

## CITY COUNCIL STUDY SESSION MINUTES

May 22, 2018

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:00 p.m. in the Municipal Building Conference Room on the 22nd day of May, 2018, 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 Allison, Bierman, Castleberry, Hickman, Holman, Wilson, Karjala, Mayor Miller

ABSENT: Councilmember Clark

Item 1, being:

PRESENTATION REGARDING THE UNIVERSITY NORTH PARK PROJECT CONSISTING OF:

- a. UPDATES TO THE CALLISON/RTKL MASTER PLAN,
- b. UPDATES TO CS&L ENTERTAINMENT DISTRICT FEASIBILITY STUDY,
- c. UPDATES TO DR. DAUFFENBACH'S ECONOMIC IMPACT ANALYSIS,
- d. AN ECONOMIC IMPACT ANALYSIS FROM THE OKLAHOMA DEPARTMENT OF COMMERCE,
- e. POSSIBLE AMENDMENTS TO THE NORMAN UNIVERSITY NORTH PARK PROJECT PLAN TO BE CONSIDERED PURSUANT TO THE PROVISION OF THE OKLAHOMA LOCAL DEVELOPMENT ACT.

Mr. Guy Patton, University of Oklahoma (OU) Foundation, said University North Park (UNP) property development began with the sale of the land in 2003, from the University of Oklahoma to the OU Foundation and that sale helped OU complete the construction of the National Weather Center and South Research Campus. He said subsequent to that, OU sold the land south of Rock Creek Road to a private developer and tremendous development has taken place since 2006 that began with the creation of University North Park Tax Increment Finance District (UNPTIF). He said that increased development instigated the OU Foundation to seek discussions with the City regarding the creation of a Master Plan and trying to envision what the land north of Rock Creek Road could become. He said the OU Foundation began receiving increased inquiry and interest from private developers on developing the land, but the OU Foundation has always been committed in developing the land as mixed use with thoughtful consideration of the best utilization of the land. He said discussion with the City led to a contract with Callison/RTKL (RTKL) to prepare a University North Park Master Development Plan (UNPMDP) that concluded with a presentation to Council on September 19, 2017. Since that time, the OU Foundation has received a lot of feedback on that plan and adjustments have been made, which will be presented tonight. He said the OU Foundation is excited about this project and what it can represent not only in regard to the value of the land, value of the development, and quality of the development, but the positive impact the development could have on the City as well.

Mr. Patton said Ms. Emily Pomeroy with Center for Economic Development Law (CEDL), Mr. Jeff Gunning with RTKL, Mr. Jay Lenhardt with Convention Sports and Leisure (CSL), Dr. Robert C. Dauffenbach, Director of Center for Economic and Management Research at OU, and Mr. Todd Chaippe, Director of Oklahoma Department of Commerce (ODOC), will be presenting information to Council tonight.

### **Amendments to the UNP Project Plan**

Ms. Pomeroy said CEDL was asked to review information on the impact of a mixed use district in the UNP area and she believes this is a project the City should strongly consider. She said the RTKL Master Plan contemplates a mixed use district that includes an arena and parking garage for the use of the entertainment district as well as offices and large scale residential components recommended for build-out of the north portion of the UNP. She said this would be a \$550 million plus investment creating a new neighborhood and market that does not currently exist in Norman and is worth consideration. She said some of the strong components this project brings to Norman go beyond the tangible improvements that might be built. The creation of a new residential development really provides the impetus to retain young professionals that are leaving Norman, which is something the City has been concerned about.

Ms. Pomeroy highlighted the restructured project goals that include reducing overall project costs as much as possible; completing original project goals; maximizing returns to the City and affected taxing jurisdictions; continuing to provide Norman Public Schools (NPS) with the benefit of direct incremental revenues; and providing a structure that allows the entertainment district, anchored by an arena and parking facility, to move forward. She said the UNPTIF has played a large role in funds available to NPS and the impact to all of the taxing jurisdictions needs to be considered as well as the impact to the community. She said if Council decides to move forward with an arena and parking facility they need to review how that will be financed.

