

City of Fayetteville Staff Review Form

2018-0089

Legistar File ID

2/20/2018

City Council Meeting Date - Agenda Item Only

N/A for Non-Agenda Item

Devin Howland

1/25/2018

ECONOMIC DEVELOPMENT (050)

Submitted By

Submitted Date

Division / Department

Action Recommendation:

OURPHARMA, LLC: A RESOLUTION TO APPROVE AND CERTIFY THE PARTICIPATION OF OURPHARMA, LLC IN THE ARKANSAS TAX BACK PROGRAM AND TO AGREE TO AUTHORIZE THE DEPARTMENT OF FINANCE AND ADMINISTRATION TO REFUND CITY SALES TAX BACK TO OURPHARMA, LLC FOR QUALIFIED PURCHASES

Budget Impact:

Account Number

Fund

Project Number

Project Title

Budgeted Item? No

Current Budget

\$ -

Funds Obligated

\$ -

Current Balance

\$ -

Does item have a cost? No

Item Cost

Budget Adjustment Attached? NA

Budget Adjustment

Remaining Budget

\$ -

V20140710

Previous Ordinance or Resolution #

Original Contract Number:

Approval Date:

Comments:



MEETING OF FEBRUARY 20, 2018

TO: Mayor and City Council
THRU: Don Marr, Chief of Staff
FROM: Devin Howland, Director of Economic Vitality
DATE: January 25, 2018
SUBJECT: OurPharma, LLC Tax Back Program

RECOMMENDATION:

The City Staff and Administration recommend on behalf of the Mayor's office that the City Council of the City of Fayetteville pass a resolution in support of OurPharma, LLC to participate in the State of Arkansas Tax Back Program. The Arkansas Economic Development Commission seeks local support for the Tax Back Program, and the City Council's action to support this application will result in their approval.

BACKGROUND:

The City of Fayetteville was contacted by Steve Clark, President and CEO and Chung Tan, Chief Economic Development Officer of the Fayetteville Chamber of Commerce, seeking endorsement of OurPharma, LLC to participate in the State of Arkansas Tax Back Program of the Consolidated Incentive Act of 2003.

OurPharma is a Fayetteville grown new business that will manufacture and compound pharmaceutical medications. Currently, they are building a new campus at 2512 S City Lake Road in the Fayetteville Commerce District. OurPharma, LLC is making an estimated \$31.2 million investment in the facility, which will consist of 55,720 SF across multiple buildings. Machinery and equipment cost are estimated to be over \$5 million. Initially, OurPharma will create 41 new jobs within the first 2 years, expanding to over 100 new jobs in the future. Average pay is more than \$30 an hour, over two times MIT's estimated living wage for the City of Fayetteville.

DISCUSSION:

OurPharma, LLC meets the Fayetteville First Plan's strategic focus of developing manufacturers and specialized technology companies.

BUDGET/STAFF IMPACT:

We believe the budget impact will be neutral. The job growth and quality wages will spur new sales tax growth from the new employees, but most importantly the development may lead to further expansion in the area supporting OurPharma's needs.

Attachments:

Exhibit A: Fayetteville Chamber of Commerce Support Letter

Exhibit B: Consolidated Incentive Act of 2003 Incentive Application



To: Mayor Lioneld Jordan
City of Fayetteville

CC: Don Marr, Chief of Staff
Devin Howland, Director of Economic Vitality

From: Steve Clark, President & CEO

Date: January 24, 2018

Subject: Recommendation to pass a City Resolution to support Tax Back
Sales/Use Tax Refund for OurPharma, LLC

OurPharma, LLC has made an application with the Arkansas Economic Development Commission (AEDC) to participate in the state's Tax Back (Sales and Use Tax Refund) program. This program allows Arkansas businesses (new or expanding) with a minimum of \$100,000 in new investments to receive a tax back from sales and use tax paid on qualified expenses related to the new development or expansion.

OurPharma, LLC is a home grown new business that will manufacture and/or compound pharmaceutical medications. OurPharma is now working on building a new campus at 2512 S City Lake Road in the Fayetteville Commerce District. This new development project will have:

- a) Two phases, Phase I and II. The investments are estimated at \$31.3M.
- b) New construction of a 22,460 SF compounding facility, a 22,460 SF manufacturing facility, and a 10,800 SF administration building on a green site.
- c) An initial creation of 41 new jobs within the first 2 years and eventually expanding to over a hundred jobs.
- d) Average rate of pay of more than \$30/hr.
- e) Machinery and equipment costs estimated to be over \$5 M



OurPharma meets the criteria for the type of businesses we want in Fayetteville and it is in our targeted sectors recommended in the Fayetteville First Economic Development Strategic Plan. As a locally owned business, OurPharma offers excellent paying jobs while striving to be an innovative manufacturer in the healthcare sector. We expect this company to make a difference in the pharmaceutical arena and to provide affordable solutions to diabetic patients nationally and globally.

