



MEMORANDUM

Council Agenda
Item No. VIII.B.
5/5/2015

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: James D. Couch, City Manager

Concurrence with the Oklahoma City Economic Development Trust in adopting resolution authorizing negotiation of an Economic Development Agreement, for subsequent Trust and City Council consideration, with Paycom Software, Inc., to provide certain economic development incentives in exchange for expanding their local presence and the creation of quality jobs in Oklahoma City, 7501 West Memorial Road. Ward 8.

Location 7501 West Memorial Road

Background

In January of 2010, Paycom announced plans to add 492 new jobs in Oklahoma City as a result of the growth and expansion of the company's operations and services. In March of 2010, the Oklahoma City Economic Development Trust approved an economic development agreement with Paycom. This agreement included the provision of a portion of the SIP funds that the company qualified for on an "up-front" basis (provided to the OCWUT), as a mechanism to finance the extension of water infrastructure necessary to support the construction of the company's first building. Paycom opened their new headquarters building in August of 2011. To date, the company has created 100% of the 492 planned positions. As part of their original discussions with the Chamber and City staff, Paycom made it clear that with the possibility of subsequent incentive packages from Oklahoma City, the company would consider building two additional buildings on the property, as future growth dictated.

In December of 2012, Paycom informed the City that, as a result of continuing growth, the company anticipated their initial headquarters building would reach capacity by the end of 2014. After evaluating options for the location to house its additional business growth, both in Oklahoma City and outside of the state, Paycom noted their interest in moving forward with the construction of a second office building to house an anticipated 667 additional positions. At that time, the company anticipated that the average first year wage of these positions would be \$38,306. That project included approximately \$10.8 million in capital investment for the construction of the new building and \$1 million in new equipment expenditures. The company plans to add approximately 170 of the 667 planned positions during 2015.

In March 2015, Paycom again approached the City, noting that as a result of the company's growth exceeding its earlier expectations, and in order to keep pace within the human capital management (HCM) industry, it needs to make a decision on where to base and how to accommodate an additional 423 jobs. As in 2012, after evaluating options for the location of its additional business growth, both in Oklahoma City and outside of the state, Paycom expressed interest in moving forward with the construction of a third office building to house an anticipated 423 additional positions. The average first year wage of these positions is \$51,027. This project includes approximately \$14 million in capital investment for the construction of the new building and \$2 million in new equipment expenditures.

Company Background

Paycom Software, Inc. is a leading provider of a comprehensive, cloud-based solution for human capital management and is based in Oklahoma City. Paycom's corporate headquarters and primary processing center has been located in Oklahoma City for 16 years. This location includes the executive offices, software engineering and research and development, in addition to the main processing center.

Paycom is located at 7501 West Memorial Road. The company has sales offices in Atlanta, Austin, Baltimore, Brooklyn, Boston, Charlotte, Chicago, Cincinnati, Dallas, Denver, Detroit, Fort Worth, Houston, Indianapolis, Kansas City, Los Angeles, Miami, Minneapolis, Nashville, New York City, Oklahoma City, Orange County, Parsippany, Pittsburgh, Philadelphia, Phoenix, Portland, San Francisco, Seattle, Silicon Valley, St. Louis, Tampa, Tulsa and Washington, D.C. Additionally, Paycom has a secondary processing center in Dallas where additional operations employees are housed.

Paycom is a full-service Software as a Service (SaaS) provider with a complete suite of human capital management products including talent acquisition, time and labor management, payroll, talent management and human resource management. Paycom serves over 12,000 clients in all 50 states.

Project Background

The Greater Oklahoma City Chamber and the City have worked with Paycom since March of 2015. In evaluating its location options to accommodate their need to increase its processing capacity, company management has discussed the needs of their planned operation with City and Chamber staff. Based, in part, upon local incentives (city and state), this management team is preparing a recommendation for its board of directors in support of expanding capacity in Oklahoma City.

Economic Impact

The total estimated economic impact of this project is nearly \$91 million over the first three year period (based on total project impact, including

capital investment, wages, state and local taxes). The estimated local sales tax and property tax revenue is expected to be more than \$1.0 million over the first three years and more than \$250,000 annually from the fourth year forward.

Recommended SIP offer: \$1,200,000

The Greater Oklahoma City Chamber Economic Development Division recommends a local incentive package of \$1,200,000 based on the following information provided by the Company:

- Incentive based on the creation of 423 new jobs over two years.
- Estimated average annual wage of \$51,027 (first year wage).
- Estimated first year additional payroll of \$4,031,133 ramping up to \$21,681,288 by the end of the third full year of operation.
- Oklahoma City is the corporate headquarters of the company (executive offices, engineering, research and development and processing).
- The Company is a well-established firm with a 16-year history in Oklahoma City.
- The company plans to invest \$16 million in new building and equipment enhancing and upgrading their operations and capacity. The breakout of this investment is as follows:
 - Building - \$14M
 - Equipment - \$2M
- This is the latest expansion in an established pattern of continuous growth by the Company in Oklahoma City.
- There is the potential for additional future growth.
- The Company considered a number of alternative locations for these jobs. The state and local incentives were important in positioning Oklahoma City as a competitive location for this operation.

Adoption of the resolution authorizes the OCEDT General Manager or his designee to begin negotiations with Paycom Software, Inc. for the development of an Economic Development Agreement.

Review

City Manager's Office - Economic Development

Recommendation: Concur with the Oklahoma City Economic Development Trust in adopting the Resolution(s).