

CITY COUNCIL CONFERENCE MINUTES

December 10, 2013

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 5:30 p.m. in the Municipal Building Conference Room on the 10th day of December, 2013, and notice and agenda of the meeting were posted at 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 Castleberry, Griffith, Heiple, Holman, Jungman, Kovach, Miller, Williams, and Mayor Rosenthal

ABSENT: None

Mayor Rosenthal requested Item 2 be discussed prior to Item 1.

Item 2, being

CONTINUED DISCUSSION REGARDING THE UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT.

Mr. Jeff Bryant, City Attorney, said an update on the University North Park Tax Increment Finance District (UNPTIF) was presented to Council in a Study Session on December 3, 2013, and several questions were raised that Staff hopes to answer tonight.

Mr. Bryant said economic development (ED) is a major part of the project plan as \$8.25 million is allocated to ED. He said the goal is to attract quality jobs through ED activities to recruit businesses not currently located in Norman and provide quality employment opportunities in Norman and he highlighted the timeline of the ED projects. He said the Norman Economic Development Coalition (NEDC) purchased an additional 30 acres on December 5, 2013; for the Advanced Manufacturing Center and will fund infrastructure improvements making all of the 60 acres purchased by NEDC "pad site" ready. NEDC has sold one lot, which will potentially close before the end of December. He said infrastructure construction is proposed to begin in early 2014 with a completion date of September 2014.

Mr. Don Wood, Executive Director of NEDC, said one lot is being sold to a local company looking to expand and double its current workforce, which necessitated the need for a new location. He said the company originally considered expanding in Moore, Oklahoma, but opted for a lot in the Advanced Manufacturing Center in the UNPTIF. He said the company operates in the "life science" (health care) industry which is an industry identified as a "target sector" in the Association of Central Oklahoma Governments (ACOG) 2012 Comprehensive Economic Development Strategy for Central Oklahoma.

Mr. Wood highlighted Development Agreement No. 6 and said the lot being sold has a retail price of \$1,920,000. He said NEDC is providing an incentive amount of \$770,000 for a net purchase price of \$1,150,000. He said NEDC is proposing to carry the note for the \$770,000 so the incentive payments go to NEDC instead of to the company. He said the company plans to construct a 60,000 square foot building at a cost of \$12,000,000 with equipment investments of \$500,000. He said the company plans to create 50 new jobs over the next ten years with wages of at least \$50,000 plus benefits. He said the company is requesting first right of refusal on the lots on each side of them. The company has also agreed to join the Petition for Business Improvement District (BID), which was created to pay maintenance costs of Legacy Park.

Item 2, continued:

Councilmember Jungman asked how NEDC calculates new jobs and Mr. Wood said, in theory, the company is constantly growing and adding new jobs and those jobs stay with the company. Mr. Wood said this company had twelve employees five years ago and currently has thirty so those thirty employees will be relocating to the new location, but the company is only receiving credit for *new* jobs added. He said if new jobs are not created, the incentive is not earned and UNPTIF dollars are not spent.

Mr. Wood said eligibility for incentives for the creation of new jobs is determined in accordance with the following chart:

Average Salary	Percent Credit	Quarterly Max per New Job	Yearly Maximum per New Job	Project Max per New Job (10 years)
\$35,000 - \$39,999	2.00%	\$175.00	\$ 700	\$ 7,000
\$40,000 - \$44,999	2.05%	\$205.00	\$ 820	\$ 8,200
\$45,000 - \$49,999	2.10%	\$246.25	\$ 945	\$ 9,450
\$50,000 - \$54,999	2.15%	\$268.75	\$1,075	\$10,750
\$55,000 - \$56,999	2.20%	\$302.50	\$1,210	\$12,100
\$60,000 - \$64,999	2.25%	\$337.50	\$1,350	\$13,500
\$65,000 - \$69,999	2.30%	\$272.75	\$1,495	\$14,900
\$70,000 - \$74,999	2.35%	\$411.25	\$1,645	\$16,450
\$75,000 - \$79,999	2.40%	\$450.00	\$1,800	\$16,000
\$80,000 - \$84,999	2.45%	\$490.00	\$1,960	\$19,600
\$85,000+	2.50%	\$531.25	\$2,125	\$21,250

Councilmember Jungman asked if the incentive is pass/fail or a graduated benefit because the chart suggests that if 20 jobs are created at a salary of \$35,000 over ten years the City would still have to pay an incentive so the company actually does not have to create 50 jobs. Mr. Wood said that is technically correct, but the higher the salary the higher percentage of incentives received. Councilmember Castleberry said if the company does not do what they propose, they will not get the incentives because they would have basically broken their agreement and Mr. Wood said that is correct. Councilmember Kovach said NEDC is taking a risk by loaning the \$770,000 themselves and Mr. Wood believes it is a slightly calculated risk, but NEDC wants to see a business started in the UNPTIF and this company fits all criteria and should continue to grow. He said companies have to create at least 35% new jobs within five years in order to qualify to be in NEDC's projects that receive incentives. Mr. Wood said the company could have bought any piece of property and have no commitments whatsoever, but chose to locate in the UNPTIF district.

