

NORMAN CENTER CITY PROJECT PLAN
INCREMENT DISTRICT NO. 3, CITY OF NORMAN

FINANCIAL IMPACTS REPORT

PREPARED BY:

THE CITY OF NORMAN, OKLAHOMA



WITH THE ASSISTANCE OF:

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I. HOW TAX INCREMENT FINANCING WORKS

Under the mechanism of tax increment financing, two geographic areas are defined. The first is the project area. This is the area in which project expenditures may be made. The second geographic area is the increment district. This is the area from which the tax increment will be generated. The project area and increment district may or may not be co-extensive. The value of property within the increment district is determined upon approval of the project plan. This becomes the base assessed value of all taxable property within the increment district. The ad valorem tax revenue generated from this base assessed value of property within the increment district is distributed to the taxing jurisdictions according to each jurisdiction's levy. Throughout the life of the project, the base revenue will continue to flow to the taxing jurisdictions. To this extent, the taxing jurisdictions are not affected by the implementation of tax increment financing through ad valorem apportionment.

Once new investment and development of the property within the increment district occurs, the market value increases, and so the assessed value of property also increases. The difference between the ad valorem tax revenue produced by this increased value and that produced by the base assessed value—the incremental increase or increment—is apportioned (i.e. allotted) to an apportionment fund that is used to pay the eligible public costs of the project either directly or through the issuance of bonds. This apportionment of ad valorem tax increment will continue for the lesser of a period of 25 fiscal years after the date of approval or until all eligible public costs are paid. Once the tax apportionment period expires, the revenue from the increased assessed value of property within the increment district will be allocated among the taxing jurisdictions, in addition to the revenue from the base assessed value that these entities will have continued to receive.

II. DESCRIPTION OF PROPOSED PROJECT

On May 23, 2017, after extensive analysis, public participation, and revision, the City Council of the City of Norman unanimously approved an amendment of the City's zoning ordinances through the adoption of the Center City Form-Based Code (CCFBC). Implementation of the CCFBC will consist of infill and new development with residential, multi-family residential, urban mixed-use, as well as improved streets, streetscapes, public improvements, connectivity, and pedestrian accessibility in the Center City area. The City is considering the adoption of the Norman Center City Project Plan ("Project Plan"), a project plan as defined under the Oklahoma Local Development Act, 62 O.S. §850, *et seq.* The Project Plan is a document that provides a legal strategy necessary for the successful implementation of the City's vision and is a critical element in fostering public-private partnerships to create the type of development that the City seeks but can achieve only by means of the financing tools available under the Act.

The boundaries of the Project Area and Increment District are the same and are generally located within the following borders: Tonhawa Street on the north; the railroad tracks on the east; Boyd on the south; and on the west: the alley east of Elm Avenue north to Park Drive, then west along Comanche Street to Flood Avenue, then north to Main Street.

III. BENEFITS OF PROPOSED PROJECT

The Center City connects downtown Norman to the campus of the University of Oklahoma. Nourishing the vitality of these three key parts of the City presents a unique opportunity for the community. Center City is home to established residential neighborhoods, restaurant and retail institutions, and is an incomparable part of Norman's uniqueness. The adoption of the CCFBC is the City's commitment to retaining and building upon the inherent individuality of the area through smart development practices. Indeed, Center City is a very well-situated area for a form-based code. The CCFBC protects Center City from inferior development that can gradually degrade the built environment of the area. The CCFBC enables the community to be proactive and attract good development that can set the tone for a long-term quality of life and attractiveness in the area.¹ With investment, including public assistance to encourage private investment, development consistent with the CCFBC will provide these benefits not only to those who live in Center City, but for all residents and visitors to Center City, ensuring a lasting quality of development and community character.

The difficulty and increased costs of developing in the core of the City, as compared to the suburbs with vacant land and new utilities, amplifies the importance of the City's use of the CCFBC to protect and increase the vitality and strength of the Center City. The CCFBC seeks to ensure efficient land use, improve the quality of the public realm, and create complete neighborhoods with varied densities, mixed uses, pedestrian connections, and green spaces. More enjoyable and comfortable public spaces encourage private investment of the density, form, and type that creates a place where people want to live, work, visit, shop, eat, gather, and linger. The Project Plan seeks to stimulate that private investment.

