

SPECIAL MEETING OF THE
ECONOMIC DEVELOPMENT ADVISORY BOARD

October 23, 2019

The Economic Development Advisory Board of the City of Norman, Cleveland County, Oklahoma, met in the Municipal Building Conference Room at 201 West Gray on the 23rd day of October, 2019, at 10:00 a.m. Notice and agenda of the meeting were posted at the Municipal Building 48 hours prior to the beginning of the meeting.

MEMBERS PRESENT:

Mr. Hossein Farzaneh
Mr. Alexander Holmes
Mr. Edd Painter
Ms. Sue Ringus
Mr. Chuck Thompson, Chairman

MEMBERS ABSENT:

Mr. Ben Graves
Ms. Chris Purcell

OTHERS PRESENT:

Ms. Brenda Hall, City Clerk
Mr. Anthony Francisco, Director of Finance
Ms. Maureen Hammond, Norman Economic Development Coalition
Ms. Sara Kaplan, Retail Marketing Coordinator
Mr. Darrel Pyle, City Manager
Ms. Kathryn Walker, City Attorney

Item 1. Welcome and introductions.

Chairman Thompson welcomed everyone to the meeting.

Item 2. Approval of the December 4, 2018, meeting minutes.

Chairman Thompson said Item 2 is being withdrawn because the minutes have not been completed.

Item 3. Discussion and possible action related to a proposal for incentives pursuant to the City's Economic Development Incentives Policy for property located at I-35 and Indian Hills Road.

Ms. Kathryn Walker, City Attorney, said Staff recently began discussions with a potential retail employer wanting to locate in Norman. She said this is the first economic development proposal the Economic Development Advisory Board (EDAB) has reviewed and thanked members for making time for this meeting.

Ms. Walker said the Norman Economic Development Incentives Policy (NEDIP) was adopted by Resolution R-1213-127 on April 23, 2013. After a long process of discussions through a Council Committee, reviewing policies throughout the nation, and deciding what Norman wanted for their policy, Council adopted the policy concurrently with accepting beneficial interest in a public trust (Norman Economic Development Authority - NEDA). Along with these discussions, EDAB was created, in part, to review proposals under this policy.

Ms. Walker highlighted the policy and said the policy includes goals and objectives, economic development tools, eligibility criteria, evaluation process, performance standards, and monitoring/evaluating compliance. She said goals and objectives include supporting the retention and expansion of existing businesses in the community that contribute to the local economy through the employment of local residents, provided those businesses pay at least above average wages while providing worker health insurance benefits; attracting businesses in targeted industries locating or expanding from outside of the City of Norman region that will make a significant capital investment in Norman, hire a significant portion of its workforce from the Norman community, and produce a positive return on investment over and above any public incentives; promoting and providing additional business incubators and microenterprises that will contribute to a diverse local economy and provide new opportunities for the area; and promoting and supporting public/private partnerships that will contribute to an expansion of economic development opportunities in Norman by providing enhancements to public infrastructure or by encouraging private investments into facilities that increase the efficiencies of public transportation system, or that will increase efficiencies of public access and convenience to engage in private commercial activities.

Ms. Walker said economic development tools include a streamlined permitting process; allowing waiver or reduction of permit fees and/or excise taxes, connection fees, etc., to be paid to the City of Norman; facilitating development of partnerships with educational resources for training and employment testing; abatement of property taxes; investing in infrastructure; supporting services for start-up businesses; revolving loan funds; technical innovation support; tax increment finance districts; and leasing publicly owned facilities to private companies where appropriate.

Item 3, continued:

Ms. Walker said every proposal will be evaluated on its individual merit and its overall contribution to the City economy. Meeting eligibility requirements does not guarantee that incentives will be given. She highlighted eligibility criteria as follows:

Mandatory Criteria

- The proposal is compatible with the adopted plans of the City and suitable infrastructure and essential public services exist or can be feasibly added to support the proposal;
- The proposal's environmental impacts will be consistent with City policy ensuring long term availability of City natural resources; and
- This policy shall not apply retroactively to a previously approved project.

