

CITY COUNCIL  
BUSINESS AND COMMUNITY AFFAIRS COMMITTEE MINUTES

October 4, 2012

The City Council Business and Community Affairs Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 9:00 a.m. in the Conference Room on the 4th day of October, 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, Williams, and  
Chairman Lockett

ABSENT: Councilmember Spaulding

OTHERS PRESENT: Councilmember Robert Castleberry, Ward Three  
Councilmember Roger Gallagher, Ward One  
Mayor Cindy Rosenthal  
Mr. Greg Heiple, 1021 Lairds Woods Circle  
Mr. Don Wood, Norman Economic Development  
Coalition Executive Director  
Mr. John Woods, Executive Director of Chamber of  
Commerce  
Ms. Joy Hampton, The Norman Transcript

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 AND THE CREATION OF ECONOMIC DEVELOPMENT POLICIES.

Chairman Lockett said she did not know what definition the City is using for economic development and felt it was essential the City have a working agreement before goals and objectives are set. She distributed an e-mail regarding the Norman Economic Development Coalition's (NEDC) mission statement and asked Councilmembers to review the statement and contact Ms. Kathryn Walker, Assistant City Attorney, if they had suggestions or ideas for a definition.

Chairman Lockett also distributed a letter from Norman Convention and Visitors Bureau (NCVB) Board of Directors asking the Business and Community Affairs Committee (BACA) to consider appointing a representative from the travel and tourism industry to the Norman Economic Development Advisory Board (EDAB).

Ms. Walker highlighted the timeline of meetings regarding the Norman Economic Development Authority (NEDA) and EDAB. She said the Business and Community Affairs Committee (BACA) requested information on Economic Development (ED) Policies from cities similar in population to Norman with a university. Ms. Walker highlighted policies from Denton, Texas; Columbia, Missouri; and Lawrence, Kansas.

Item 1, continued:

Ms. Walker said the primary ED tool for Denton, Texas, is tax abatement based on an increase in the value of the property and is similar to a Tax Increment Finance (TIF) District where revenues are garnered through growth. She said ED incentives are available to new or existing facilities or structures and for businesses wanting to locate, expand, or modernize basic industries, corporation office headquarters, or distribution centers. The base level of abatement is 15% to 25% and terms of abatement are based on the value of the structure and personal property for a period up to ten years depending on the amount of the capital investment. She said the abatement can increase depending on criteria of jobs filled by residents; high skilled jobs; partnership with university resources; knowledge based jobs requiring college degrees; donation of public art; donation to public schools; etc. An abatement agreement is required in the event of default and the agreement is reviewed annually.

Ms. Walker said in Columbia, Missouri, the ED tool is revenue bonds for the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, and office industries. She said assets are owned by the City or County and leased back to the employer with lease payments paying the revenue bonds. She said because the property is owned by the City or County there would be no property tax so the business must pay a fee in lieu of property tax equal to at least 50% of the property value. To be eligible for incentives, the business must be a targeted industry or new investment with an incentive period up to ten years. After ten years, the business owns the property and must pay 100% property tax. A cost benefit analysis is required as well as a Community Impact Statement that includes infrastructure information and positive impacts to the community. She said although there is no minimum wage requirement, that is something the City or Council reviews. Columbia targets life science and high tech related industries that can employ graduates of the university and this is something the City of Norman could consider.

Ms. Walker said Lawrence, Kansas, has several ED tools consisting of loans, grants, infrastructure improvements, property tax abatement, TIF, and Industrial Revenue Bonds. She said they use different standards for each component, but generally require a cost benefit analysis. She said they review increases in property values; anticipated sales and income tax; number of jobs; wages; benefits; ability and expense to the City to expand public services; expense to the school district to educate students of new residents; how the business diversifies their economy; how many jobs can be filled by local residents; and compatibility with their Land Use Plan and infrastructure. She said if the business uses tax abatement incentives, the minimum wage must meet at least 130% of the federal poverty threshold, which is \$24,800. A performance agreement is required and the amount of the incentive is based on the percentage of compliance with their target.

Councilmember Kovach asked if Staff had information on any success these cities have had with their programs and Ms. Walker said she spoke with someone in Denton, Texas, who said they have had great success. Councilmember Williams asked how long Denton has had their program and Ms. Walker said since July 2003. Councilmember Castleberry asked if applicants approach the City or if the City seeks applicants and Ms. Walker said it happens both ways, but the City probably gets approached more often than not. Councilmember Castleberry asked how Denton's program is structured and Ms. Walker said they use a separate organization that works closely with the City and the County similar to NEDC.