It is difficult to precisely predict what development will take place in the area, but the CCFBC provides a clear guide for the development direction and potential of the area. Development, as allowable under the CCFBC, will consist of new residential and mixed-use developments, as well as new retail, restaurant, and office projects, enhanced by improvements to the public space consistent with the CCFBC. When such properties are

¹ See interview of Joel Russell, former executive director of the Form-Based Codes Institute, available at <http://www.aarp.org/livable-communities/livable-in-action/info-2015/interview-joel-russell-form-based-code.html>.

developed consistent with the CCFBC, the increase in property values and thus the potential for the generation of significant ad valorem increment will occur.

The development potential of each parcel in the CCFBC area was examined. The parcel by parcel development potential analysis undertaken shows there are properties, including vacant lots, consolidated properties, and publicly-owned properties, that have strong development potential. With a realistic snapshot of projected new development, taking into account multiple factors, including, for example, likelihood of development, timing of development, conditions of existing structures, and current property ownership, it is projected that, under the Project Plan, private investment stimulated in the Project Area could exceed \$82,000,000 over the life of the Increment District. There are five or six sites in particular that have the potential for significant private investment and thus significant increment generation, due to the fact that consolidation is likely and the CCFBC calls for dense development types. New development in the Increment District will increase market and assessed values for property, which, in turn, will result in increased annual ad valorem tax revenues. Projections show annual increment generation of approximately \$120,000 in the near term and \$3,700,000 over the long term. The more quickly the private development anticipated by the project occurs, the more cumulative incremental ad valorem revenues will be generated over the lifespan of the Increment District.

Development in the Project Area has both direct and indirect economic benefits. The parcel by parcel analysis and calculations examined direct benefits. The indirect benefits in this type of project are less tangible. Nevertheless, significant indirect benefits will occur, particularly within the parameters of the CCFBC, where the goal is to create complete neighborhoods with mixed uses and pedestrian connections. The benefits include increased quality of life, meaningful interactions with neighbors, a strong sense of community, and an opportunity to allow Center City to build on its inherent unique attributes.

IV. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS

A. Overall Financial Impacts upon the Affected Taxing Jurisdictions. Under the Project Plan, all of the incremental ad valorem revenues will be apportioned to the apportionment fund. Ninety percent (90%) of those revenues will be available for use by the Norman Tax Increment Finance Authority, or another public entity designated by the City, to pay for authorized project costs. Ten percent (10%) of those revenues will be apportioned to the affected taxing jurisdictions on an ongoing basis. Upon termination of the Increment District, all ad valorem revenues will be distributed pursuant to ad valorem statutes. Should the Project Plan be adopted, the assessed value within the Increment District at the time of project approval will continue as the basis for allocating the tax revenue to the taxing jurisdictions during the life of the project. Since funding rates for bonded indebtedness are calculated using

the base assessed value within the Increment District, repayment of bonded indebtedness will not be affected.

Concentrated and continuous stimulation of the development within the area, as contemplated by the Project Plan, will result in a greatly-enhanced ad valorem tax base in surrounding areas, from which all of the affected taxing jurisdictions will benefit. The actual increase in demand for services potentially caused by the residential component of the project will be limited for the taxing jurisdictions affected by the project. Benefits of some new employment in the community will also result in benefits to the affected taxing jurisdictions.

B. Norman Public Schools (NPS). The area impacted by the Project Plan is only a fraction of the size of the NPS district.² NPS district is approximately 91,200 acres, while the CCFBC area is 225 acres (less than ¼ of 1%). Correspondingly, the amount of ad valorem revenues from the Project Area to NPS is very small compared to the ad valorem revenues generated in the NPS district.

From data provided by the City through the County Assessor, the total 2017 ad valorem revenue for all property located within the CCFBC is approximately \$1,626,828. Currently, NPS is collecting approximately \$619,397 in annual ad valorem operating revenues (based on 45.11 mills, excluding sinking funds) from within the CCFBC area, which, when state school aid offsets are accounted for, amounts to a net benefit of approximately \$91,315. With the Increment District in place, these revenues will continue to flow to NPS through the life of the Increment District. As stated above, 10% of total ad valorem increment generation will be allocated to NPS through the life of the Increment District. These funds are not subject to the state school aid formula. Projections show this ongoing allocation to be approximately \$4,500 annually in the short term and \$141,000 annually over the long term.

