

CITY COUNCIL STUDY SESSION MINUTES

March 17, 2015

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a Study Session at 5:30 p.m. in the Municipal Building Conference Room on the 17th day of March, 2015, 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 24 hours prior to the beginning of the meeting.

PRESENT:

Councilmembers Allison, Castleberry, Holman, Lang, Miller, Williams, Mayor Rosenthal

ABSENT:

Councilmembers Heiple and Jungman

Item 1, being:

UPDATE ON THE UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT.

Mr. Jeff Bryant, City Attorney, said sales tax generated from October 2006 through December 2014, in the University North Park Tax Increment Finance District (UNPTIF) totaled \$44,605,027 with a transfer adjustment to the General Fund of \$8,843,961 for an apportionment net sales tax of \$35,761,066. He said the apportionment is 60% for project plan components (\$21,004,909) and 40% (\$14,736,157) to the General Fund. He said the ad valorem revenues totaled \$12.7 million with the UNPTIF apportionment being \$6.1 million.

Mr. Bryant said the UNPTIF Oversight Committee has requested comparison information on project plan projections from the time the UNPTIF was originally adopted. He said Dr. Lex Holmes from the University of Oklahoma (OU) projected sales tax figures in 2006, which are \$3 million higher than actual sales tax revenues; however, ad valorem revenues are approximately \$1.6 million more than projected. He said these projections did not anticipate the dip that occurred in the 2008 market.

Mr. Bryant summarized the project plan progress and said \$54.725 million was originally allocated, \$24.6 million has been spent and \$30.125 million is remaining. He said projects included the following:

- Hotel/Conference Center – opened in October 2008
- Rock Creek Overpass – opened in September 2011
- Economic Development (Quality Jobs) – 60 acres offered at a reduced cost to Norman Economic Development Coalition (NEDC) – first 30 acres was purchased in October 2010; second 30 acres purchased in December 2013; UNP Business Park platted and designed; infrastructure completed in December 2014; and Industrial Park platted and first lot sale closed on June 25, 2014, with construction beginning in Spring 2015.
- Legacy Park – completion anticipated in Spring 2015
- Traffic and Roadway Improvements – improved intersection, frontage road completed in December 2014, remaining projects are Robinson Street west of I-35, and one intersection need to be constructed on Tecumseh Road.
- Cultural Facilities – two acre land donation and option to obtain more at \$5 per square foot (\$8.75 million authorized)
- Lifestyle Center – stores and concept that will draw shoppers from the region that will complement existing retail (\$8.25 million authorized for incentives).

Economic Development

Mr. Bryant said the only portion of UNPTIF funds expended for economic development is \$1.4 million, which was money deposited to be used as a credit enhancement allowing Norman Economic Development Coalition (NEDC) to finance the acquisition of the property. He said ten local banks are carrying the financing with Republic Bank shouldering lead bank responsibility. He said Mr. Don Wood, Executive Director of NEDC, is retiring and NEDC is conducting a nation search for a replacement.

Legacy Park

Mr. Bryant said Council adopted a Business Improvement District (BID) on July 8, 2014, to provide for the maintenance of Legacy Park. The BID was structured by taking \$900,000 of UNPTIF dollars included in the Project Plan and leveraged that with \$1.1 million included in the BID for a total of \$2 million over a ten year period, broken down to \$200,000 per year. In FYE 2016, \$175,000 will be allocated from UNPTIF funds and \$25,000 from BID collections; in FYE 2017 \$150,000 will be allocated from UNPTIF funds and \$50,000 from BID collections, and the UNPTIF allocation will continue to decrease each year until the end of the tenth year.

Mr. Bryant said adoption of the BID included a BID Advisory Board to assist in administering all aspects of the BID. He said the Board will be comprised of two representatives from the hospitality industry appointed by Embassy Suites, two representatives from the retail industry, one representative appointed UNP, L.L.C., and four representatives to be nominated by the Mayor and confirmed by Council. Staff recommends Council move forward with their appointments.

Mr. Bryant said Staff met with the developers to talk about the appointments and they indicated they were ready to continue the discussion regarding the entrances on Robinson Street and into the Lifestyle Center. Mayor Rosenthal said her recollection of prior discussion with Council was that there was nothing left to talk about, they just needed to get them done.

