



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 12/12/2022

REQUESTER: Kathryn Walker

PRESENTER: Kathryn Walker, City Attorney

ITEM TITLE: CONSIDERATION OF APPROVAL, ADOPTION, REJECTION, AMENDMENT AND/OR POSTPONEMENT OF PAYMENT OF QUALITY JOBS INCENTIVE TO THE NORMAN ECONOMIC DEVELOPMENT COALITION IN THE AMOUNT OF \$91,240 IN ACCORDANCE WITH CONTRACT K-1314-106, UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT #2 (TIF) DEVELOPMENT AGREEMENT NO. 6, AS AMENDED.

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 No. 6, herein DA#6) providing incentives for job creations related to an Advanced Manufacturing Facility to be built in the University North Park Tax Increment Financing 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 here 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 2021 Quarterly OESC forms from IMMY

The baseline to determine the addition of “New Quality Jobs” in 2021 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 2021 were then reviewed using 29 employees as the baseline to determine “New Quality Jobs”, and a “Qualifying Wage” for incentive considerations.

a. 2021 Quarter 1 - Incentive Payments

Total number of jobs indicated in this quarter is 95. This results in a net gain of 66 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 average quarterly payroll for the top 66 equaled \$13,247.94 (\$52,991.77 annual equivalent), which is an average hourly equivalent of \$25.48. These 66 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.15% Credit is indicated. The incentive calculation for this quarter is \$18,798.83.

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 2.15% is capped at \$268.75. Applying that capped amount to 66 new jobs equals a total quality job creation incentive payment of \$17,737.50 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 1 of 2021, the quality job creation incentive earned by IMMY and payable to NEDC is \$17,737.50.

b. 2021 Quarter 2 - Incentive Payments

Total number of jobs indicated in this quarter is 94. This results in a net gain of 65 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 average quarterly payroll for the top 65 equals \$19,476.58 (\$77,906.33 annual equivalent), which is an average hourly equivalent of \$37.45. These 65 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.40% Credit is indicated. The incentive calculation for this quarter is \$30,383.47.

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 2.40% is capped at \$450.00. Applying that capped amount to 65 new jobs equals a total quality job creation incentive payment of \$29,250 for this quarter. Therefore, based on the

quarterly analysis of jobs created in Quarter 2 of 2021, the quality job creation incentive earned by IMMY and payable to NEDC is \$29,250.

c. 2021 Quarter 3 - Incentive Payments

Total number of jobs indicated in this quarter is 91. This results in a net gain of 62 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 82 new employees when compared to December of 2013. Of those 82 new employees, the average quarterly payroll for the top 62 equals \$14,023.32 (\$56,093.30 annual equivalent), which is an average hourly equivalent of \$26.97. These 62 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.20% Credit is indicated. The incentive calculation for this quarter is \$19,127.81.

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 2.20% is capped at \$302.50. Applying that capped amount to 62 new jobs equals a total quality job creation incentive payment of \$18,755 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 3 of 2021, the quality job creation incentive earned by IMMY and payable to NEDC is \$18,755.

d. 2021 Quarter 4 - Incentive Payments

Total number of jobs indicated in this quarter is 91. This results in a net gain of 62 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 82 new employees when compared to December of 2013. Of those 89 new employees, the total quarterly payroll for the top 62 equals \$17,846.33 (\$71,385.31 annual equivalent), which is an average hourly equivalent of \$34.32. These 62 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 \$26,002.10.

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 62 new jobs equals a total quality job creation incentive payment of \$25,497.50 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 4 of 2021, the quality job creation incentive earned by IMMY and payable to NEDC is \$25,497.50.

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 2021, 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:

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|-----------|--------------|
| Quarter 1 | \$ 17,737.50 |
| Quarter 2 | \$ 29,250.00 |
| Quarter 3 | \$ 18,755.00 |

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|---|---------------------|
| Quarter 4 | <u>\$ 25,497.50</u> |
| Total 2021 Quality Job Creation Incentive | \$ 91,240.00 |

Summary

Development Agreement No. 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. Based on the 50 jobs to be created over the ten-year incentive period, the projected incentive to be earned at the end of 2021 was \$43,000. These projections were very conservative.

Section 4.c of Development Agreement No. 6 specifies that the maximum payment for earned incentives shall be limited to \$770,000. This limit was included considering approximately 97 Quality Jobs at a Qualifying Wage over the ten-year time period. Under this scenario, the incentives projected to have been earned by IMMY by the end of 2021 totaled \$193,500. The total Quality Job incentives actually earned by IMMY through 2021 are \$367,208 which is 189.7% above projections.

RECOMMENDATION:

Staff recommends authorization of payment in the amount of \$91,240.00 from University North Park TIF Funds set aside for such purpose to the Norman Economic Development Coalition pursuant to Development Agreement No. 6 as amended.