Upon termination of the Increment District at the earlier of 25-years or when the project costs are paid, NPS will experience a significant increase in annual ad valorem operating revenues generated by increased development. Based on projected development, at current millage rates, in the year following the end of the Increment District (projected to be 2039, or year 22 of the TIF), NPS will collect approximately \$2,844,954 in annual ad valorem operating revenues from within the Increment District, which, when state school aid offsets are accounted for, amounts to a net benefit of approximately \$419,418. Table 1 shows the projected tax increment generation and associated revenues to NPS.

² See the attached map depicting the boundaries of the Project Area and NPS district.

Table 1

Projection Model	2018	2019	2020	Projected end of TIF		2040
	1	2	3	2038	2039	2040
Year				21	22	23
Base Annual Ad Valorem Tax Revenue	\$ 1,626,828	\$ 1,626,828	\$ 1,626,828	\$ 1,626,828	\$ 1,626,828	
New Annual Ad Valorem Tax Revenue	\$ 1,806,039	\$ 1,920,915	\$ 1,988,591	\$ 7,130,388	\$ 2,594,333	
10% allocation of annual ad valorem tax revenue	\$ 17,921	\$ 29,409	\$ 36,176	\$ 550,356	\$ 87,955	
Net increment to project	\$ 161,290	\$ 264,679	\$ 325,587	\$ 4,953,204	\$ 879,550	
Net Cumulative Increment	\$ 161,290	\$ 425,969	\$ 751,556	\$ 46,520,450	\$ 47,400,000	
Revenue to Norman Public Schools - with TIF						New Annual Revenue
NPS - Building	\$ 70,302	\$ 70,302	\$ 70,302	\$ 70,302	\$ 70,302	\$ 322,903.00
NPS - ADA	\$ 56,434	\$ 56,434	\$ 56,434	\$ 56,434	\$ 56,434	\$ 259,205.00
NPS - General Fund	\$ 492,662	\$ 492,662	\$ 492,662	\$ 492,662	\$ 492,662	\$ 2,262,845.00
TOTAL	\$ 619,397	\$ 619,397	\$ 619,397	\$ 619,397	\$ 619,397	\$ 2,844,953.00
Net Benefit Per Operational Ad Valorem Dollar Received*	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Net Benefit - Revenue	\$ 91,315	\$ 91,315	\$ 91,315	\$ 91,315	\$ 91,315	\$ 419,418.17

C. Cleveland County. Similar to the NPS analysis, the area impacted by the proposed Project Plan is very small compared to the geographical jurisdiction of the County. Cleveland County covers 357,120 acres, of which 225 are in the Project Area (less than 1/1000 of 1%). Total ad valorem revenue to the County general fund (10.28 mills) for the fiscal year ending June 30, 2016, totaled \$19,763,897. By comparison, 2017 estimated revenues to the County general fund in the CCFBC area are approximately \$141,000. These revenues will continue to be allocated to the County with or without an Increment District. As stated above, 10% of total ad valorem increment generation will be allocated to the County through the life of the Increment District. Projections show this ongoing allocation to be approximately \$1,000 annually in the short term and \$32,000 annually over the long term. Based upon projected development stimulated by the establishment of an Increment District, at current millage rates, in the year following the end of the Increment District, Cleveland County will collect approximately \$648,000 in annual ad valorem revenues in the CCFBC area.

The County owns property in the Project Area. Improved public infrastructure and development around the County's property will enhance its accessibility, marketability, and development potential. Additionally, the value of any property owned by the County in and near the Project Area is likely to increase due to development in the Project Area. No specific measurable demand for increased services upon Cleveland County is anticipated to result from this project.

D. Cleveland County Health Department. Again, the impacted area is very small. Total ad valorem revenue to the Cleveland County Health Department fund (2.57 mills) for the fiscal year ending June 30, 2016, totaled \$4,983,828. By comparison, 2017 estimated revenues to the Health Department in the CCFBC area are approximately \$35,000. These revenues will continue to be allocated to the Health Department with or without an Increment District. As stated above, 10% of total ad valorem increment generation will be allocated to the Health Department through the life of the Increment District. Projections show this ongoing allocation to be approximately \$300 annually in the short term and \$8,000 annually over the long term.