Ms. Pomeroy said in order to provide immediate relief to the City's General Fund (GF), CEDL is proposing that in FYE 2019 thru FYE 2023, the increment allocation be changed to 80% to the City and 20% to the project. She said this will address budget issues that have been discussed for many years by the City and CEDL believes the project can occur with a front-end infusion to the City's GF. She said the overall project continues to add significant benefit to the City's GF and in FYE 2031 when the UNPTIF No. 2 ends there will be an influx of \$12.65 million to the City and the \$12.65 million will continue to grow as sales continue throughout UNPTIF No. 2. She said figures being presented are based on incremental revenues only and do not include NORMAN FORWARD sales tax (projected to generate \$22.4 between 2019 and 2031 when it expires), Norman Public Safety Sales Tax (PSST) (projected to generate \$49.6 million between 2019 and 2043), or any other sales tax generated outside of the UNPTIF. She said the impact on NPS is enormous and undeniable because funds provided from TIF allocations do not go through the state sales tax formula so the revenues are not reduced. She said impact to Cleveland County would be \$9.5 million.

Ms. Pomeroy highlighted project costs and said an entertainment district with parking garage would cost an estimated \$90 million, road improvements necessary to the project would cost an estimated \$8,750,000, and contingency, administrative costs, and implementations costs would be an estimated \$4 million for total projects costs of \$102,750,000 million. Remaining original project costs include public art, trails, Business Improvement District (BID) funding in the amount of \$3 million; traffic and road improvements in the amount of \$850,000; Lifestyle Center in the amount of \$8,250,000; and economic development in the amount of \$4,250,000 for total remaining original project costs of \$16,450,000.

**Amendments to the UNP Project Plan, continued:**

Ms. Pomeroy said the Cultural Center is not included in the original project costs; however, it is incorporated in the proposed amended plan to be part of the arena. She said incorporation of a Cultural Facility would meet the objectives of the original plan component and allow the arena to be utilized even when events are not scheduled.

Ms. Pomeroy said structure of the sources of the incremental revenues include the creation of two new increment districts. She said UNPTIF No. 2 would run its course of 25 years through 2031 to continue development of the property south of Rock Creek Road. CEDL is proposing the establishment of UNPTIF No. 4 to include property north of Rock Creek Road as well as undeveloped property south of Rock Creek Road to allow the capture of incremental revenues through 2032 (or when projects costs are paid) to generate the increment necessary to pay the authorized project costs. She said CEDL is also proposing UNPTIF No. 5 be authorized in the amended project plan, but establishment be delayed until construction is ready to begin on the arena and parking garage.

Ms. Pomeroy said in order to provide immediate relief to the GF, CEDL is proposing that in 2019-2021, 70% of increment generated be placed into the GF, 10% be placed into the GF to account for the historic trends of the transfer adjustment, and 20% be put toward paying project costs. On the Ad Valorem side, CEDL is recommending a 50-50 split through 2021 to provide taxing jurisdictions the full benefit of the 2006 Project Plan. In 2022-2023, the Ad Valorem side is proposed to change to 40% to the taxing jurisdictions and 60% to the project in an effort to increase revenues to generate enough increment to finance the new project. In 2024-2031, 50% of increment generated is proposed to be placed in the GF, 10% be placed in the GF for the transfer adjustment, and the Ad Valorem will remain at 40% to the taxing jurisdictions and 60% to the project. In 2031 to the expiration of the UNPTIF, CEDL is recommending 50% to the GF and 50% to the project with Ad Valorem remaining at 40% to the taxing jurisdictions and 60% to the project. She said by the end of the project 51% of the project will be paid by the City and 49% will be paid by Ad Valorem.

Ms. Pomeroy said the proposed UNP Project Plan amendment structure allows the entertainment district and parking garage to move forward; completes the original project goals including a Cultural Facility within the arena; maximizes returns to the City and affected taxing jurisdiction with immediate relief to the City's GF; and continues to provide NPS with the benefit of direct incremental revenue allocation. She said implementing RTKL's Master Plan enhances finalizing the north base lease for potential three NORMAN FORWARD projects including the Senior Center and a financing commitment could provide immediate financing of the Senior Center should the lease be approved.

