

CITY COUNCIL
BUSINESS AND COMMUNITY AFFAIRS COMMITTEE MINUTES

November 1, 2012

The City Council Business and Community Affairs Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 9:08 a.m. in the Conference Room on the 1st day of November, 2012, and notice and agenda of the meeting were posted in the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Jungman, Kovach, Spaulding, Williams,
and Chairman Lockett

ABSENT: None

OTHERS PRESENT: Councilmember Robert Castleberry, Ward Three
Councilmember Roger Gallagher, Ward One
Mayor Cindy Rosenthal
Mr. Trey Bates, 3720 Timberidge Drive
Ms. Tessa Breder, Norman Chamber of Commerce
Ms. Jayne Crumpley, 423 Elm Avenue
Mr. Steve Ellis, 633 Reed Avenue
Ms. Maureen Hammond, Norman Economic Development
Coalition
Mr. Greg Heiple, 1021 Lairds Woods Circle
Ms. Joy Hampton, The Norman Transcript
Ms. Cindy Rogers, 633 Reed Avenue

STAFF PRESENT: Mr. Jeff Bryant, City Attorney
Mr. Terry Floyd, Development Coordinator
Mr. Anthony Francisco, Director of Finance
Mr. Steve Lewis, City Manager
Ms. Kathryn Walker, Assistant City Attorney
Ms. Syndi Runyon, Administrative Technician IV

Item 1, being:

CONTINUED DISCUSSION REGARDING THE CREATION OF THE NORMAN ECONOMIC DEVELOPMENT ADVISORY BOARD; THE SUBSEQUENT ECONOMIC DEVELOPMENT POLICIES; AND THE DEFINITION OF ECONOMIC DEVELOPMENT FOR THE CITY OF NORMAN.

Ms. Kathryn Walker, Assistant City Attorney, highlighted the timeline of meetings regarding the creation of the Norman Economic Development Authority (NEDA) and the Economic Development Advisory Board (EDAB). Ms. Walker said the Business and Community Development Committee (BACA) previously discussed Economic Development (ED) Policy components consisting of goals and objectives; Economic Development tools; eligibility criteria; evaluation process; performance standard; and monitoring and evaluation compliance.

At their last meeting, BACA expressed interest in obtaining more information on ED Policies of Cities with a university and comparable population to Norman. Chairman Lockett also asked Staff to work on a definition of ED for the City of Norman.

Ms. Walker said although there are different approaches to how ED is defined, it all narrows down to the same principles. She highlighted definitions of ED from the United States Department of Commerce, International City Managers Association (ICMA), and International ED Council as follows:

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United States Department of Commerce

The focus of ED should be on supporting innovation increasing prosperity for American businesses and ensuring American workers have the skills to remain the most productive work force in the world.

- Long term process of building a number of interdependent microeconomic capabilities and incentives to support more advanced forms of competition

ICMA

A process by which local governments and/or community based groups manage their existing resources and enter into new partnership arrangements with the private sector or with each other to create new jobs and stimulated economic activity in a well-defined economic zone.

- Focus on local initiatives in the development process to create new employment and stimulate increased economic activity.
- Process oriented – formation of new institutions, development of alternative industries, improvement in capacity of existing employers to produce better projects, identification of new markets, the transfer of knowledge, and nurturing of new firms and enterprises.

International ED Council

No single definition incorporates all the different strands of ED. Typically ED can be described in terms of objectives. These are most commonly described as the creation of jobs and wealth and the improvement of the quality of life.

- ED encompasses three major areas
 1. Policies that government undertakes to meet broad economic objectives
 2. Policies and programs to provide services including building highways, managing parks, and providing medical access to the disadvantaged
 3. Policies and programs directed at improving business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development, etc.

Ms. Walker highlighted proposed goals and objectives of Norman's policy as follows:

- Support retention and expansion of existing businesses that contribute to local economy
- Attract businesses in targeted industries that will make significant capital investment in Norman and hire significant portion of its work force from Norman
- Promote and provide support for additional business incubators and microenterprises (small business)
- Promote and support public/private partnership's that contribute to expansions of ED opportunities in Norman

Ms. Walker said proposed economic tools can include a streamlined permitting process; waiver of fees; facilitation of development of partnerships for training and testing; abatement of property taxes; infrastructure investment; support services for start-up business; revolving loan funds; technical innovation support; sales tax rebates; Tax Increment Finance (TIF) districts; favorable loan structuring; and leasing publicly owned facilities to private companies.