Ms. Walker discussed the City of Norman's proposed policy framework that includes goals and objectives; financial incentive tools; eligibility criteria; evaluation process; performance standards; and monitoring and evaluating ongoing compliance.

Item 1, continued:

Ms. Walker highlighted proposed goals and objectives as follows:

- Enhance/diversify private sector
  - Business Attraction
  - Business Retention
- Foster community level community development
  - Business Incubators
  - Microenterprise (less than five employees)
- Create "Good" Jobs
  - Level of Education – Bachelor's degree or higher
  - Targeted industry – use targets from Association of Central Oklahoma Governments (ACOG) study
  - Pay level more than \$33,885 (average County wage)
  - Benefit level – health care (at least 50% paid by employer) and retirement benefits provided to all full-time employees

Mayor Rosenthal suggested goals and objectives include employers that complement university initiatives and felt Moore-Norman Technology Center strengths should be reflected in the goals, which gives Norman a competitive advantage for college educated employees as well as employees with technical training. Councilmember Kovach said he would like to include community impact to the list.

Councilmember Jungman asked if a family of three with an average County wage would be eligible for free and reduced school lunches and Ms. Walker said yes. Councilmember Jungman felt it sad to say a minimum of \$33,000 annually constitutes a good job because he hopes his children will graduate from college making more than that. Ms. Walker said Oklahoma City (OKC) set their minimum criteria at that level and are considering changing it because incentives are geared toward professional type jobs and OKC cannot recruit manufacturing type jobs because the average County wage is too high. She said if Norman wants more diverse jobs, that is something to consider. Councilmember Kovach said not everyone is college educated and there are young people that would like to stay in Norman who are working for minimum wage so \$33,000 a year with benefits is a good job for them. Chairman Lockett said a lot of people who will apply for these jobs may not be married or have children so if you eliminate well paying entry level jobs, people do not prepare themselves to move up to higher paying jobs. Councilmember Jungman said he is not against jobs that pay that amount of money; he is against bribing people to come to the community. He said the City should have jobs for all income groups and education levels, but he does not understand why the City is giving them a handout to bring them to Norman. He said every household in Norman that makes less than \$45,000 per year which is the median household income, makes Norman a poorer community. Councilmember Castleberry said if a current household with \$0 income gets one of those jobs then that raises the average. Mayor Rosenthal said a full cost benefit analysis would need to be done and the pay level could be considered as a threshold for application of incentives. Mr. Jeff Bryant, City Attorney, said the goals and objectives are simply suggestions for Council's consideration.

Councilmember Kovach asked if there was a way to avoid a situation where a business received incentives, stays the ten years then closes because they no longer receive incentives and locates to another city. Mr. Bryant said that will be addressed in the clawback features built into the development agreement. Mr. Don Wood, Executive Director of NEDC, said the City would not be able to build clawbacks in an agreement for 30 or 40 years. He said once a company moves into Norman they will build and train a workforce and become embedded in the community so leaving a community is an exception to the rule. He said NEDC searches for companies that embrace the community. Chairman Lockett said companies that leave a community usually offer minimum wage with minimum benefits looking for a quick buck and are not interested in the community.

Item 1, continued:

Ms. Walker highlighted proposed financial incentive tools which include tax abatement; streamlined permitting process; revolving loan funds; infrastructure investment; partnership for training and employment; technical innovation support; additional business incubators; and support services for start-ups. Councilmember Jungman asked what taxes are being considered for tax abatement and Ms. Walker said a TIF could be used to abate property taxes. Councilmember Jungman asked how much property tax comes to the City and Ms. Walker said not much. Councilmember Jungman said that means the City would be abating another entity's taxes. Councilmember Castleberry said using TIF would require other entities to agree to the proposal such as the County, school system, etc. Ms. Walker said if the City had a funding source the EDAB could offer to pay the business' property tax for ten years. Councilmember Jungman asked if EDAB would have the legal authority to abate property tax and Mr. Bryant said it would be an abatement for the business, but the City would pay the property tax that the business would normally pay to those taxing entities. Councilmember Jungman asked what monies the City would use to pay the property tax and Mr. Bryant said the City does not currently have a funding source to do that. He said if there were a funding source such as a dedicated sales tax that generated revenue the City would be able to negotiate tax abatement incentives with a business. Councilmember Castleberry said another funding source would be the General Fund and Mr. Bryant said yes, that and the Capital Fund. Councilmember Castleberry said part of the cost analysis should include some type of return on the City's money.