If Council approves, the next steps include requesting the UNPTIF Review Committee to review the amended Master Plan for financial eligibility, financial impacts on taxing jurisdictions and businesses, then making their recommendations. Ms. Pomeroy said after the Review Committee has made their recommendations the Planning Commission would consider the Planned Unit Development (PUD) amendment and conformance with the amended project plan, which would then move forward to Council consideration that includes two public hearings and adoption of the amended project plan.

### **RTKL Master Plan Update**

Mr. Gunning said the proposed amended Master Plan will bring a very unique mixed use approach that will result in a dynamic regional destination in Norman and is all about blending uses to create a live-work-play environment with walkable streets, public space, greenspace, and plazas. He said too many young people are leaving Norman to live in Dallas, Texas, Oklahoma City, or other places so this plan should attract businesses and ambitious young talented people who will want to stay in Norman and live in this mixed use community. The plan is characterized by walkability, social interaction, and a sense of community, which are central to the success formula that makes these types of projects work. He said the plan is a living document that is a conceptual framework forming the basis for future development that will optimize the chance for commercial success to become a community.

Mr. Gunning highlighted master plan design goals that include creating a development strategy that utilizes the remaining southern parcels and creates a long-term strategy for northern parcels; improving connectivity within the district as well as regionally; using undeveloped land in the southern parcel to enhance adjacency and connectivity to Legacy Park; creating a mixed-use entertainment destination on the northern parcel that creates a “heart” of the district; providing opportunities to increase residents within the district by providing a range of housing options; and increasing the employment base within the district by creating a variety of office locations and typologies. He said the UNP is located just six miles northwest of OU and 17 miles south of Oklahoma City with Interstate 35 and Westheimer Airport as neighbors making an entertainment district easily accessible to everyone. The UNP will be connected to other major destinations through walkable trails, sidewalk connectivity, bicycle lanes, public transit, etc.

Mr. Gunning said the vision for the north half will compliment development to the south and provide a combination of unique local restaurants and national dining and entertainment options. It will provide space for game day events (high school to tournament events) as well as state-of-the-art venues for international concerts and events. It is planned to serve a walkable and comfortable neighborhood amenity for everyday use as well as a flexible celebratory venue for pre and post events. Development will consist of a multi-purpose arena, parking structure, hotels, tech/office space, events plaza, parks, open space, and residential units.

Estimated benefits to the City include 4,000 new residents; a regional draw entertainment destination; a new 250 room hotel; 15 acres of new parks and open space; new employment opportunities; bike and pedestrian trails connected to the City; walkable streetscape environment; flexible Expo Center; interchange enhancements to improve traffic; and abundance of new dining options.

### **Entertainment District Feasibility Study**

Mr. Lenhardt said CS&L was hired by the OU Foundation to conduct a feasibility study on the arena portion of the Master Plan. He said CS&L was founded in 1988 and conducts market and feasibility studies for stadiums, arenas, ballparks, convention centers, and tourist attractions. CS&L has conducted over 2,000 studies and he highlighted their experience in Oklahoma that includes the Bank of Oklahoma (BOK) Center; Chickasaw Bricktown Ballpark; Chesapeake Energy Arena; Cox Convention Center; Gaylord Family Memorial Stadium; Lloyd Noble Center; Norman Expo Center; Oklahoma City Maps 3; Tulsa Convention Center; Yukon Sports Complex and more. In 2015, CS&L conducted a study for Cleveland County for a proposed 10,000 seat arena, but that arena location did not have the great features available in the UNP.

