



## Legislation Text

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CONSIDERATION OF PAYMENT OF QUALITY JOBS INCENTIVE TO THE NORMAN ECONOMIC DEVELOPMENT COALITION IN THE AMOUNT OF \$49,021.25 IN ACCORDANCE WITH CONTRACT K-1314-106, UNIVERSITY NORTH PARK 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 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 recently amended by Council action on November 26, 2019 and the obligation related to the job creation incentive payments was unchanged by said amendment. This action is authorized by both the 2006 Project Plan, as amended in 2008, and the adopted 2019 Amended UNP TIF Project Plan. The pending referendum petition does not affect this obligation or the availability of funds to fulfill this obligation.

### **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 2018 Quarterly OESC forms from IMMY

The baseline to determine the addition of “New Quality Jobs” in 2018 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 2018 were then reviewed using 29 employees as the baseline to determine “New Quality Jobs”, and a “Qualifying Wage” for incentive considerations.

#### *a. 2018 Quarter 1 - Incentive Payments*

Total number of jobs indicated in this quarter is 68. This results in a net gain of thirty-nine jobs. To identify the new jobs to be considered for incentive, the names of employees at the end of 2013 were compared to the names of employees in the current quarter. There were a total of fifty-nine new employee names when compared to December of 2013. Of those forty-nine new names, the average quarterly payroll for the top thirty-four equaled \$12,524.32 (\$50,097.30 annual equivalent), which is an average hourly equivalent of \$24.09. These thirty-four 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 \$9,168.44.

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 thirty-four new jobs equals a total quality job creation incentive payment of \$9,137.50 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 1 of 2018, the quality job creation incentive earned by IMMY and payable to NEDC is \$9,137.50.

#### *b. 2018 Quarter 2 - Incentive Payments*

Total number of jobs indicated in this quarter is 77. This results in a net gain of forty-eight jobs. To identify the new jobs to be considered for incentive, the names of employees at the end of 2013 were compared to the names of employees in the current quarter. There were a total of sixty-eight new employee names when compared to December of 2013. Of those sixty-eight new names, the average quarterly payroll for the top forty-eight equals \$13,542.71 (\$54,170.83 annual equivalent), which is an average hourly equivalent of \$26.04. These forty-eight 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 16,369.48.

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 thirty-four new jobs equals a total quality job creation incentive payment of \$12,900 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 2 of 2018, the quality job creation incentive earned by IMMY and payable to NEDC is \$12,900.

#### *c. 2018 Quarter 3 - Incentive Payments*

Total number of jobs indicated in this quarter is 74. This results in a net gain of forty-three jobs. To identify the new jobs to be considered for incentive, the names of employees at the end of 2013 were compared to the names of employees in the current quarter. There were a total of sixty-six new employee names when compared to December of 2013. Of those sixty-six new names, the average

quarterly payroll for the top forty-three equals \$12,601.10 (\$50,404.39 annual equivalent), which is an average hourly equivalent of \$24.23. These forty-three 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 \$11,649.72.

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 forty-three 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 3 of 2018, the quality job creation incentive earned by IMMY and payable to NEDC is \$11,556.25.

*d. 2018 Quarter 4 - Incentive Payments*

Total number of jobs indicated in this quarter is 80. This results in a net gain of fifty-one jobs. To identify the new jobs to be considered for incentive, the names of employees at the end of 2013 were compared to the names of employees in the current quarter. There were a total of seventy-two new employee names when compared to December of 2013. Of those seventy-two new names, the total quarterly payroll for the top fifty-one equals \$14,589.55 (\$58,358.22 annual equivalent), which is an average hourly equivalent of \$28.06. These fifty-one 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 \$16,369.48.

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 fifty-one new jobs equals a total quality job creation incentive payment of \$15,427.50 for this quarter. Therefore, based on the quarterly analysis of jobs created in Quarter 4 of 2018, the quality job creation incentive earned by IMMY and payable to NEDC is \$15,427.50.

Summary

Based on the quarterly analysis of jobs created for Calendar Year 2018, 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	\$ 9,137.50
Quarter 2	\$ 12,900.00
Quarter 3	\$ 11,556.25
Quarter 4	<u>\$ 15,427.50</u>
Total 2018 Quality Job Creation Incentive	\$ 49,021.25

*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 2018 was \$26,875. 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 100 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 2018 totaled \$85,215. The total Quality Job incentives actually earned by IMMY through 2018 are \$119,455, which is 40% above projections.

**RECOMMENDATION:** Staff recommends payment of \$49,021.25 to NEDC under Development Agreement No. 6.