Mr. Wood said incentives must be earned and are only paid if new jobs are created. He said NEDC or the Norman Tax Increment Finance Authority (NTIFA) can repurchase property if criteria are not met. He said the company cannot sell the property for speculation or for development of general offices for lease.

Councilmember Miller asked the time period for construction and Mr. Wood said approximately 18 months, but it could go faster with concurrent construction.

Mr. Wood said NEDC obtained a model from Impact DataSource, a company in Austin, Texas, that analyzes economic costs and benefits of a project. He said the model calculates utility costs, fire and police costs, and other public services. He said some benefits of the project include sales and property tax, utility revenues, building permits and fees that are estimated to be \$2,016,029 and the costs for providing utilities and municipal services is estimated to be \$149,013 for a net benefit of \$1,867,016 over ten years.

Item 2, continued:

Councilmember Jungman asked where interest payments are calculated and Mr. Wood said interest payments are calculated into the entire project cost. Mr. Wood said \$2 million is budgeted in the UNPTIF funds for interest and it is NEDC's intent to repay the interest from lot sale proceeds.

Councilmember Jungman asked the amount of debt that NEDC has to repay the City on the first lot they sell and Mr. Wood said \$1,150,000. Councilmember Jungman said the City only gets reimbursed if the purchase prices are high enough to refund that amount and Mr. Wood said that is correct and that is why NEDC is trying to keep the full retail price as the basis. Councilmember Kovach said this deal is a good deal, not a great deal, but the importance of it is that it gives the City the opportunity to do what they have been trying to do for the last six or seven years. He said once the infrastructure is in place it will be a lot easier to make sell those lots to other companies. He asked if there was any recourse if the company does not perform on job growth as proposed and Mr. Wood said no, but since this is an established company in Norman in a targeted industry there is a good chance they will perform as expected.

Councilmember Jungman asked what type of independent analysis the City plans to perform on the numbers presented tonight and Mayor Rosenthal said the project has been reviewed by the Development Oversight Committee for TIF District No. 2 (TIF), which is part of the independent oversight. She said the NEDC Board also reviewed the project. Councilmember Jungman said these were not really independent analyses and the best practice is to obtain an independent analysis and Council is ignoring that. Councilmember Jungman asked who did the study and Mr. Wood said NEDC provided data to DataSource and they provided statistics based on those numbers. Councilmember Jungman asked if the model assumes full job growth and Mr. Wood said yes. Councilmember Jungman asked how revenues would be affected by employees that live outside of Norman and Mr. Wood said their revenues would not come to Norman, but public services would not be provided for those employees either. He felt the model is very dependable. Mayor Rosenthal said after the Georgia Tech model software is reviewed by Council, it might be helpful to compare the DataSource model with the Georgia Tech model and Staff provide feedback. Mr. Wood felt that would be appropriate.

Councilmember Jungman said the devil is in the details and assumptions and if NEDC is providing all the assumptions then the outcome is just numbers on a spreadsheet and an independent analysis would build those assumptions on its own. Mr. Jeff Bryant, City Attorney, thought Council would be pleased with the backup data from DataSource on the assumptions made and how they were made that he would forward to Council for review. Mr. Wood felt Council would find the model to be very robust after they have a chance to review all the information. Councilmember Kovach said he hoped the model builds in those new jobs where people do not actually live in the community and Mr. Wood thought that it did, but said he would check on that.

Councilmember Castleberry said Council needs to look at the risk of not doing the deal. Does the City take a chance on not getting fifty jobs, but definitely losing 35 jobs?

Councilmember Jungman asked when Development Agreement No. 6 is scheduled for approval by Council and Mr. Bryant said the company would like to close on the property by the end of the 2013 calendar year so Staff is working hard to get the agreement on an agenda by December 17th. Mayor Rosenthal said a Study Session is scheduled for December 17th to discuss the Public Safety Sales Tax (PSST) and extending the meeting dates of the Charter Commission so if Development Agreement No. 6 is ready, there can be a Special Session scheduled to vote on that.