**Entertainment District Feasibility Study, continued:**

Mr. Lenhardt said national trends related to the development of sports facilities are moving towards being anchored by entertainment districts to create a destination. He said other case studies include the Pinnacle Bank Arena in Lincoln, Nebraska, which is a partnership between the City and the University of Nebraska. The building is owned by a joint venture entity, Cave Market Public Agency that has representation from the University and City. Unlike the plan for Norman, the Pinnacle Bank Arena was 100% publicly financed through tax rate increases for hotels, rental cars, and restaurants as well as a development of an adjacent market district. Another example is the CFE Arena in Orlando, Florida that is a ten minute walk from the Central Florida University. Orlando developed four dorm towers that host 4,000 students and 100,000 square feet of retail. After the dorm debt and operating costs are paid there is expected to be \$4.5 million per year to be used to service the arena bonds and retail leases are expected to bring in another half million dollars so approximately \$5 million per year is being provided from the economics of the housing and retail with the remaining economics being self-generated through the arena. Another example is The Star in Texas that is a joint public/private venture where the school district, City, and a professional team came together to develop a 12,000 seat indoor stadium on a 90 acre campus that also includes office space, a 300 room hotel, and about 25 restaurants with plaza space. He said the plaza space is active almost every day of year with a variety of events.

Mr. Lenhardt said, for Norman, CS&L focused on determining market demand for an arena and based on that demand finding the appropriate plan for the size of the arena, its amenities, and construction cost. CS&L reviewed the appropriate ownership and operating structure, financial projections to determine if an arena could be self-sustainable over a period of time, and economic impacts. He said CS&L prepared a conceptual funding plan that is basically the first step by bringing affected parties together. CS&L compared Norman to markets in Austin, Texas; Allentown, Pennsylvania; Cincinnati, Ohio; Norfolk, Virginia; Orlando, Florida; and St. Louis, Missouri that all have secondary buildings aligned with a major building. CS&L has projected event levels of approximately 160 events for an arena with 100,000 attendees, which is slightly above most of the aforementioned peers based on the strength of demand for OU basketball relative to other arenas/stadiums. CS&L also looked at other mixes of events that could be programmed in the facility that include trade shows, concerts, motor sports, private events/meetings, family shows, graduations, etc. He said men's and women's basketball would be the primary tenant with 44% of overall attendance, but a majority of attendees come from the variety of events. CS&L also looked at the split between resident (20%) versus non-resident (80%) based on zip codes reports of actual attendees of men's and women's basketball games for OU as well as concerts held in the metro area.

Mr. Lenhardt said the proposed arena building program would consist of 10,000 seats for basketball, but that capacity morphs based on the type of event so an end stage configuration would seat 8,000 and a center stage configuration would seat 12,000. He said a premium seating program closely matches what was in the original master plan building program and total building size would be 300,000 square feet with an arena footprint of five acres that includes 2,600 parking spaces. He said the comparable historical as-built costs for the arena and parking structure (for a mixed use development) would be an estimated \$195 million. He said debt secured by increment revenues would be \$80 million; land contribution would be \$4 million; capital seat gifts would be \$12 million; developer contributions would be \$52 million; and debt secured by arena revenues would be \$47 million (assuming a 30 year bond at 4.5% interest). He said compared to 35 arenas in other communities, this funding plan requires less public funding and that is due to the mixed use development and the synergies created with that. He said when projects rely on revenues generated through venues, bankers will look at revenue sources up to twenty years out especially when discussing naming rights or tenant lease agreements. He said annual debt service over the next five years is expected to be \$2.9 million and revenues after debt service is met are expected to be \$2,340,000

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the first year; \$2,560,000 the second year; \$3,050,000 the third year; \$3,560,000 the fourth year; and

**Entertainment District Feasibility Study, continued:**

\$3,850,000 the fifth year. He said an arena pro forma was created that depicts generation of an operating income of roughly \$140,000 after paying property taxes and capital reserve for reinvestment, which grows to \$1.3 million in a stabilized fifth year of operation once the full entertainment district is developed. He said developing an arena on a stand-alone basis would be a difficult project to make work, but the ability to capture additional revenue streams through an entertainment district makes this project much more feasible.

Mr. Lenhardt said, in terms of the arena serving as a catalyst, it is estimated there will be 480,000 annual attendees with the opportunity to draw an additional 2.5 million annual visits to the site when adding the element of hotels, housing, various sporting events, restaurants, etc. He said overall ancillary economic development impacts are expected to be \$1.2 billion in total spending, 700 full time jobs, and \$185 million in tax revenues.