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Ms. Walker highlighted eligibility criteria and said all criteria did not need to be met. She said projects will be evaluated on an individual basis and overall contribution to the City's economy. She said proposed criteria can include targeted industries; significant capital investment; potential for incremental growth and revenue; new jobs paying above average wage and benefits; enhancement of the City's image; relationship with the University of Oklahoma (OU); compatible with adopted plans/ability to serve; no serious detrimental effect on an existing business/industry; and environmental impacts consistent with City policy.

Ms. Walker said a performance agreement would be required for any monetary incentive. The performance agreement must set specific performance goals and clawbacks would be required. She said Staff is not envisioning upfront cash payments in the policy, but that would be possible.

Ms. Walker said the ED policy requires monitoring of ongoing evaluations for compliance, quarterly reports, and an annual evaluation. She said quarterly reports will allow EDAB and Staff to monitor the company and anticipate problems before the annual evaluation is submitted. She said EDAB would review the reports and produce a compliance report that would be given to NEDA.

Councilmember Williams asked how cash payment under the performance standards is defined. He said he reads it as "performance agreements would only be required if the company received cash payment." Ms. Walker said that is correct, it would require a monetary incentive. She said if the company is getting a payment or reduction in payment with a monetary value then a performance agreement would be required. Mr. Jeff Bryant, City Attorney, said there may be some confusion that there will be cash payments upfront and that is not what Staff is envisioning. He said the company would enter into a performance agreement and earn incentives.

Councilmember Jungman said the word "clawbacks" does not appear in the draft policy and there is no provision for clawbacks. Ms. Walker said Staff did not use the word clawbacks. She said clawbacks are referred to in the performance standards where it reads, "each performance agreement will vary based on the project, but all agreements will set specific performance goals and the consequence to the company of not meeting the goals." Councilmember Jungman asked if clawbacks will be written into every agreement and Ms. Walker said yes. Councilmember Jungman said he would like the ordinance to state what has to go into each agreement because the language seems to state that clawbacks may be written into a performance agreement or they may not. Councilmember Kovach said one type of incentive is accelerated permitting, so what is the clawback on that? He said you cannot mandate a clawback in an agreement that might not have clawbacks because the City is not offering an incentive. Councilmember Jungman said he would like more specific language in the ordinance. He said the ordinance from the City of Lawrence, Kansas, has a clawback scale and if the business does not achieve 70% of its goals and objectives, they get nothing. Mr. Bryant suggested adding language to the end of the sentence that reads, "and clawbacks where appropriate." Councilmember Castleberry said EDAB and Council will review each proposal and the City would decide at that time if a particular project needs clawbacks. He said a clawback would only be appropriate when money is given upfront, which is not Council's intent.

Councilmember Kovach asked if the eligibility threshold would be County average wages or average household income and Ms. Walker said average wage.

Mayor Rosenthal said under ED Tools she would like to differentiate between non-monetary assistance and monetary assistance because monetary assistance would require clawbacks. Councilmember Jungman said tax abatement is not a cash payment, but should have clawbacks because it has a monetary value. Mayor Rosenthal felt the use of the language "cash payment" would be troubling to the general public and "monetary value" would be better. Chairman Lockett said she did not want the primary goal of NEDA to be giving money upfront for a

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project. She said the primary goal is to use the set of tools advisably and many of them would not necessarily require clawbacks. She said NEDA's objective is to be useful and business friendly. She said Council has to have faith EDAB will be comprised of citizens who want what is best for Norman, but Council will make the ultimate decision on whether or not to go forward with a project. Councilmember Castleberry said he wants to get away from the idea that it is a privilege to do business in Norman.

Councilmember Kovach said when talking about economic development, huge employers come to mind, but there can be small employers as well. He said it would not be appropriate to offer a 25 employee company some type of monetary payment or abatement, but streamlining the permitting process is something that could help small businesses a great deal. He said he would like to review how the process could be better streamlined and develop concrete ideas such as not holding up the occupancy permit if there is a minor problem that can be fixed within a couple of weeks. He said a temporary certificate of occupancy could be issued to move things forward for that business.