Based upon projected development stimulated by the establishment of an Increment District, at current millage rates, in the year following the end of the Increment District, the Health Department will collect approximately \$162,000 in annual ad valorem revenues in the CCFBC area. No specific measurable demand for increased services upon the Health Department is anticipated to result from this project. The promotion of the Project Area as a highly walkable, mixed-use district will support public health initiatives of the Health Department.

E. Pioneer Multi-County Library System. The Pioneer Multi-County Library System serves a large area, and currently has a branch in the Project Area, though it will be relocated soon. The new location is just outside of the Project Area, and the hope is that development in the surrounding area will positively affect the branch by increasing foot traffic and access, contributing positively to the most immediate, day-to-day activities of the new facility. Total ad valorem revenue to the Pioneer Multi-County Library System fund (6.11 mills) for the fiscal year ending June 30, 2016, is estimated to be \$11,800,000. By comparison, 2017 estimated revenues to the Pioneer Multi-County Library System in the CCFBC area are approximately \$84,000. These revenues will continue to be allocated to the Pioneer Multi-County Library System with or without an Increment District. As stated above, 10% of total ad valorem increment generation will be allocated to the Pioneer Multi-County Library System through the life of the Increment District. Projections show this ongoing allocation to be approximately \$600 annually in the short term and \$19,000 annually over the long term. Based upon projected development stimulated by the establishment of an Increment District, at current millage rates, in the year following the end of the Increment District, the Pioneer Multi-County Library System will collect approximately \$385,000 in annual ad valorem revenues in the CCFBC area. No specific measurable demand for increased services upon the Pioneer Multi-County Library System is anticipated to result from this project.

F. Moore Norman Technology Center. The Moore Norman Technology Center has an active branch in Norman that performs important community services. Based on the nature of the project, development should have minimal impact on demand for services, although complementary job training opportunities may be utilized. Total ad valorem revenue to the Moore Norman Technology Center fund (15.38 mills) for the fiscal year ending June 30, 2016, is estimated to be \$29,500,000. By comparison, 2017 estimated revenues to the Moore Norman Technology Center in the CCFBC are approximately \$211,000. These revenues will continue to be allocated to the Moore Norman Technology Center with or without an Increment District. As stated above, 10% of total ad valorem increment generation will be allocated to Moore Norman Technology Center through the life of the Increment District. Projections show this ongoing allocation to be approximately \$1,500 annually in the short term and \$48,000 annually over the long term. Based upon projected development stimulated by the establishment of an Increment District, at current millage rates, in the year following the end of the Increment District, the Moore Norman Technology Center will collect approximately \$970,000 in annual ad valorem revenues in the CCFBC area.

G. City of Norman. The creation of mixed-use development in the Increment District will generate minimal new sales taxes for the City. The proposed developments are not expected to generate significant sales taxes, and those generated will not pull sales away from existing retailers within the City outside of the Increment District because they will occupy different positions within the marketplace, including shops and restaurants that do not currently exist within the City. Also, the project will generate significant development and investment in an underdeveloped part of the City, thus having additional desired and positive impacts on the City.

