



Legislation Text

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RESOLUTION R-1617-108. A RESOLUTION OF THE NORMAN TAX INCREMENT FINANCE AUTHORITY APPROPRIATING \$3,384,960 FROM THE UNIVERSITY NORTH PARK (UNP) TAX INCREMENT FINANCE DISTRICT (TIF) FUND BALANCE WITH \$3,021,875 TO THE ECONOMIC DEVELOPMENT ACTIVITIES PROJECT, \$353,085 TO THE UNP ENTRANCE SIGNS BUSINESS IMPROVEMENT DISTRICT (BID) PROJECT, AND \$10,000 TO THE UNP MASTER PLAN PROJECT.

BACKGROUND: Council approved the University North Park (UNP) Tax Increment Finance District (TIF) Project Plan (Ordinance O-0506-66) on May 23, 2006. The Project Plan authorized public improvements within the TIF, including Traffic and Roadway Improvements, a Hotel Conference Center, and an Economic Development Component that would foster special employment opportunities in the University North Park development.

Economic Development and Quality Job Creation. Since the creation of the TIF, a series of development agreements have been approved by City Council on behalf of the City ("City") and by the Council acting as the "Trustees" of the Norman Tax Increment Finance Authority ("NTIFA") to further the components of the Project Plan. The Economic Development Component of the UNP Project Plan provides for up to \$8.25 million in funding to foster special employment opportunities. The Master Operating Agreement (K-0607-44) further refined this focus by identifying sixty (60) acres of land that could be purchased from the UNP Developer (OU Foundation and its subsidiaries) by the Norman Economic Development Coalition (NEDC) at prices determined to be below-market, in an effort to provide incentive tools for attracting future employers to Norman that meet the criteria of the Oklahoma Quality Jobs Act. Under the Master Operating Agreement, another forty (40) acres at agreed-upon market prices is also available to be purchased by NEDC for the same purpose.

On September 21, 2010, the City/NTIFA approved Resolution R-1011-39 concurring in NEDC's purchase of the thirty (30) acres contained in the plat for University North Park Corporate Center Section 1. NEDC purchased the acreage through a loan from Republic Bank (the "Lender") with the land acquired serving as loan collateral. NEDC's land purchase costs were to be repaid through sales of land within UNP Corporate Center. With Council's approval of Resolution R-1011-39 a portion of the UNP TIF Economic Development incremental revenues ("TIF ED Increments") that had already accumulated at the time of the purchase were pledged as back up security for the NEDC loan and for interest carrying costs pending future lot sales. NEDC committed to reimburse any use of the City's pledged TIF ED increments from future lot sales as well.

The City/NTIFA also approved the UNP TIF Economic Development Agreement (K-1011-75) on September 21, 2010. This Agreement provided a framework and implementation mechanism for individual economic development agreements with businesses that might locate in the NEDC tracts within University North Park. Under this Agreement, NEDC is responsible for carrying out the economic development activities authorized by the Project Plan and will work to attract, nourish, and sustain quality employment activities in UNP that benefit Norman. The City/NTIFA authorized the use of TIF ED increments, and of Notes secured by a pledge of the TIF ED increments, to fund Economic Development Project Costs incurred by NEDC. Under this agreement, the City/NTIFA also authorized a Revenue Note in an amount not-to-exceed \$8,250,000 secured by TIF ED increments, as well as a companion Revenue Note in an amount not-to-exceed \$8,250,000 secured by a pledge of the additional Economic Development Sales Tax Increments generated from Quality Jobs payrolls and matching State Sales Tax Revenues that would be available under the State Leverage Act (62 O.S. §840 et seq). The Financings of these UNP TIF Economic Development Notes were closed on June 29, 2011. However, these Note authorizations have not been drawn upon to date.

In September of 2012, NEDC was awarded a grant from the Federal Economic Development Administration (EDA) in the amount of \$2.5 million to install public infrastructure within the UNP Economic Development land. The final plat for University North Park Corporate Center Section 1 was resubmitted and reapproved by Council on October 23, 2012 along with the final plat for University North Park Corporate Center Section 2. The Section 2 final plat includes the second 30 acres available for purchase by NEDC at an agreed-to price deemed to below market under prior UNP TIF

Development Agreements. The second UNP Corporate Center tract is envisioned to be used for potential future employers that will operate “advanced manufacturing” types of businesses.