Councilmember Gallagher said the permitting process has been trimmed down to some degree since Mr. Terry Floyd, Development Coordinator, was hired. Mr. Steve Lewis, City Manager, said Mr. Floyd will speak briefly at the end of the meeting, but one way the City has streamlined the process is by not requiring verbatim minutes of the Planning Commission prior to First Reading of a zoning item. He said a lot of the streamlining process is the time Mr. Floyd puts into making connections with businesses and advancing projects. Councilmember Gallagher said the complaint he hears the most is difficulty with the platting process and asked if the City is reviewing that process to make sure all steps are essential and Mr. Lewis said yes. Councilmember Spaulding asked how the City is looking at it? Mr. Bryant said Staff and developers have met to discuss ways to improve the platting, approval, and renewal process and Staff is drafting information for Council's review. Councilmember Williams asked if one of the items discussed is expiration of plats and Mr. Bryant said yes.

Chairman Lockett said she would like to emphasize incubators and new development companies. She said one of Norman's greatest assets is OU. She said she would like to see a list of small businesses and their successes because many people do not know about them. She would also like to review start-up ideas to help small businesses get established. She said the first six months is the hardest for small businesses in getting established. Mayor Rosenthal suggested placing "incubator" in parenthesis after Technical Innovation Support in the tools category.

Mayor Rosenthal asked how the inability to get private financing affects the City's decision on whether or not a project is good for Norman. Does the City want to look at public/private financing alternatives? Councilmember Kovach said revolving loan funds are the pooling of local public/private financing and Ms. Walker said Enid, Oklahoma, has used revolving loan funds successfully. Councilmember Castleberry said an example of public/private funding would be an incubator company leasing a building from the City with the stipulation of purchasing the building within ten years.

Councilmember Williams said he likes the drafted policy because it allows EDAB the flexibility to look at avenues Council may not think of today.

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Councilmember Jungman said he would like to clarify what money the City is talking about because the word cash is in the policy several times. He said no funding source is identified which is fine, but he feels the City is asking for the keys to the car and promising not to drive it. He said the only two sources of funds the City has is the General and Capital Fund. Mr. Bryant said funding would be identified in a performance agreement, but it is correct there is no funding source and may never be. Councilmember Jungman said he is concerned the City will get a project and have a sense of urgency to make the deal, then the money has to come into play and Council will be forced to the checkbook. He said Council should define the parameters as to whether or not they are willing to write checks out of the General and Capital Funds. Councilmember Castleberry said although Councilmember Jungman's concerns are legitimate, the City is not giving anyone money. He said Council is in the driver's seat and if a business gives an ultimatum of give us this or we are leaving then they can leave and Chairman Lockett agreed.

Councilmember Gallagher said there are a lot of big projects coming into to Norman and the impact to sales tax will be a critical factor. How does the City decide if a business will have a negative or positive impact on the community? How will the City know if the business may drive out another business? He said this needs to be considered. Chairman Lockett said the City will not know until they are in negotiations. Councilmember Gallagher said the City may not know that until the business opens so that is why it needs to be as serious a consideration as the money. Councilmember Spaulding said the City should not be in the business of picking and choosing businesses and felt the free market will dictate cannibalization issues. He said if a business fits well into the policy and they have a good product, let the free market work for itself. Councilmember Castleberry said sometimes competition makes businesses re-evaluate and become better and Chairman Lockett agreed.

Councilmember Kovach said he understands member's concerns, but if the City states any monetary benefit must be paid for from the General Fund the City is putting the public at risk. He said the City has to have the flexibility to get the best deal for the public. His concern is that if Council does not move forward with the policy soon, a project will come forward and the City will not have an adopted policy for that potential employer. He felt the drafted policy has good thresholds for incentives and should move forward and Councilmember Spaulding agreed.

Chairman Lockett said BACA is simply creating a policy not a funding source. Councilmember Jungman said he just wants to be clear to the public on what the funding sources are. Councilmember Kovach felt a policy needs to be in place first. Mr. Bryant said the City Manager and Finance Director are very protective of the General Fund and will not allow its use for funding economic development. He said his charge has always been to look for other revenue streams to make the policy stand on its own.

Councilmember Kovach said EDAB needs to be a board of experts because the City will be asking the board to evaluate projects based on the criteria of the policy and seven members will give a broad perspective to the board. Councilmember Castleberry asked when EDAB members would be appointed and Mayor Rosenthal said it would require an ordinance creating the board before members could be appointed. Mr. Bryant said Staff is trying to finalize the policy by BACA's next meeting and move forward.

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Mr. Floyd highlighted some of the current changes to streamline the permitting process. He said as the City Manager mentioned earlier, Planning Commission verbatim minutes are no longer required to be completed prior to a zoning item going to Council for First Reading. He said sometimes the Planning Commission meetings are lengthy and four to five hour of verbatim minutes take some time and is not necessarily needed on a First Reading item since the item is not discussed until Second Reading.