Traffic and Roadway Improvements

Mr. Bryant said the UNPTIF allocation for traffic improvements is \$11.55 million and \$7.8 million has been spent to date. Remaining traffic and roadway improvements include the Tecumseh Road/Flood Avenue and Tecumseh Road/24th intersections; Tecumseh Road/East I-35; Tecumseh Road/West I-35; and Robinson Street/West Interstate Drive and Crossroads Boulevard for a total of \$3,554,018. He said the main project being the Robinson Street West Project estimated in 2009 at \$1.1 million. As Council may recall, the City learned those estimates were a little light and Council contracted with Garver to design the traffic improvements and provide options for the Robinson west solution. Options were provided to the Council Planning and Transportation Committee ranging from \$5 million to \$10 million. At that time, Council chose to wait on moving forward with that project. Based on 2009 estimates, there have been significant events impacting the decision such as the scope of the Oklahoma Department of Transportation's (ODOT) I-35 Corridor Study that has been expanded from north of Indian Hills Road south to Robinson Street; a potential regional draw retailer considering UNP; and an Association of Central Oklahoma Government (ACOG) funding award of \$3,350,256. He said with the \$1.5 million included in the UNPTIF and the \$3.5 million from ACOG, we are getting closer to the \$5 million solution.

Mr. Bryant said last year, Council authorized Garver Engineers to expand its scope of study to include an updated Traffic Impact Analysis for the remainder of the UNP Development, Phase A. The amendment to the original contact includes Rock Creek Road, 24th Avenue N.W., and Tecumseh Road and also assumes full build out in the year 2035. The amendment was divided into two phases with Phase A consisting of an analysis of existing conditions and committed network in 2035 and updated traffic counts from the 2009 Development Plan. He said there is significantly more traffic than originally predicted and service levels would be inadequate by 2025. Phase B will consist of potential improvements to include new interchange at Rock Creek Road; extension of Interstate Drive to Tecumseh Road; major interchange upgrades at Robinson Street and Tecumseh Road; additional improvements along Robinson Street per original study; additional improvements along Tecumseh Road per 2006 Traffic Engineering Company (TEC) study; and improvements within UNP development to maximize turn lanes throughout.

Traffic and Roadway Improvements, continued

Mr. Bryant said Garver completed Phase A in January 2015, and the Public Works Department has negotiated with Garver on Phase B. He said Phase B's negotiated cost for further expansion of the scope is \$59,800 and once approved by Council, the study is expected to be completed in four months. He said Garver will then update Council on Phase A and Phase B. He said if Council wishes, Garver can update them on Phase A in a Study Session before they decide to move forward with Phase B; however, one reason Staff is suggesting moving forward with Phase B is due to coordination with the ODOT I-35 Corridor Study.

Mayor Rosenthal said she did not want to lose sight of the original plan for traffic improvements on the west side of Robinson Street and asked how that project would be impacted by Phases A and B. Mr. Bryant felt the City could accomplish the \$5 million solution using the money from ACOG and that would work fine if there were other funds for the Rock Creek interchange. He said it is really geared towards the Rock Creek interchange and whether Council wants to go with a more expensive solution than the \$5 million solution. Mayor Rosenthal asked if the \$5 million solution was the cul-de-sac on the frontage road and Mr. Bryant said yes. Mr. Angelo Lombardo, Transportation Traffic Engineer, said that alternative was presented as a short-term solution, but could be made a long-term solution with the Rock Creek Road Interchange because that would take traffic off of Robinson. He said the traffic conditions the City is experiencing today with the current configuration would be the same traffic conditions the City would experience twenty years from now unless the City finds another access for traffic.

Mayor Rosenthal asked if there was a reason to think ODOT and the Federal Highway Administration's (FHA) attitude has changed so much that the City wants to spend an additional \$60,000 on an access project and Mr. Lombardo said the analysis shows that at full development of the UNPTIF, traffic will be backing up on I-35 at Robinson Street and Tecumseh Road. He said this will catch ODOT's attention because they cannot afford to have traffic backing up on I-35. Councilmember Allison feared if the City does not go forward with the project we will be looking at 19th Street in Moore and the City does not want that.

Mr. Bryant said Staff's concern is that scheduling a Study Session to discuss Phase A would delay Phase B by a significant number of months which is fine if that is Council's desire, or the City can move forward with Phase B and present Council with an update on Phase A and B at the same time. He said the Phase B study will be helpful in coordinating with ODOT for a Rock Creek Road access. Councilmember Castleberry asked if Council could have a copy of Phase A to read while Phase B is being conducted and Mr. Bryant said absolutely. Mayor Rosenthal said the general idea of not considering Phase A before moving forward with Phase B bothers her and although she fully expects Council to agree to move forward with Phase B, she would like a presentation on Phase A first.