Mr. Lenhardt highlighted key study conclusions as follows:

- Arena can serve as catalyst for \$500 million mixed-use development
- Attracts visitors and residents of Norman
- Arena funding plan requires less public investment than most other community areas
- Arena funding plan would require no tax increase
- Positive public sector benefits, in terms of spending, jobs and taxes
- Public sector projected to receive \$3.50 in tax revenue for every \$1.00 invested
- Arena can be financially sustainable with appropriate private-public partnership
- No ownership or operating risks to public sector
- Enhances quality of life of Norman and Oklahoma residents

**Economic Impact Analysis – Dr. Dauffenbach**

Dr. Dauffenbach said his analysis is focused on tax revenues and follows the framework of a previous study by OU Economics Professor Lex Holmes. He concentrated on property values and how those would be increased over time as a consequence of this ten year development and adding an inflation factor of 2%. He said the property values and retail sales projections include hotels, Expo Center, arena, entertainment/dining district, and residential construction. He implemented the figures on a spreadsheet model and was able to ground the parameters of the study by using existing UNP data. He said at the end of the ten year development, including inflation, total revenue is estimated to be \$21.1 million that consists of new entertainment/dining annual sales tax - \$3.6 million; arena, Expo Center, and hotels - \$1.9 million; property tax from new construction - \$10.2 million; new resident annual shopping - \$3 million; and non-retail development of remaining UNP - \$2.4 million.

Dr. Dauffenbach highlighted comparative statistics between Moore, Oklahoma City, and Norman that include residential population and population growth rates. He said Moore has had considerable growth over the last decade, but they are only half the size of Norman in terms of population whereas Norman and Oklahoma City's growth rates have been similar and are considerably higher than growth rates within the State as a whole. He said in his inflation adjusted retail sales per person comparisons, Norman is at \$13,000 per person compared to a \$9,500 State average, \$11,431 average for Oklahoma City, and \$10,952 average for Moore. He said Moore's average has risen rapidly due to their attention to retail development. He said Norman did not see sizable growth until development in the UNP began and

**Economic Impact Analysis – Dr. Dauffenbach, continued:**

Norman is primed to continue its momentum as a retail center. He said there have been some tapering off compared to national retail trade trends due to the “Amazon Effect.” He said many cities within Oklahoma have not experienced retail sales growth and Norman is very fortunate and he hopes to see continuing progress in the future.

**Department of Commerce Economic Impact Analysis**

Mr. Chaippe said he is here tonight to supplement Dr. Dauffenbach’s report and provide an economic impact to the 700 projected jobs created in retail establishments as well as the 1,100 jobs projected for high tech/office and manufacturing. He said he used an implant model to simulate economic impact of those jobs by identifying industries that would be a part of the UNP. He said jobs created in retail establishments and hotels are projected to generate a total of \$404,000. He said retail sales and hospitality have lower impacts than other industries; however, for a live-work-play development they are vital to the overall success of the project. He said the high tech/office and manufacturing are projected to generate approximately \$1 million in sales tax and \$1.1 million in property tax for a total impact of \$2.1 million. This type of project is not something the DOC has seen in Oklahoma, but he understands this type of development is something site location consultants are looking for. He said these projections do not include arena impacts previously presented.

**Questions/Comments**

Councilmember Castleberry asked how CS&L came up with the figure of 80% non-residents that would utilize the UNP and Mr. Lenhardt said CS&L used a combination of factors, mainly informed by the historical zip code reports from OU’s basketball ticket sales as well as information from concert promoters that track ticket sales by zip code for concerts hosted in the metro area. He said 50% to 60% of the event attendants typically come from within a metro area that has a 20 to 30 minute drive and the remainder comes from a two hour drive time depending on the demand for the event and whether it is a high profile concert versus a more localized family show. He said looking at the primary market and secondary market, historical zip codes helped inform those numbers, which usually vary by event, i.e., concert versus basketball game versus high school graduation.

Councilmember Castleberry asked if CS&L has recent analysis of how accurate their projections have been on prior projects and Mr. Lenhardt said yes, CS&L performed a feasibility study for Colorado State University to bring football back to campus. Colorado State University spent a little over \$200 million on a new 35,000 seat stadium that opened a year ago so there are side by side comparisons of CS&L projections to actual projections, which exceeded CS&L’s projections, and that information is available online.