Mr. Floyd said he has researched preliminary platting in other communities and their expiration periods. He said Norman has a three year expiration period with an additional two year extension, which is higher than other metro communities. He said a Development Handbook is being created that outlines all City permitting processes. He said that information is available now, but is scattered between among various departments and is being compiled into one document. He said this will be especially helpful to businesses from out-of-state, architects, engineers, etc., that are not familiar with Norman's process. He said when he is contacted about a project he schedules a meeting with that business owner and City Staff that would be involved in the project and tracks the project throughout the City process. He also schedules meetings with entities that are considering locating in Norman to discuss any issues that might arise during the permitting process. He said he is also assisting wildfire victims through the permitting process and getting them back to their former lives as quickly as possible.

Mr. Greg Heiple, 1021 Lairds Woods Circle, asked why "clawback" is being used instead of "collateral" and Mr. Bryant said clawback is more about what the business will pay the City after receiving an incentive.

Chairman Lockett said there seemed to be consensus on moving forward with the policy and Councilmember Kovach suggested reviewing it at a Study Session instead of bringing it back to BACA. He said the policy and Second Reading of the ordinance creating EDAB could come before Council at the same time.

Ms. Cindy Rogers, 633 Reed Avenue, said she was concerned about who would be doing the economic impact analysis. She said it needs to be comprehensive and that is expensive. She said it is also a significant investment in choosing businesses that will benefit Norman. Mayor Rosenthal asked Ms. Rogers what are some communities she feels do that well and Ms. Rogers said Lawrence, Kansas, is doing the best job, but they have spent a significant amount of time building a community specific model. She said the City should not skimp on a broader impact analysis. Mayor Rosenthal said she would like more information on what Lawrence, Kansas, is doing because it is a relevant piece of the puzzle and EDAB may not have that capability. Councilmember Kovach felt who did the analysis would depend on the size of the project and Councilmember Castleberry agreed, and said EDAB would request an independent analysis if needed. Mr. Steve Ellis, 633 Reed Avenue, said it is not clear if Norman has a great model based on the University North Park Tax Increment (UNPTIF) District analysis on cannibalization issues. He said hiring an outside firm may not always be the best and suggested an EDAB sub-committee to review each project.

Ms. Jane Crumpley, 423 Elm Avenue, felt there needed to be an average citizen on EDAB to represent Norman on some level. Councilmember Williams said EDAB members will be citizens of Norman. Chairman Lockett said Council represents citizens and they are the ultimate decision maker. She said Council is trying to create better jobs and make quality of life better for Norman. She said EDAB members must be knowledgeable enough to make the decisions needed and will be comprised of Norman residents invested in the community. Councilmember Spaulding said he would be uncomfortable with someone sitting on a decision making board that has no idea what they are talking about. Mr. Ellis felt it would be helpful to have a "skeptic" on EDAB. Councilmember Castleberry said he does not like the premise that EDAB will not be skeptical as he believed the board members will be objective while having the skepticism to question whether a project is a good for Norman or not.

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Ms. Crumpley said citizens do not have access to a lot of information and finding documents on the City's website is difficult. Councilmember Spaulding said if she calls the City Clerk's Office he guarantees she will get the documentation she wants so documents are always accessible whether they are on the website or not. Ms. Joy Hampton, Norman Transcript, said the City's website is extremely transparent if you know where to look, it is just not user friendly.

Ms. Hampton said entrepreneur friendly communities and public partnerships need to be addressed. She asked if the City would be exploring how to promote these two areas better as part of ED?

Ms. Hampton asked Councilmember Castleberry what he meant by "wanting to get away from it being a privilege to do business in Norman" and Councilmember Castleberry said he wants it to be easier to do business in Norman. He said sometimes people in the business community feel Norman has a very high opinion of itself.

Mr. Trey Bates, 3720 Timberidge Drive, thanked BACA for moving forward and laying the framework creating a path and opportunity for businesses.

Items submitted for the record

1. Memorandum dated October 25, 2012, from Kathryn L. Walker, Assistant City Attorney, through Jeff H. Bryant, City Attorney, to Members of the Business and Community Affairs Committee
2. Economic Development Incentives Policy Norman, Oklahoma
3. PowerPoint presentation entitled, "Economic Development," Business and Community Affairs Committee, dated November 1, 2012

Item 2, being:

MISCELLANEOUS DISCUSSION.

None

The meeting adjourned at 10:21 a.m.

ATTEST:

City Clerk

Mayor