We definitely would like to show support for companies such as OurPharma and to encourage future companies to set up their business in Fayetteville that I respectfully request that the City passes a Resolution to support the Tax Back Sales/Use Tax Refund for OurPharma.

Thank you for your kind consideration in this matter.

Yours truly,

A handwritten signature in blue ink, appearing to read "Steve Clark". The signature is fluid and cursive, with the first name "Steve" and last name "Clark" clearly distinguishable.

Steve Clark, IOM
President and CEO



Consolidated Incentive Act of 2003 Incentive Application

OFFICE USE ONLY

Project #

Project Manager

Date Received

**Incentive
Program**

Please select which of the following program(s) are applicable to this application:

Job Creation:

Advantage Arkansas (Income Tax Credit program)

Investment: (construction, expansion, modernization)

Applicants may only select one of the following programs:

Tax Back (Sales and Use Tax Refund program)
For new or expanding businesses with a \$100,000 minimum investment

OR

InvestArk (Sales and Use Tax Credit program)
For existing businesses only, with two (2) or more years of operating in Arkansas, investing a minimum of \$5,000,000 and obtaining a direct-pay sales/use tax permit.



Consolidated Incentive Act of 2003

Discretionary Incentive Application

The incentive programs included in this application are discretionary and may only be offered upon approval by the Director of the Arkansas Economic Development Commission. This application should not be completed unless the incentive has been offered by the director.

OFFICE USE ONLY

Project #

Project Manager

Date Received

Incentive Program

Please select which of the following program(s) are applicable to this application:

Job Creation:

- Create Rebate** (Payroll rebate program)
Requires \$2,000,000 minimum payroll for new full-time permanent employees

Investment: (construction, expansion, modernization)

- ArkPlus** (Income Tax Credit program)
Requires investment and job creation threshold according to the tier in which the project is located

Applicant

OurPharma, LLC			
Local Operating Name of Company			
3657 E Leawood Way	c/o Peter Kohler	Fayetteville, AR	72703
Mailing Address		City/State	Zip
2512 S City Lake Road		Fayetteville, AR	72701
Physical Location of Project		City/State/Zip	County
Peter O. Kohler		(479) 871-7341	(479) 347-2857
Name and Title of Local Company Contact		Phone	Fax
akohler@ourpharma.net		www.ourpharma.net	
Company Contact e-mail address		Company Website	
Complete Company Name, if company is filing for benefits under a different name			

Project

Cost Estimate

Land	\$ 223,500
Building (a) New construction	\$ 25,740,000
(b) Existing building	\$
Equipment.....	\$ 5,350,000
TOTAL.....	\$ 31,313,500

Employment

Present employment: 2

Number of new employees resulting from this project: 41

Average Hourly wage of new employees hired for this project: \$ 34.42

Total annual payroll of new employees hired for this project: \$ 2,920,781

NOTE: To qualify for the benefits of the ArkPlus or Create Rebate programs, the approved company must be an eligible business and meet the minimum payroll requirements for the Tier (county) in which the project is located. The Tier Map is available on line at www.ArkansasEDC.com.

NAICS Classification Code

325410

Pharmaceutical Preparation & Manufacturing
Description of principal business activity, products manufactured, etc.

What percentage of the applicant's gross sales are retail sales to the public? 0 %
(An eligible company must not derive more than 10% of its revenue from sales to the general public)

If the applicant is a computer-related company, a distribution center, office sector business, motion picture company or a scientific and technical services business, 75% of the applicant's sales revenue must be derived from out of state.

What percentage of the applicant's sales is derived from out of state? 0 %

NOTE: Information contained in this application is subject to audit by the Arkansas Department of Finance and Administration. If any of the above information is found to be inaccurate and does not qualify, the business will be decertified and shall not receive any benefits and may be required to repay any benefits received, plus penalty.

I.D. Numbers Employer's Federal I.D. Number 81-3883932
Arkansas Sales or Consumer Use Tax Number Will Apply For

Information for Income Tax Credit **Ownership of Company** (Please check the appropriate box.)

