



City of Norman, OK

Municipal Building
Council Chambers
201 West Gray
Norman, OK 73069

Master

File Number: GID-2021-24

File ID: GID-2021-24 **Type:** Request for Payment **Status:** Consent Item

Version: 1 **Reference:** Item 23 **In Control:** City Council

Department: Legal Department **Cost:** \$61,736.25 **File Created:** 09/29/2020

File Name: Quality Jobs Incentive to NEDC **Final Action:**

Title: CONSIDERATION OF PAYMENT OF QUALITY JOBS INCENTIVE TO THE NORMAN ECONOMIC DEVELOPMENT COALITION IN THE AMOUNT OF \$61,736.25 IN ACCORDANCE WITH CONTRACT K-1314-106, UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT #2 (TIF) DEVELOPMENT AGREEMENT NO. 6, AS AMENDED.

Notes: ACTION NEEDED: Motion to approve or reject payment of Quality Jobs Incentive in the amount of \$61,76,25 to Norman Economic Development Coalition; and, if approved, direct payment to Norman Economic Development Coalition.

ACTION TAKEN: _____

Agenda Date: 10/13/2020

Agenda Number: 23

Attachments: Memo - 2019 Quality Job Incentive Payments

Project Manager: Kathryn Walker, City Attorney

Entered by: sarah.encinias@normanok.gov

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File GID-2021-24

Body

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 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 here in the City. DA#6 provides that job creation incentive payments earned by IMMY are assigned for payment to NEDC. DA#6 was amended by NTIFA/Council action on November 26, 2019;

the obligation related to the job creation incentive payments was unchanged by said amendment. This action is authorized by the adopted 2019 Amended UNP TIF Project Plan. TIF funds are available and allocated for this payment.

DISCUSSION:

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 2019 Quarterly OESC forms from IMMY

The baseline to determine the addition of “New Quality Jobs” in 2019 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 2019 were then reviewed using 29 employees as the baseline to determine “New Quality Jobs”, and a “Qualifying Wage” for incentive considerations.

a. 2019 Quarter 1 - 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 76 new employee names when compared to December of 2013. Of those 76 new names, the average quarterly payroll for the

top 43 equaled \$12,524.32 (\$50,230.07 annual equivalent), which is an average hourly equivalent of \$24.15. These 43 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 \$11,595.37.

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 43 new jobs equals a total quality job creation incentive payment of \$11,556.25 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 1 of 2019, the quality job creation incentive earned by IMMY and payable to NEDC is \$11,556.25.

b. 2019 Quarter 2 - Incentive Payments

Total number of jobs indicated in this quarter is 86. This results in a net gain of 57 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 77 new employee names when compared to December of 2013. Of those 77 new names, the average quarterly payroll for the top 57 equals \$14,598.49 (\$58,393.98 annual equivalent), which is an average hourly equivalent of \$28.07. These 57 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 18,306.51.

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 57 new jobs equals a total quality job creation incentive payment of \$17,242.50 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 2 of 2019, the quality job creation incentive earned by IMMY and payable to NEDC is \$17,242.50.

c. 2019 Quarter 3 - 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 76 new employee names when compared to December of 2013. Of those 76 new names, the average quarterly payroll for the top 56 equals \$12,754.72 (\$51,018.86 annual equivalent), which is an average hourly equivalent of \$24.53. These 56 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 \$15,356.68.

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 56 new jobs equals a total quality job creation incentive payment of \$15,050 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 3 of 2019, the quality job creation incentive earned

by IMMY and payable to NEDC is \$15,050.

d. 2019 Quarter 4 - Incentive Payments

Total number of jobs indicated in this quarter is 82. This results in a net gain of 53 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 73 new employee names when compared to December of 2013. Of those 73 new names, the total quarterly payroll for the top 53 equals \$15,748.46 (\$62,993.83 annual equivalent), which is an average hourly equivalent of \$30.29. These 53 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 \$18,780.04.

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 53 new jobs equals a total quality job creation incentive payment of \$17,887.50 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 4 of 2019, the quality job creation incentive earned by IMMY and payable to NEDC is \$17,887.50.

SUMMARY: Based on the quarterly analysis of jobs created for Calendar Year 2019, 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 - \$ 11,556.25

Quarter 2 - \$ 17,242.50

Quarter 3 - \$ 15,050.00

Quarter 4 - \$ 17,887.50

Total 2019 Quality Job Creation Incentive - \$ 61,736.25

Year to Date 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 2019 was \$32,250. 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 2019 totaled \$92,690. The total Quality Job incentives actually earned by IMMY through 2019 are \$181,191 which is 96% above projections.

Funds are available for this payment in the UNP TIF Fund, Economic Development, Land (account 57195542-46001; project UT0008).

RECOMMENDATION: Staff recommends payment of \$61,736.26 to NEDC pursuant to Development Agreement No. 6 as amended.