Councilmember Kovach asked if an example of a Revolving Loan Fund would be the City building a structure and leasing it to the business and Ms. Walker said yes. She said Enid and Miami, Oklahoma, have a pooled loan structure with local banks where an employer can get additional financing they could not obtain otherwise.

Mr. Wood said when a City considers incentives offered in other States, they really have to understand the tax structure in those States because the tax structure in Texas and Kansas is very different. He said their taxes are higher so a tax abatement would be more significant there than in Oklahoma. He said tax abatement in Oklahoma would hurt the school systems because approximately 85% of property taxes go to the school system. He said NEDC is looking for a Revolving Loan Fund source for Norman. He said there is a grant program where money can be re-loaned within the community, but those grant programs are targeted for cities with a population of 50,000 or under. Councilmember Williams said the tax abatement discussed would be paid out of a funding source and would not affect the school system and asked if the tax abatement offered in Texas is actually abated and Mr. Wood said Texas has a dedicated one-half sales tax for economic purposes. Ms. Walker said tax abatement in Norman would have to be structured differently. She said Denton banks on getting money returned through sales tax growth so it is a no loss scenario for the City. Mr. Bryant said the proposed finance tools are just ideas for Council to explore and they are not locked in.

Councilmember Gallagher asked if any of these other cities have influential technical schools similar to Moore-Norman Technology Center and Ms. Walker said some cities have partnered with university resources, but Ada has a strong connection with the Pontotoc County Technical Center. She said the technical center provides free training for new employers to help incentivize technical jobs. Councilmember Lockett said the Oklahoma Vo-Tech System is nationally recognized and is the way to go as far as job education. Mr. Wood said that is known as a Partnership Program and when a new business or existing company relocates in Oklahoma, training money is available through the State to pay for training at local career tech centers. He said Moore-Norman Technology Center is in partnership with NEDC and is critical for the training area of the incentive process.

Councilmember Castleberry said the State of Oklahoma has a program in place to abate ad valorem taxes for five years for manufacturers. He would like the City to have as many tools in the tool box as possible even if many of them may not be used. He said the City will have the flexibility to use any of them on a case by case basis.

Item 1, continued:

Mayor Rosenthal said the City already has the Norman Tax Increment Finance Authority (NTIFA) established specifically for tax increment finance and her concern is NEDA and NTIFA will be competing or overlapping on a project. Mr. Anthony Francisco, Director of Finance, said they would not necessarily interfere with each other. Councilmember Jungman said the more tools offered, the more businesses will want, so the toolbox needs to be narrower. Councilmember Lockett said there will be limitation guidelines so not every tool can be used, but the City needs to have as many tools available as possible. Mr. Bryant said the heart of the process will be the cost benefit analysis, which will be fact intensive and the type of funding source will depend on the type of jobs the business offered, benefits offered, how long they plan to stay in the City, how they mesh with the community, etc.

Ms. Walker discussed proposed eligibility criteria and said the City will need to look at a number of factors appropriate to a project. She said criteria could be targeted industries named in the ACOG Study such as advanced manufacturing, aerospace, life sciences, logistics, distribution, healthcare, and data services. She said employment impact to the community should be considered, which would include number of employees, likelihood of hiring from local population, skill and education levels, range of salary, etc. She said the City may want to set a threshold for real property investments and the common threshold is \$10 million for new businesses and \$5 million for existing businesses. Councilmember Kovach said a \$5 million threshold would keep smaller businesses from establishing in Norman. Ms. Walker said the City could look at the amount of investment made instead of a minimum threshold. Other criteria could include how the business would increase Norman's tax base, how the business would enhance the City's image, and compatibility with adopted plans and the availability of infrastructure and essential public services. Councilmember Kovach said an environmental impact statement should be required. Mayor Rosenthal said the university, weather, and energy should be added in the targeted industries. Chairman Lockett said most of the ED material she has read has dealt with the medical field and she has not seen weather mentioned and that is the basis for tremendous benefit to Norman. She said Norman's ED policy needs to be diverse and flexible not just copying other communities. Councilmember Kovach said non-profit foundations search for new places to locate headquarters and Norman would be perfectly suited for that so the City should add corporate headquarters to the list. Councilmember Jungman said that is a great idea as he felt the Norman community would love to partner with a non-profit organization.