Mayor Rosenthal asked if a presentation on Phase A could be done in a Study Session on March 31, 2015, and Mr. Bryant felt that Garver would be able to make a presentation at that time. Councilmember Lang said Phase A indicated there is a problem so is Phase B primarily a \$60,000 study to convince ODOT the City needs Rock Creek Road access? Mr. Lombardo said Phase B is more about improvements that are needed above and beyond what was recommended when the original UNPTIF was adopted. He said Phase A has developed new traffic projections based on current traffic plus expected traffic when the UNPTIF is at full build out. He said the network of what the City maintains and what ODOT maintains is not capable of absorbing all the traffic so Phase B will look at how to solve that problem.

Cultural Facility/Expo Center

Mr. Bryant said Development Agreement No. Four and project plan amendment recognized remaining funding for Cultural Facilities setting aside \$7.25 million for a facility with \$1.5 million in contingencies. Development Agreement No. Five consisted of two donated acres south and east of Embassy Suites. The land donation at \$5 per square foot was credited against a Lifestyle Center completion date penalty. If additional land or a different location is identified within the southern half of the UNPTIF, the developer agreed to sell more land at a reduced price of \$5 per square foot and move the donated land to the identified location. This offer expires June 30, 2015; however, the developer will agree to extend the deadline pending the outcome of the feasibility study for an Expo Center and honor the relocation of donated land to north of Embassy Suites, if recommended. He said the question before Council is whether or not an Expo Center qualifies as a Cultural Facility. He said during prior public meetings there had been suggestions for an aquatic center, gymnast facility, and weather museum. The Norman Forward component could provide supplemental funding to UNPTIF funding. He said the Norman Convention and Visitors Bureau's (NCVB) Expo Center Feasibility study's early findings indicate the donated land location may not be the ideal location for an Expo Center/Cultural Facility.

Mr. Bryant highlighted Phase 1 of the Market Demand Analysis of NCVB's Expo Center Study, which will be presented to the NCVB Board on March 25th. He said Phase I includes local market conditions; industry trends and characteristics; competitive and comparable facilities; market surveys and demand; supportable building program; and development options. Phase 2 is anticipated to be presented to the NCVB Board in April and will consist of site analysis; event/utilization analysis; construction costs estimates; financial operating estimates; economic impact with cost/benefit conclusions; and funding/ownership/management.

Mayor Rosenthal said questions regarding an Expo Center vs. Cultural Facility really cannot be answered until Phase 2 of the feasibility study has been completed. She said someone pointed out to her that if \$15 million was funded from Guest Room Taxes, it would take twenty years to pay off that debt and she has received many questions regarding the City's return investment and the economic benefit. She said the operation agreement issue is important to people in the arts community. There are a number of art organizations who do not have rehearsal or performance space and they want to be able to have access to a facility. She said there are also questions about who would manage the facility and how much is managed for the purposes of supporting conferences versus local organization use. There was a lot of interest on the part of Council in obtaining public input along the way and she suggests placing questions on the City's website such as whether or not the public believes an Expo Center is a Cultural Facility and if a facility should be paid for using UNPTIF funds plus additional sales tax.

Councilmember Castleberry said if the City owned the facility then local organizations would be able to use the facility or if the facility was leased, Council could stipulate that local organizations be allowed to use the facility.

Councilmember Lang said a definition of terms for a Cultural Facility and Expo Center will be very important moving forward. He has had similar conversations with constituents about the definition of a library and they believed the library would be more of a community center. Councilmember Allison asked if it would be feasible to combine an Expo Center aspect with a Cultural Facility aspect. Councilmember Lang said the City needs to make sure other cultural facilities in Norman are not harmed. Mayor Rosenthal said the specificity the study can provide will help Council answer these questions. Mr. Dan Schemm, NCVB Director, said a definition of a Cultural Facility would also be helpful to NCVB because there are a lot of aspects to that. Councilmember Miller felt it would be easier to sell an Expo Center with a cultural aspect, but wanted to know whether or not the community believes the City needs an Expo Center. Mayor Rosenthal said what she is hearing from Council is the need for dedicated space within the facility for local organizations use.

Mr. Bryant felt it would helpful for NCVB to present Phase 1 of the study to Council at the Study Session on March 31st and Councilmembers agreed.

