



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 01/09/2024

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 \$113,358.75 IN ACCORDANCE WITH CONTRACT K-1314-106, UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT #2 (TIF) DEVELOPMENT AGREEMENT 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 Number 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 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 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 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 2022 were then reviewed using 29 employees as the baseline to determine “New Quality Jobs”, and a “Qualifying Wage” for incentive considerations.

a. 2022 Quarter 1 - 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 equaled \$15,656.75 (\$62,626.98 annual equivalent), which is an average hourly equivalent of \$30.11. These 62 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.25% Credit is indicated. The incentive calculation for this quarter is \$21,841.16.

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 2.25% is capped at \$337.50. Applying that capped amount to 62 new jobs equals a total quality job creation incentive payment of \$20,925 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 1 of 2022, the quality job creation incentive earned by IMMY and payable to NEDC is \$20,925.

b. 2022 Quarter 2 - Incentive Payments

Total number of jobs indicated in this quarter is 98. This results in a net gain of 69 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 69 equals \$22,685.61 (\$90,742.43 annual equivalent), which is an average hourly equivalent of \$43.63. These 69 jobs meet the incentive payment criteria. Applying the yearly average salary to the Incentive Schedule, a 2.50% Credit is indicated. The incentive calculation for this quarter is \$39,132.67.

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 2.50% is capped at \$531.25. Applying that capped amount to 69 new jobs equals a total quality job creation incentive payment of \$36,656.25 for this quarter. Therefore, based on the

quarterly analysis of jobs created in Quarter 2 of 2022, the quality job creation incentive earned by IMMY and payable to NEDC is \$36,656.25.

c. 2022 Quarter 3 - Incentive Payments

Total number of jobs indicated in this quarter is 99. This results in a net gain of 70 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 90 new employees when compared to December of 2013. Of those 90 new employees, the average quarterly payroll for the top 70 equals \$21,021.90 (\$84,097.58 annual equivalent), which is an average hourly equivalent of \$40.43. These 70 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 \$36,052.55.

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 70 new jobs equals a total quality job creation incentive payment of \$34,300 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 3 of 2022, the quality job creation incentive earned by IMMY and payable to NEDC is \$34,300.

d. 2022 Quarter 4 - Incentive Payments

Total number of jobs indicated in this quarter is 100. This results in a net gain of 71 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 91 new employees when compared to December of 2013. Of those 91 new employees, the total quarterly payroll for the top 71 equals \$14,768.87 (\$59,075.48 annual equivalent), which is an average hourly equivalent of \$28.40. These 71 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 \$23,393.89.

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 71 new jobs equals a total quality job creation incentive payment of \$29,610 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 4 of 2022, the quality job creation incentive earned by IMMY and payable to NEDC is \$29,610.

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 2022, 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	\$ 20,925.00
Quarter 2	\$ 36,656.25
Quarter 3	\$ 34,300.00

Quarter 4	<u>\$ 21,477.50</u>
Total 2022 Quality Job Creation Incentive	\$113,358.75

Summary

Development Agreement Number 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, 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
TOTAL:	\$488,716.25

Calendar year 2023 will mark the final year of the incentive obligations under this agreement. It will be calculated and referred to Council upon receipt of all of the OESC quarterly forms for 2023.

Funds are available in the Economic Development Activities Project (UT0008, 57195542-46001).

RECOMMENDATION:

Staff recommends authorization of payment in the amount of \$113,358.75 from University North Park TIF Funds set aside for such purpose to the Norman Economic Development Coalition pursuant to Development Agreement 6, as amended.