Advisory Criteria

- The prospective company operates in one of the following industries:
 - Advanced Manufacturing: this includes those companies that utilize new manufacturing techniques and machines combined with the application of information technology, microelectronics, and new organizational practices within the manufacturing sector;
 - Aerospace and Aviation: this includes the manufacture of aircraft, engines, parts, and auxiliary equipment, as well as servicing, rebuilding, maintaining, and storing aircraft (prospects in this area shall not be entirely dependent on Tinker Air Force Base for its long term success);
 - Life Sciences: this includes companies that provide materials/handling services and help manage the flow of goods as they move through the supply chain;
 - Core Healthcare System: this includes general medical and healthcare services as well as outpatient and ambulatory services;
 - Data/Software/IT: this includes publishing, broadcasting, shared service centers, corporate and technical services, data storage and processing, as well as firms that provide data management and support services to companies, hospitals, governments, and individuals;
 - Manager Support Services: this includes accounting, payroll, bookkeeping, human resources, legal, engineering, training, as well as firms that desire to locate their primary or satellite home offices in Norman; and
 - Other projects recommended by EDAB and approved by Council, or as approved by the NEDA.
- The proposal will result in significant capital investment in its initial phases that will positively increase the community's tax base and produce a significant positive return on investment over and above the public resources committed to the project;
- The prospective company can demonstrate potential for incremental growth and revenue and other economic impact;
- The proposal will contribute new jobs to the local economy that pay above the average wage for Cleveland County and include retirement and health insurance benefits, with the employer paying at least 50% of the premiums;

Item 3, continued:

Eligibility Advisory Criteria, continued:

- The prospective company will contribute positively to the enhancement of the City's image;
- The prospective company has an existing or established relationship with the University of Oklahoma; and
- The proposal will not have a serious detriment effect on an existing business or industry in the City.

Ms. Walker highlighted the evaluation process and said a company desiring incentives provided through public resources of the City must submit a proposal to the City Manager's Office that includes, at a minimum, a description of the type of business/industry in which it is engaged; a site selection or site selection criteria; a description of business operation process as well as description of potential environmental impacts for operations; a description of infrastructure needs or unique public utility service need; a description of its initial plan for development, including a timeline for design, construction, hiring, and operation as well as plans for future expansion; an estimate of planned capital investment that corresponds to any phasing for development and expansion; the planned number and function of new employees including base salary and provision for benefits; an estimate of the percentage of new jobs that will be filled by local residents; and a narrative description of any other information that demonstrates how the prospective company meets and/or exceeds the criteria set forth in this policy. The applicant must provide sufficient information to allow Staff and/or EDAB to conduct an analysis of the direct and indirect economic impacts of the project.

Performance Standards

Any company receiving monetary incentives provided through public resources of the City will be required to enter into a performance agreement. Each performance agreement will vary based on the specific project, but all such agreement shall set specific performance goals (e.g., jobs, target salaries, amount of capital investment, etc.) and the consequence (e.g., clawback provisions, deferred fees or investment, etc.) to the company of not meeting such goals. It is recognized that some economic development tools or incentives, such as streamlined permitting process, the facilitation of partnerships with educational resources, and technical innovation support, may not require the completion of a performance agreement.

Monitoring and Evaluating Compliance

Any company entering into a performance agreement must submit quarterly reports to the City Manager for distribution to EDAB and Norman Economic Development Coalition (NEDC). These reports must demonstrate the progress the company has made toward the performance goals outlined in the performance agreement. EDAB will use the quarterly reports to conduct an annual compliance evaluation and upon completion of such analysis, will submit a report to NEDA outlining the conformance (or nonconformance) with the performance agreement.

Item 3, continued:

Ms. Sara Kaplan, Retail Marketing Coordinator, said Costco is a major retailer looking for a site in the Oklahoma City metro area and the City of Norman has a potential opportunity to obtain that business. She said Costco opened a store in Tulsa and Tulsa provided \$2 million through their retail rebate policies. She said Costco opened a store in northern Oklahoma City and are doing very well, but are quickly looking for a 15 to 18 acre site in the southern metro area. She said Oklahoma City offered Costco up to \$3 million in incentives. She said Costco can provide at least 100 jobs to Norman and their average salary is in the \$20 to \$23 per hour range. She said Costco's average volume of sales per warehouse in 2018 was \$115 million. She said Costco averages above \$100 million in annual sales, which could equal \$4 million in sales tax revenue to the City.