Individual Partnership LLC
 Taxable Corporation (C Corporation) Small Business Corporation (Sub S Corporation)

If ownership of company is Individual, Partnership, LLC or Small Business Corporation, please provide the following information (a separate attachment may be submitted if necessary):

Name(s) of Owner(s)	Percent Ownership	Social Security Number or Federal Tax I.D. Number
Peter O. Kohler	100.00	229-46-2660

When does your tax year end? 12 31
Month Date

Consultant Information (If Applicable)	Name of Consultant filing this application Phone Fax
	Consultant Firm Name
	Mailing Address City/State/ Zip
	Consultant E-mail address

Project Plan

Please indicate the activity planned by the company associated with this application.
(Check all that apply)

New Construction Expansion of existing business Modernization

Estimated Start Date of Project: 12/17 Estimated Completion Date of Project: 9/18

Project Description:

OurPharma, LLC intends to build a new facility in the Fayetteville Commerce Park located at 2512 S City Lake Road to provide space necessary to allow for the manufacturing and compounding of pharmaceutical medications. The initial capital cost of Phases I and II is expected to be 31.3M and will allow for the hiring of approximately 41 new employees within 2 years at an average rate of pay estimated to be \$34.42/hour.

Project Cost Estimates:

Land:	Description: 2512 S City Lake Road in the Fayetteville Commerce Park was recently purchased for the development of the project. It is approximately 14.9 acres, and will allow for the planned future expansion.	
	Land Total:	\$ 223,500
Building:	New construction:	
	Phase I - 22,460 sq ft building for compounding & a 1,243 sq ft waste building	7,500,000
	Phase II - 22,460 sq ft manufacturing building & a 10,800 sq ft administration building	18,240,000
	Expansion or Purchase of existing facility:	
	Building Total:	\$ 25,740,000
Machinery and Equipment:	Description:	
	Phase I - the project will require 8 clean rooms, sterile hoods for ventilation, monitoring equipment, extensive security system, and refrigerated and secure storage.	2,850,000
	Phase II - will require 5 lines for manufacturing. We will start with 3 and add 2 more in approximately 6 month.	2,500,000
	Machinery & Equipment Total:	\$ 5,350,000
Total Estimated Project Cost:		\$ 31,313,500

Certification

The undersigned authority, Peter, O. Kohler, M.D. acknowledges that he/she is
Company Official (Printed Name)
the owner or authorized official of the applicant company that has the authority to act on behalf of
the applicant.

This affidavit is made for the specific purpose of verifying that the information contained in this application is true and correct. The applicant acknowledges that only those eligible project costs incurred and/or employees hired after the date this application is received by the Commission will be considered for refund or credit. The ArkPlus and Create Rebate programs require a separate financial incentive agreement, signed by the applicant company and the Commission, before hiring any new, full-time, permanent employees. **The applicant company does hereby agree to report new job creation and investment figures annually to the Arkansas Department of Finance and Administration for the term of the incentive agreement and to the Arkansas Economic Development Commission upon request.**


Signature of Company Official

CEO
Title

11/21/17
Date

Contract Disclosure

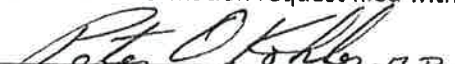
Any individual contracting with the State of Arkansas must make full disclosure if he or she is a current or former: member of the General Assembly, Constitutional Officer, Board or Commission member, State employee, or the spouse or immediate family member of any of the persons described herein; or if such persons having any position of control or any ownership interest of ten percent (10%) or greater in the entity currently applying to contract with the State. Please indicate if this disclosure is required for this application. Failure to disclose such information is a criminal offense and shall render any contract with the State of Arkansas null and void.

Disclosure Required?: Yes or No

Press Release Disclosure

I do do not authorize the Arkansas Economic Development Commission to release to the press the new job creation and investment figures.

(Signing this authorization to release job creation and investment numbers is not mandatory. However, information about benefits received is public information and may be obtained through a Freedom of Information request filed with the Arkansas Department of Finance and Administration.)


Signature of Company Official

CEO
Title

11/21/17
Date

If you have questions about the incentive programs included in this application, please call the Arkansas Economic Development Commission at 501-682-7675 or visit the Commission's website at www.ArkansasEDC.com.

Submit this application to:
Business Development Division
Arkansas Economic Development Commission
900 West Capitol, Suite 400
Little Rock, AR 72201

AEDC APPROVAL

The Commission's approval of this application is based upon its content. The eligibility provisions of the individual incentive programs will be administered by the Arkansas Department of Finance and Administration upon audit at a later date.

AEDC Executive Director