreement. In 2023 alone, IMMY’s payroll exceeded the base year payroll by \$3,857,839.

RECOMMENDATION:

Staff recommends authorization of payment in the amount of \$104,615 from University North Park TIF Funds set aside for such purpose to the Norman Economic Development Coalition pursuant to Development Agreement 6 as amended.

Staff further recommends an appropriation of \$104,615 of available University North Park Tax Increment Finance District Fund Balance (Account 57-29001) to Economic Development Activities (Account 57195542-46001; Project UT0008).