Councilmember Castleberry asked if CS&L has ever done studies where the conclusion has been not to move forward with a project and Mr. Lenhardt said absolutely, he said 30% to 40% of the projects actually happen and 60% to 70% do not happen. He said the reality is that one community or one stakeholder’s definition of feasibility is different from another so Norman City Council’s definition may be property tax and incremental sales tax and what needs to be invested to realize that project. He said private developers or professional team owner’s definition of feasibility may be whether or not they make enough revenue to pay for project costs and operations, but still have a return for the risk taken. He said



**Questions/Comments, continued:**

oftentimes when communities build a convention center it is not about the facility itself making money, it is about heads and beds and economic impact.

Mayor Miller asked if she called the Mayor of any of the 35 communities listed by CS&L, what percentage of those Mayor's would say, "this has been a really successful project for my City" and Mr. Lenhardt said that is a good question. He said the arenas CS&L listed were not on college campuses nor were they professional sports arenas so it would be speculation on his part. He would encourage Council to look at similar communities that have proceeded with these types of projects and ask those questions.

Councilmember Hickman said her requested the City conduct an independent economic analysis multiple times in meetings and via e-mail and none of those requests have been responded to and he does not know if the City will have an independent economic analysis done. He is asking due to concerns from Campus Corner merchants as well as Downtown Norman merchants about cannibalization. Is the City going to do an independent report and can the City have discussion regarding effects of an arena on other parts of the community? Mr. Steve Lewis said Staff believes an independent third party analysis should take place if this project advances forward. He said this discussion is in its infancy in terms of a major public discussion, but if Council wants to advance this project a qualified firm should definitely be engaged to perform an independent economic analysis.

Councilmember Hickman wanted to make sure that RTKL has been cognizant that Bishop and Merkle Creek watersheds are in the area where the proposed arena would be built and asked if that is being taken into consideration. Has RTKL thought about low impact development initiatives so the project will ensure clean stormwater goes into the creeks as well as reduce the flow of stormwater into creeks. Mr. Gunning said that is definitely something RTKL can incorporate into the Master Plan.

Councilmember Hickman said he does not see many changes between this Master Plan and the Master Plan presented in September 2017, where Council and members of the public had requested a higher percentage of green space. He encouraged RTKL to add more green space because the current percentage of green space may not be adequate for the type of live-work-play environment the City is trying to achieve. Mr. Gunning said greenspace is part of what brings value to the entire development so it is very important to get that percentage right and a master developer may have thoughts about the right formula based on their past experience. He said new urbanist communities are successful because they get the right formula of greenspace, sidewalks, connectivity, uses, etc.

Councilmember Allison asked Ms. Pomeroy to expand on the portion of her presentation that states, "Financing commitment to provide immediate financing of Senior Center project, should lease be approved." Ms. Pomeroy said CEDL has been working with the City's financial advisors to examine whether NORMAN FORWARD revenues are sufficient to immediately finance the Senior Center and the OU Foundation has agreed to provide a funding bridge for immediate financing of the Senior Center should NORMAN FORWARD revenues not be enough to make that happen immediately. She believes there will be sufficient NORMAN FORWARD revenue to fully fund the Senior Center; however, this development is also dependent upon approval of the lease of OU property.

Items submitted for the record

1. Memorandum dated May 22, 2018, from Brenda Hall, City Clerk, to Mayor and City Councilmembers
2. PowerPoint presentation entitled, "Proposed UNP Project," dated May 18, 2018, and May 22, 2018
3. PowerPoint presentation entitled, "University North Park Master Plan Update," dated May 22, 2018
4. PowerPoint presentation entitled, "Feasibility Study Findings: UNP Arena," dated May 22, 2018
5. The Impact of Proposed New University North Park Development on Property and Sales Tax Revenues for the City of Norman and Cleveland County prepared by Robert C. Dauffenbach, Director, Center for Economic and Management Research, Price College of Business, University of Oklahoma
6. UNPTIF Allocation Structure
7. Location maps

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The meeting adjourned at 6:28 p.m.

ATTEST:

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City Clerk

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Mayor