Lifestyle/Village Center Retail Development

Mr. Bryant said to facilitate the creation of a retail environment that will be a regional draw of retail customers to Norman and the retail environment should complement retail stores outside the project area. He said the retail development will take place in two phases, 1) west side of 24th Avenue and 2) east side of 24th Avenue (upper scale shopping).

Mr. Bryant highlighted the Lifestyle/Village Center Retail Development current status as follows:

- 25,000 square feet of retail to be completed by 2018
- Incentives available (\$8.25 million) for qualifying retailers
- Minimum sales volume
 - o \$175 square foot of its retail space (stores with more than 10,000 square feet)
 - o \$275 square foot of its retail space stores) with less than 10,000 square feet)
- The retail store shall be relocated from outside the city limits of Norman
- Penalties/Reimbursements for not achieving additional 145,778 square feet
 - o \$5.9 million (Norman Tax Increment Finance Authority (NTIFA) paid park development costs)
 - o \$2.4 million (NTIFA paid frontage road extension costs)
- Developer is confident they can meet the square footage target by 2018 to avoid penalties
- Strong interest from retailers that may meet criteria, but may not clearly fit the vision for the Lifestyle/Village Center
- Additional time may be needed to allow more selectivity regarding potential anchor tenants and to allow exploration of other complementary developments
- Incentives available (\$8.25 million) may not be sufficient to attract what is envisioned
- Example – Oklahoma City’s Von Maur retailer
 - o Retailer was provided a site and tenant finish improvements
 - o Tax rebates over ten years were also provided
- Expo Center and other regional draw components currently being explored may complement existing incentives and enhance retailer interest
- City may need additional time to evaluate Cultural Facility land and location and developer is willing to reserve substantial acreage in Area 3 during this time and while other regional draw facilities are being explored
- A more flexible approach to the Lifestyle Center achievement deadline, similar to what is needed for Cultural Facility land may be beneficial
 - o Legacy Park has enhanced development and recruitment of retail
 - o TIF based incentives will not be accessed unless a suitable retailer is presented
 - o Encourage the developer to select the right retailer, not to just beat the penalty deadline

Councilmember Allison asked if the developer would be willing to sell the additional land for resale to potential developers and Mr. Bryant said the City can explore that with the developer; however, the developer’s idea was to make the land available if there were other components that would be traffic generating and value enhancing such as an Expo Center.

Councilmember Miller asked how much extension time the developer would need and Mr. Bryant said originally the extension time was the life of the UNPTIF, which is ten years, but developers were told two to five years would be more probable. Councilmember Castleberry said the City promised citizens something spectacular and he would rather have quality over quantity and get it done right rather than done quick. Mayor Rosenthal said she would need a more concrete extension time other than the life of the UNPTIF and Mr. Bryant said the developers have asked for three to five years from the time they actually receive the commitment letter from the retailer. Mayor Rosenthal said to extend the time for the purpose of extending retail incentives is not worth it. She said members

Lifestyle/Village Center Retail Development, continued

of the community want to limit future commitments and pay off the UNPTIF debt early. She said no matter what is built it would probably not be spectacular in the public's perception. Councilmember Holman did not want to rush development, but is concerned about what "high end" retail really is. He asked what the bar (threshold) would be and how long should the City give the developer to reach that. He asked what the definition of high end would be and whether or not it would be the appearance of the building or a type of strip mall.

Councilmember Miller said the City needs to be realistic about what retailers can actually be attracted to the UNPTIF and that is hard to know if Council does not even know what retailers are in discussions for developing in the UNPTIF or what retailers are being turned away.

Mayor Rosenthal suggested Ms. Sara Kaplan, Retail Marketing Coordinator, provided Council with examples of retail generators of \$275 per square foot. Ms. Kaplan said an Apple store can generate up to \$1,000 per square foot and a clothing store can generate \$200 per square foot so \$275 is not that high of a bar, but would be happy to provide Council more in-depth information.

Mr. Bryant said Council will be reviewing Phase 1 of the NCVB feasibility study on March 31st as well as Phase A of the Garver Study and will review Phase 2 of the NCVB feasibility study in late April or early May.

Items submitted for the record

1. PowerPoint presentation entitled, "University North Park Tax Increment Finance District Update," City Council Study Session, March 17, 2015

The meeting adjourned at 7:12 p.m.

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ATTEST:

City Clerk

Mayor