Councilmember Jungman said the City does not have to provide incentives, but if a deal makes good financial sense through an independent analysis he will be behind it.

Item 2, continued:

Items submitted for the record

1. PowerPoint presentation entitled, "UNP Economic Development – Development Agreement No. 6," City Council Conference, December 10, 2013

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Item 1, being:

CHANGE ORDER NO. TWO TO CONTRACT NO. K-1213-195 WITH DOWNEY CONTRACTING, L.L.C., INCREASING THE CONTRACT AMOUNT BY \$35,098.38 AND EXTENDING THE CONTRACT UNTIL JANUARY 18, 2014, FOR THE REHABILITATION OF THE POLICE/FIRE INVESTIGATIONS FACILITY AT 1507 WEST LINDSEY STREET.

Mr. Keith Humphrey, Police Chief, said on July 9, 2013, Council approved Contract No. K-1213-195 with Downey Contracting, L.L.C., in the amount of \$1,325,500 for the renovation of the Joe Smalley Army Reserve Center, now known as the City of Norman Investigations Center. The building was acquired through the Base Realignment and Closure (BRAC) process from the federal government with a deed transfer in September 2012, after a seven and a half year process.

On October 22, 2013, Council approved Change Order No. One increasing the contract amount by \$80,966.19 to include hardware and keying changes; revised layouts of several spaces; ductwork revisions; additional fire line work required by the Utilities Department; removal of paper backed fiberglass insulation required by the Fire Department; relocation of the generator; the addition of an accessible entry on the west side of the building; and a wall sign to replace the proposed ground sign. Change Order No. One also extended the contract completion date to December 21, 2013.

Chief Humphrey said in discussions regarding access to the building for persons with disabilities, it was determined the existing access will no longer be appropriate for Americans with Disability Act (ADA) public use because it opens into a secured area of the building. An assessment was completed with the contractor, architect, and the City of Norman Permit Department and an alternate solution is to make the primary front entry ADA accessible. Change Order No. Two increasing the contract amount by \$35,098.38 will provide for construction of a new ramped sidewalk, replacement of both sets of entry doors, extending the exterior doors at least two feet to the south, tiling the new entry area to match the existing area, and adding a push-button system for opening the doors. Due to the changes, the contractor is requesting a four week extension on the contract and Change Order No. Two will also extend the contract date to January 18, 2014.

Councilmember Williams asked if the architect had reviewed ADA requirements from the beginning of the project. Chief Humphrey said in the beginning, the architect, contractor, and City Staff believed they could use the ADA compliant door for public entrance until it recently became apparent the door opens into a secured area. Mayor Rosenthal said it seems there will be upgrades to the walkway as well and Chief Humphrey said it will be a complete ADA entrance with ramps, rails, push-button door opener, etc.

Councilmember Kovach said there have already been several cost increases to the project and now it is suddenly realized that there is a door planned for ADA public access going/opening into a secured area. He said contractors make mistakes, but usually have to pay for these types of changes and the contractor and/or architect have basically made a big mistake and the City is responsible for payment. Councilmember Jungman agreed and asked if the contractor carried errors and omission insurance since this seems to be an error and/or omission. Councilmember Williams said the contractor as well as the architect should have noticed the error

Item 1, continued:

long before now. Chief Humphrey said the door met ADA requirements for public access, but once everyone realized the door led into a secured area it was decided the main entrance to the building would have to be utilized and it is not currently ADA compliant. Councilmember Kovach asked if the secured area had changed from the original plans and Chief Humphrey said no, the problem should have been caught earlier.

Chief Humphrey said the project is still under budget although he understands Council's concerns. Councilmember Castleberry said he can overlook the problem because the project is still under budget; however, he is still concerned about the error. He would like the Legal Department to follow-up with an investigation to find out who dropped the ball. He said if the original door always led into what was to be a secured area from the beginning then that was a big oversight by the architect/contractor, but Council would need more information before jumping to that conclusion. Chief Humphrey said it was a simple mistake because everyone thought the door would work until it was discovered it would open to a secured area, but he agreed additional questions needed to be asked of the architect/contractor.

Items submitted for the record

1. Text File No. K-1213-195, Change Order No. 2, dated November 25, 2013, by Linda Price, Revitalization Manager
2. Change Order No. Two to Contract No. K-1213-195

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The meeting adjourned at 6:25 p.m.

ATTEST:

City Clerk

Mayor