Ms. Kaplan said Costco is looking at locating at I-35 and Indian Hills Road, which is a 130 acre site and the City of Norman and Oklahoma Department of Transportation (ODOT) have significant infrastructure investments planned in that immediate area. She said ODOT is planning to replace the Indian Hills bridge and the City of Norman is widening 36th Avenue N.W. from Tecumseh Road to the northern city limit as well as widening Indian Hills Road with new signalization.

The Costco in Oklahoma City is a 20 minute drive from Norman and 73.8% of trade area population comes from outside Norman city limits.

Ms. Kaplan said the property owner is prepared to deliver 15 to 18 acre shovel-ready site at no cost to Costco (an estimated \$5.8 million). The City of Norman will offer a performance-based rebate based on 50/60 share of non-dedicated sales tax generated up to \$4 million or sum of site improvements. Costco will reimburse the property owner for the cost of site improvements. The City of Norman will reorder and reprioritize already approved infrastructure improvements to better serve the site and will provide a streamlined permitting process to ensure plans are processed with high priority. She said ODOT will keep the existing bridge and ramps in service while a new bridge is under construction (approved in eight-year work plan for FFY 2023).

Mr. Angelo Lombardo, Transportation Traffic Engineer, highlighted proposed capital improvement projects in the area. He said ODOT, Norman, Moore, and Cleveland County are participating in an Interstate 35 and Indian Hills Road Interchange Study for a cost of \$75,000. He said Phase I of capital improvements include 36th Avenue N.W. to Franklin Road Intersection scheduled for FFY 21 for a total cost of \$7,311,100 (\$5,848,858 federal funds and \$1,462,215 City funds) and Phase 2 of capital improvements include s 36th Avenue N.W. scheduled for FFY 22 for a total cost of \$7,800,000 (\$6,240,000 federal funds and \$1,560,000 City funds). Improvements to Indian Hills Road is scheduled for FFY 28 for a total cost of \$7,256,000 (\$5,804,800 federal funds and \$1,451,200 City funds). He said Interstate 35 and Indian Hills Road Interchange has no scheduled date at this time, but total costs will be \$40 million (\$37 million federal funds and \$3 million City funds). He said approved development in the area includes 1,591 residential lots; 708 apartment units; 655,000 square feet of gross commercial floor area space; 123,500 square feet of office space; a 600 student elementary school; an 800 seat Church; and a 200 bed assisted living facility. He said traffic generated from these developments is in excess of 50,000 vehicles per day.

Item 3, continued:

Mr. Lombardo said he believes the development in this area will advance the entire I-35/Indian Hills Road Interchange Project. He said ODOT is currently planning the replacement of the bridge only, but Staff hopes the bridge and interchange will be done at the same time because a new interchange is desperately needed as development grows. He said development in this area has been anticipated for some time and the City is ready to move forward with the improvements and has the money.

Member Painter asked about the potential ad valorem tax that is expected and Mr. Anthony Francisco Director of Finance, said the City does not receive property tax so that was not researched. Ms. Walker said Staff can research that and forward the information to the Committee. Member Painter asked if any fiscal projections take into consideration shoppers that may be going to Costco versus Sam's and Ms. Kaplan said anytime a new retailer opens there will be an effect on similar businesses.

Member Painter said the estimated value is \$5.8 million and asked if that is value or cost and Ms. Kaplan said that is the market value of the property (15 acres).

Member Holmes said sales tax revenue comes to the City so that is how the City would measure performance correct and Ms. Kaplan said yes. Member Holmes said performance measurements need to have more dimensions other than sales tax. He asked about the threshold and Ms. Kaplan said the threshold would be the sum of the site improvements. Chairman Thompson verified costs sets the standard and anything outside of that is not reimbursable. He said typically an engineer would have a cost for infrastructure improvements that would become verified costs so that would not be an unknown, that would be an item amount established before an agreement is entered into. Ms. Walker said these are preliminary discussions and there is no performance agreement yet, so a lot of the details will need to be flushed out. She said Staff wanted input from EDAB before moving forward with a final agreement so that is why some details are not specific.

