

CITY COUNCIL STUDY SESSION MINUTES

May 16, 2017

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 16th day of May, 2017, 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, Clark, Hickman, Holman, Karjala, Mayor Miller

ABSENT: Councilmembers Chappel and Heiple

Item 1, being:

CONTINUED DISCUSSION REGARDING THE CREATION OF A CENTER CITY TAX INCREMENT FINANCE DISTRICT – INFRASTRUCTURE AND DEVELOPMENT ANALYSIS.

Mr. Jeff Bryant, City Attorney, introduced Ms. Emily Pomeroy and Mr. Cameron Brewer with the Center for Economic Development Law (CEDL) and Mr. Tim Johnson with Johnson and Associates, Inc. He said Ms. Pomeroy and Mr. Brewer worked with the City on the creation of the Campus Corner and University North Park (UNP) Tax Increment Finance Districts (TIFs) and explained TIF financing to the Council in a Study Session on March 21, 2017, which was continued at the Conference on March 28, 2017.

Ms. Pomeroy said, since the last meeting, CEDL has been completing and refining the development potential and increment generation analysis for a Center City Form-Based Code (CCFBC) TIF. She said CEDL engaged the services of Johnson and Associates, Inc., to prepare an infrastructure analysis.

Mr. Johnson said Johnson and Associates took a close look at two key factors 1) Identification of the infrastructure improvements necessary to meet the provision of the CCFBC and 2) Calculation of increases in ad valorem based on projected development in the CCFBC area. Johnson and Associates split the CCFBC area into sectors to align the CCFBC zoning and provide sector-by-sector costs for infrastructure.

Mayor Miller said she assumes Johnson and Associates has done this type of analysis for other communities that are redeveloping and asked if they have done that for areas using the Form-Based Code (FBC) specifically, or are they making assumptions based on similarities in all types of development? Mr. Johnson said FBC is fairly new and there are not many local communities that use it, but Johnson and Associates have been deeply involved in downtown redevelopment in Oklahoma City through the Project 180 process. He said that project included miles and miles of redevelopment of streets and infrastructure similar to what Johnson and Associates is using in the analysis for Norman's CCFBC. He said from that process, Johnson and Associates learned that no one ever really knows what will be found underground so Johnson and Associates tried to prepare for unforeseen contingencies in Norman's analysis so there would be few surprises when redevelopment takes place. He said the surface aspect of redevelopment includes vehicular parking and access, and pedestrian access, which is included in the analysis.

Mr. Johnson said the infrastructure analysis provides a clear and complete picture of the location and condition of all infrastructure improvements and a clear and complete picture of the infrastructure improvements necessary to fully meet the requirements of the CCFBC. Infrastructure improvements include roadways (including alleys); water lines; storm sewers; sidewalks that meet American with Disability Act (ADA) requirements; and streetscapes. He said the CCFBC assumes complete reconstruction of all streets except Main Street and Boyd Street whose infrastructure is new. Johnson and Associates' final report provides cost estimates for all improvements which is estimated to be \$32,224,081; however, adding soft costs and contingencies raises the total to an estimated \$44,002,509.

Ms. Pomeroy said a detailed parcel by parcel development indicates that development potential facilitated by adoption of the CCFBC is significantly high. She said CEDL examined investment potential based on development requirements in the CCFBC and its Regulating Plan. When determining new development and increment generation, CEDL considered opportunity, property ownership, site consolidation, etc., using the sector analysis provided by Johnson and Associates. Some of the properties are consolidated and ready for development while others are under public ownership that are tax exempt, but potentially ripe for development, which would be a big boon to increment generation in the area. She said based on new investment potential, CEDL calculated increment generation on property tax increases and because of dense development required in CCFBC, the generation of increment is very high, especially in Urban Storefront and Urban General.

Mr. Brewer said projected new investment over a 25 year period with assumed cumulative discounts over the life of the TIF would total \$82,338,502.33, which is a conservative projection. He said CEDL reviewed every parcel (642 total parcels) within the CCFBC, examined a number of different assumptions, such as property ownership; likelihood of property sale; vacant land; in-fill opportunities; proximity to Main Street and Campus Corner; general walkable corridors; condition of existing structures; and future projects including the James Garner Boulevard Extension Project; and reviewed FBC types in each sector. The sites that have in-fill opportunities, properties that could potentially be sold, or existing structures in deteriorated condition that could be improved upon receiving lower discounts because they have a higher potential for development. He said CEDL also reviewed building permits issued over the last two years because any redevelopment occurring in 2016, any parcel under construction, or any parcel that has been permitted for construction would be included in the tax increment over a 25 year period assuming a TIF was adopted by the end of 2017.

Mr. Brewer said slow growth is anticipated the first five years with a little more growth anticipated in years six through ten and a much higher growth anticipated in years eleven through twenty. He said CCFBC is a new development type that will take time and education for the development community to determine what can and cannot be built on the sites. He said a discount was placed on each sector and CEDL made projections that included a 70% discount factor that assumes 30% redevelopment in the area for a total projected increment of \$33,000,000, and a 50% discount factor that assumes 50% redevelopment for a total projected increment of \$49,000,000. He said CEDL anticipates the City borrowing and fund up-front some of the anticipated growth based on certain lending standards.