V. IMPACTS ON BUSINESS ACTIVITIES

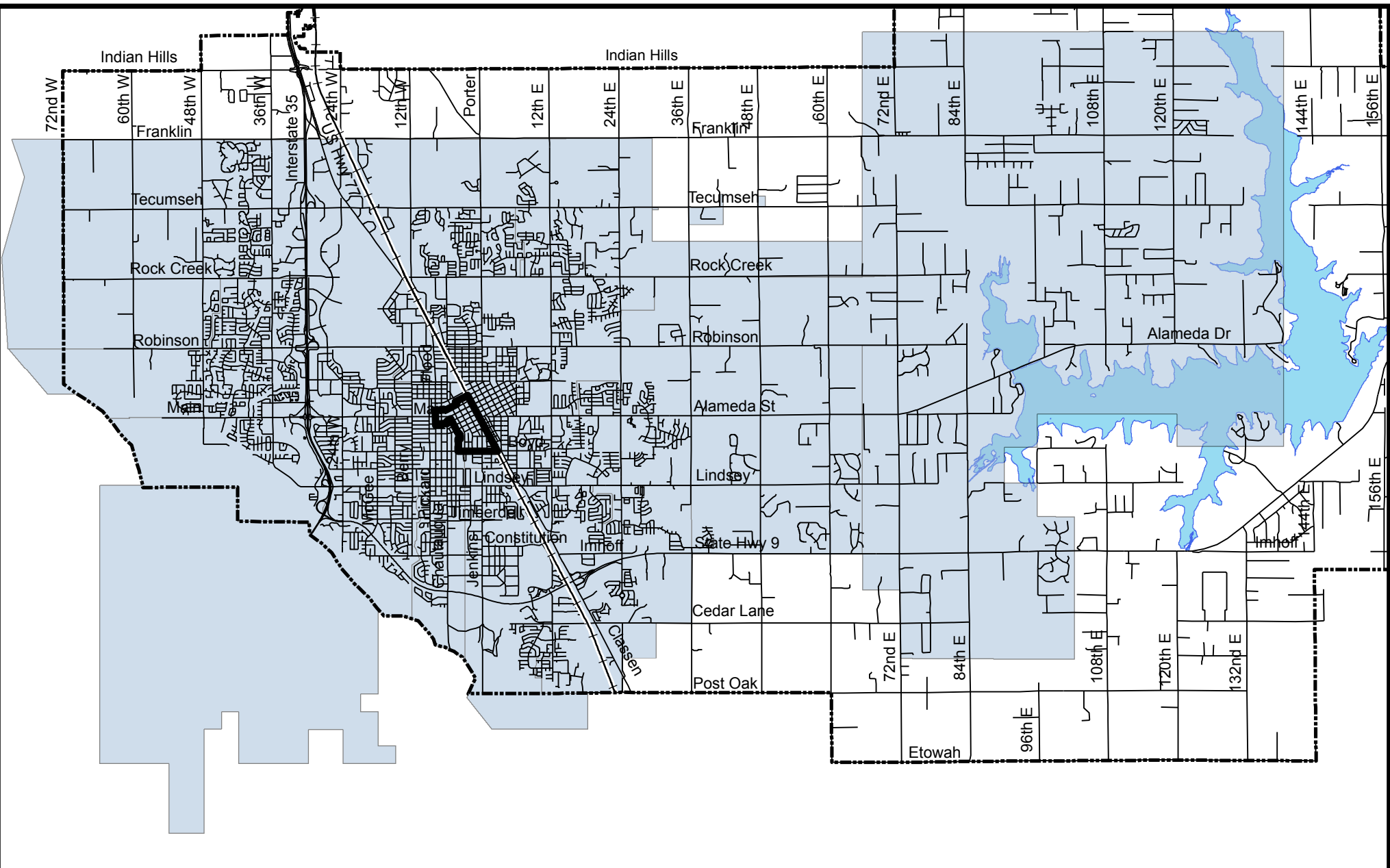
Isolating the specific impacts of the Increment District on the greater community is difficult, but through correlation of demands for residential and commercial space within the Increment District, an examination of effects on business activities is possible. Residential and commercial developments reflect corresponding growth in economic demands for a spectrum of business activities in the retail, commercial, and office categories.

As public and private development occurs, construction will result in temporary jobs and completion of development projects will result in some, albeit not many, permanent jobs, particularly in commercial and mixed-used developments. The development of residential units in the Project Area will result in additional household income in the area, and thus general increased spending.

The largest impact on business activities in the Increment District will be due to the increased presence of individuals living and working in the Project Area. A walkable, comfortable, and welcoming public realm will increase the number of people in the Project Area which will further stimulate demand for development, establishing a well-rounded mixed-use district. Further, the increased presence of individuals will increase the opportunity of potential customers for new and existing businesses in the Project Area.



VI. CONCLUSION

The project will have a positive long-term financial benefit for the Norman community, affected taxing jurisdictions, and business activities. Correspondingly, no appreciable adverse impact is likely to result from the project for the taxing jurisdictions or business activities within the Project Area. The impact of anticipated development on the provision of governmental services is balanced by the public improvements and infrastructure component in the Project Plan, which addresses public costs associated with the project and minimizes the burden of providing additional governmental services.



Project Area and Norman Public School District Boundaries

- Norman City Boundary
- Project Area and Increment District Boundary
- School Attendance Boundary
- Railroad
- Streets


 0 0.5 1 2 Miles

 Planning Department
 August 23, 2017