Ms. Walker said in the proposed evaluation process, the applicant would submit a proposal that outlined how all eligibility criteria will be met, submit an economic impact analysis and the financial capacity of the applicant. Councilmember Jungman said if businesses bring in more people, then tax roles have to increase and the City should not use all tax growth as incentive. Ms. Walker said the possibility of expanding the business could be added to the criteria to see if the business has the potential to keep growing. Mayor Rosenthal asked who would do the economic impact analysis and Councilmember Kovach said the EDAB. Mayor Rosenthal said she did not think the City was setting up EDAB to run the numbers. She felt an independent analysis beyond the applicant's needed to be done and reviewed by EDAB. Ms. Walker said NEDC has software that can do that type of modeling. Mayor Rosenthal said the City needs to triangulate that data with different perspectives and independence and she would like to see more than one analysis. Councilmember Castleberry asked who would pay for the independent analysis and Mayor Rosenthal said the applicant. Councilmember Castleberry suggested the applicant submit an independent analysis instead of their own. Councilmember Kovach said the purpose of EDAB is to consist of independent individuals from the community with the professional credentials to review a project and advise Council if that is a good project for the City. Councilmember Gallagher said if EDAB is comprised of people who have the talent to do an analysis, then an independent analysis would not be necessary. Councilmember Kovach said the only reason he is supporting

Item 1, continued:

EDAB is to have someone other than the applicant looking at what is in the best interest of the community otherwise why support an advisory board. Mayor Rosenthal asked Staff's opinion and Ms. Walker said most policies state the City will do the analysis, but it is not clear whether that is done by City Staff or a separate body. Mr. Steve Lewis, City Manager, said he has seen it done by the City and by outside firms depending on the size of the project and it would also depend on whether a City has a local board as well. Councilmember Williams said he did not like asking a business the City is looking to incentivize to do things such as paying for two analyses. He said if Norman is one of five cities being considered and keep asking the business to pay for things it will run businesses off. He said if the City is seeking to locate a business in Norman, the City should do their own study. Mr. Bryant said Staff was envisioning a process of placing the burden on the applicant first, to state their case, then during the evaluation process, it would be reviewed by professional Staff such as the Finance Director and City Manager. The application would then be reviewed by EDAB and if EDAB felt an in depth analysis was needed, they would have the ability to contract with an outside firm for that analysis, but it would not be mandated for every project.

Councilmember Gallagher said no one is busting down doors to locate in Norman and layers of requirements will give them pause to locate elsewhere. He said NEDA members need to be knowledgeable enough to tell Council if a project is viable for Norman and should not have to go to an outside firm for information.

Mr. Greg Heiple, 1021 Lairds Woods Circle, said nothing has been said about equilibrium or punishment. He said the policy can get bogged down in details, but if the City is going to offer incentives they need to have oversight and balance. Ms. Walker said the City does not want to give incentives and have no remedy if the business does not follow through so any incentive would require a performance agreement setting specific goals. She said, in the agreement, the City could identify what would happen if goals are not met and will be specific to each project. Mr. Heiple said the Oklahoma State Teacher's Retirement Fund used the same type of trust authority which is underfunded due to really bad investments made by trust authorities the Teacher's Retirement Union utilized and there were no clawbacks. He said NEDA is an exceptionally powerful tool that needs to be understood in its entirety. Mayor Rosenthal asked Staff for a laundry list of performance standards using policies that Staff has reviewed. Councilmember Kovach said clawbacks need to be explicit and clearly stated.

Ms. Walker said the last piece of the policy is monitoring and evaluation of ongoing compliance. She said the business would have to submit quarterly reports to designated City Staff. EDAB would review compliance on an annual basis and adjust or end incentives if goals are not being met depending on the terms of the performance agreement. Councilmember Kovach said he would like quarterly reports be submitted to NEDA as well as Staff. Mr. Wood said many of these companies are privately held and will not give out financial statements. He said the application is public information and Council needs to understand the level of items they can ask for and set performance evaluations based on that. He said asking a privately held company for financial statements is a tough deal.

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Item 1, continued:

Items submitted for the record

1. Memorandum dated September 27, 2012, from Kathryn L. Walker, Assistant City Attorney, through Jeff H. Bryant, City Attorney, to Members of the Business and Community Affairs Committee
2. Denton Policy for Tax Abatement with Exhibit A, Abatement Application
3. Business Incentives, Columbia, Missouri
4. Chapter 100 Police, Boone County, Missouri
5. City of Lawrence Economic Development Goals, Process and Procedures dated March 24, 2009 and updated May 18, 2010
6. PowerPoint presentation entitled, "Economic Development Policies," Business and Community Affairs Committee, dated October 4, 2012

Item 2, being:

MISCELLANEOUS DISCUSSION.

None

The meeting adjourned at 10:06 a.m.

ATTEST:

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City Clerk

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Mayor