Ms. Pomeroy highlighted various sector scenarios incorporating discount percentages, increments, and financings. She said Sector 6 located between Tonhawa Street to the north, Gray Street to the south, the railroad tracks to the east, and Santa Fe Avenue to the west is proposed to be Urban General under the CCFBC. Urban General would allow multiple uses with two to six story buildings. Sector 6 consists of approximately 2.88 acres that primarily belongs to the City of Norman with access to James Garner Boulevard. Ad valorem increment over 25 years at 60% discount is projected to be \$809,290.

Sector 14 is Urban General located on Main Street to the north, the alleyway to the south, Park Drive to the east, and Lahoma Avenue to the west. Sector 14 consists of 4.11 acres that is privately owned and is occupied by an existing shopping center that is underutilized. Ad valorem increment over 25 years at 40% discount is projected to be \$3,869,696.

Sector 29 is proposed to be Detached Frontage/Townhouse/Urban Residential with a mix of FBC types as well as single-family and multi-family uses. Sector 29 consists of 3.90 acres that includes a parking lot being utilized by McFarlin Church. She said church owned property is tax exempt, but if the Church found alternate parking and sold the lot, and that lot was developed, the increment would increase; however, that increment is not included in the projections. Ad valorem increment over 25 years at 80% discount is projected to be \$48,405.

Ms. Pomeroy said an increment district is not going to fund \$44,000,000 of public improvements nor is CEDL suggesting that is what the City should expect. She said the City may want to start by making improvements to James Garner Boulevard or other targeted prime development areas. She said key areas for front-end infrastructure improvements along with front-end funding sources should be identified by the City. Assistance in development financing that helps fund streetscape improvements may be partially funded by the increment and the inclusion of Campus Corner in the district may be beneficial for a TIF. She said the CCFBC has the ability to set the stage for positive and significant future development and redevelopment in Center City. There will be increased costs for developing under the FBC; however, the City could use TIF funds to assist developers contractually obligated to improving infrastructure as part of their development.

Ms. Pomeroy said discussions with affected taxing jurisdictions will be important for moving forward. Councilmember Castleberry asked if any discussions have taken place with affected taxing jurisdictions and Mr. Bryant said no, Staff is waiting to see how Council wants to move forward. He said if Council wants to move forward with the CCFBC and adopts a resolution expressing intent to create a TIF, Staff will contact the other taxing jurisdictions to begin those discussions. He said there are many steps in the process of creating a TIF. Ms. Pomeroy said the resolution basically creates a Review Committee and asks the affected jurisdiction to designate a representative to sit on that Review Committee to make sure the project plan is positive for every affected taxing jurisdiction.

Councilmember Castleberry said if the City does not move forward with the CCFBC, would the infrastructure improvements still be needed and Mr. Brewer said if development occurs on a lot by lot basis without the CCFBC, the City is not likely going to get the developer to make any improvements other than perhaps a sidewalk in front of the property being developed. Mr. Bryant said eventually the City will have to replace water lines and repave streets and the TIF can be a pathway to incentivizing private investment to make the CCFBC a reality and draw people to the area.

Councilmember Hickman said the TIF area can be larger than the project area so has any thought gone into increasing the TIF area to include Porter Avenue? Ms. Pomeroy said there is real potential on Porter Avenue, but her concern would be spreading the City too thin if the TIF area is too large. She said CEDL did look at the edges of the CCFBC boundaries to determine what increments could be generated; however, when looking at the goal of the CCFBC it felt right to have the TIF and CCFBC boundaries the same. Ms. Pomeroy said the TIF project area can be larger than the TIF increment area but not vice versa. She said CEDL's recommendation would be to include Campus Corner in the project area and increment district.

Councilmember Holman said the Center City Visioning Committee discussed expanding the CCFBC area, but felt it would be more prudent to wait to see if the smaller CCFBC area would be successful.

Mayor Miller asked if there is consensus to move forward with the CCFBC and resolution. Councilmember Castleberry said before stating whether or not he wanted to move forward he would like to read CEDL's report, which was not provided to Council. Mr. Pomeroy said the full report is ready to distribute to Council, but CEDL wanted a chance to explain the process of how they worked with Johnson and Associates' analysis to determine the increment costs, discounts, needed infrastructure improvements, etc., prior to releasing it.

Councilmember Hickman asked who the Review Committee representative would be for the City and Councilmember Clark said, since the TIF will mostly be comprised of properties in Ward Four, the Ward Four Councilmember should be the representative. Councilmember Allison said he would prefer the Mayor be the City's representative because the other taxing jurisdiction will most likely want their "leader" as a representative. Councilmember Holman said if Mayor Miller is not the representative he would like Councilmember Hickman to be the representative because if a TIF was being created in his Ward, he would want to be on the Review Committee. Mayor Miller said she would like some time to think about whom the City representative will be, but recognizes the argument for the Ward Four representative.

Mr. Bryant said Staff will prepare the resolution of intent to create a TIF for adoption on May 23rd in conjunction with Second Reading of the CCFBC. He will also provide the CEDL analysis report to Council before the end of the day tomorrow.

Items submitted for the record

1. Memorandum dated February 3, 2017, from Susan Connors, Director of Planning and Community Development, and Jeff Bryant, City Attorney, to Mayor and City Councilmembers
2. PowerPoint presentation entitled, "Center City Form Based Code, Public Infrastructure Needs and Economic Development Investments," Norman City Council Study Session, February 7, 2017

The meeting adjourned at 6:40 p.m.

City Clerk

Mayor