Ms. Walker said the Costco site in Tulsa is a little over 147,000 square feet and was assessed at \$16.4 million.

Member Holmes asked if other requirements, such as jobs, salaries, benefits, etc., will be explicitly written into the agreement or just assumed? Ms. Walker said that is something Staff will be looking for feedback from Costco, but it will be explicit.

Chairman Thompson said if the sales tax did or did not meet the target, that should be a risk to the property owner, not the City and that should be stated in the agreement. He said the question that need to be considered is whether or not this company is a benefit to the community, is the company a good corporate steward, etc.

Item 3, continued:

Mr. Darrel Pyle, City Manager, said that is a corporate neighbor issue that does not really come up in conversation because Costco does not publish or broadcast that. He does know that Costco, in California, was a good corporate neighbor who put together a list of needy families who had the need for appliances, furniture, etc., and would donate the returned merchandise rather than reselling the merchandise. He said Costco has some wonderful corporate programs they do not advertise widely.

Member Ringus asked the break even in new business to offset cannibalization because she does not want to short change the General and Capital Improvement Funds because sufficient new dollars are not coming in. Ms. Walker said the City does not have a software package to estimate net new so Staff has struggled with that. She said Oklahoma City based their Costco incentives on net new business, but she does not know how they came up with that figure.

Chairman Thompson said the State of Oklahoma limits its municipalities to sales tax only, which creates really tough competition between communities. He said if Costco located in Moore, Norman will lose some number of shoppers that will leave the City limits of Norman to go to the next town. There will be some cannibalization whether Costco locates in Norman, Moore, Midwest City, or Oklahoma City. He said a Costco would bring economic vitality to the community and more opportunities to the community.

Chairman Thompson said in summary, the idea is sharing some sales tax coming from the store, no money would go towards the purchase of land, the developer pays for the infrastructure development, the revenue that comes in off Costco sales tax goes to reimburse the infrastructure development, which would have to be defined. He said these things with a finite number signed off by an engineer with appropriate credentials then that would set a limit and if that limit was higher than Council expects then there would need to be a cap. He said based on other Costcos it will cost about \$4 million in benefit to have them look more favorably at Norman rather than another community. Ms. Walker said other sites that Costco is looking at are shovel ready so if Norman wants to compete for the business, the City has to do more to entice them to Norman.

Chairman Thompson said money has been allocated for roadway improvements in the area so Norman has that advantage. He said ODOT has been very open and helpful in talking about the redevelopment of Indian Hills Road Interchange.

Member Ringus asked when infrastructure improvements will be done and Mr. Pyle said the first thing that needs to happen is the determination from ODOT as to what that frontage road looks like on the west half of I-35. He said the City can widen Indian Hills Road with a signalized intersection at 36th Avenue fairly quickly, which would help with the initial development operations of Costco. He believes the store could be open by May of 2021 that gives the City plenty of time to install the signalized intersection with designated left turn lanes to keep the flow of traffic moving.

Item 3, continued:

Chairman Thompson said issues that need to be in the agreement include what kind of corporate partner Costco will be, verified costs that are engineer certified, what part of the penny is the non-dedicated sales tax, and evidence of land transaction.

Member Farzaneh said having Costco in Norman is a no brainer.

Member Painter moved that Staff inform Council that negotiations with Costco should move forward, which motion was duly seconded by Member Holmes; and the question being upon recommending to Council that negotiations with Costco move forward, a vote was taken with the following result:

YEAS:	Members Farzaneh, Holmes, Painter, Ringus, and Chairman Thompson
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NAYES:	None
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Chairman Thompson declared the motion carried and Staff will inform Council that negotiations with Costco should be forward.

Ms. Walker said Staff will be bringing the proposed agreement to EDAB when it is more defined.

Items submitted for the record

1. Resolution R-1213-127 with Exhibit A, Economic Development Incentives Policy for Norman, Oklahoma
2. PowerPoint presentation entitled, "City of Norman Economic Development Advisory Board," dated October 23, 2019

Item 4. Miscellaneous Discussion.

None

Item 5. Adjourn.

The meeting adjourned at 11:09 a.m.