In October 2012, Council approved Resolution R-1213-64 concurring in NEDC’s purchase of an additional thirty (30) acres contained in the plat for University North Park Corporate Center Section 2. A similar pledge of a portion of accumulated TIF ED increments was also made as back up security for this purchase and to be used to cover interest or financing costs pending lot sales by NEDC. After negotiations between NEDC and the developer of University North Park, NEDC closed on the second land purchase on December 5, 2013, which actually included 31.67 acres, all at the agreed-to price deemed to be below market value. The Lender also agreed to combine the loan for the first thirty acres with the loan for the second thirty (31.67) acres, while reducing the interest rate by one percentage point from the original loan rate with NEDC.

Having finalized the purchase of the full 61.67 acres of UNP TIF Economic Development Property, the Norman Economic Development Coalition (NEDC) moved forward towards finalizing the public infrastructure improvement loan (streets, water lines, sewer lines, storm water drainage facilities, etc.) to support development of the UNP Corporate Center. Costs for this infrastructure were supplemented with the proceeds of the previously referenced EDA grant. At the Lender’s request, City/NTIFA approved Resolution R-1314-78 expanding the purpose of the original pledge of security for the NEDC loans on December 10, 2013, to allow those already pledged TIF ED increments to be used not only as security and carrying costs for the land acquisition, but also as security and carrying costs for the infrastructure loan.

The NEDC debt for the acquisition and infrastructure for UNP Corporate Center Sections 1 and 2 was structured with three loans. In total, eleven banks in the community came together to provided private financing to NEDC for this UNP Economic Development project. Loan 1, in the amount of \$4,108,021, was for the acquisition of the property and “soft costs” related to design and engineering of the needed infrastructure to support the development (the “Acquisition Loan”). Three banks participated in the Acquisition Loan. The maturity date of the Acquisition Loan is April 5, 2024. The balance of the loan is approximately \$3.3 million.

Loan 2, in the amount of \$3,586,580, was for cost of constructing the infrastructure to support the development (the “Infrastructure Loan”). Ten banks participated in the Infrastructure Loan. The maturity date of the Infrastructure Loan is June 17, 2017. The balance of this loan is approximately \$2.55 million. At the Study Session on March 21, 2017, Council/NTIFA was advised of a request from NEDC to present a TIF Note pursuant to the Economic Development Agreement in the amount of \$3 million to pay off the infrastructure loan and provide some additional funds for “carrying costs” and maintenance of the UNP Corporate Center property, while NEDC continues to recruit Quality Job employers as contemplated under the Project Plan. As noted, previously accumulated TIF ED increments pledged as security for the NEDC loans have been used to make periodic interest payments on the NEDC Acquisition and Infrastructure Loans since their initiation, pending lot sales by NEDC. The TIF ED increments previously pledged under Resolutions R-1011-39, R-1213-64, and R-1314-78 have been fully utilized for interest payments associated with carrying cost for the NEDC loans.

As mentioned the Economic Development Agreement, provides an option for NEDC to utilize either accumulated TIF ED increments, or Notes secured by the TIF ED increments. NEDC has been previously authorized to utilize the 2011 NTIFA Notes, such as the NEDC’s Note draw request. However, in consultation with the Finance Department, it is proposed that these UNP Economic Development Project Costs be funded from accumulated TIF ED increments rather than issuing an additional Note. Bank of Oklahoma Trust Company holds the UNP TIF incremental revenues, as Trustee for the NTIFA; the portion of the TIF ED incremental revenues held by Bank of Oklahoma totaled \$3,595,756.29, as of March 31, 2017. Using accumulated TIF ED increments, rather than issuing an additional Note will save interest costs and issuance costs.

Loan 3, associated with the NEDC UNP infrastructure UNP TIF economic development land in the amount of \$2,500,000, provided “up-front funding” for the EDA grant. The EDA Grant was a reimbursement grant that required the infrastructure project costs to be incurred prior to the disbursement of grant funds. Five banks participated in Loan 3, a Grant Anticipation Loan. After the NEDC completed the infrastructure project, the grant was disbursed to the NEDC and the loan was repaid on March 11, 2015.

In December 2013, City/NTIFA approved Development Agreement No. 6 (“DA6”) between NTIFA, NEDC, and Immuno Mycologics (IMMY), a local manufacturing company. IMMY purchased one lot in University North Park Section 2 and reserved a first right of refusal for 3 other lots - 1 lot in the Section 2 and 2 lots in Section 1. NEDC provided a discount to IMMY for the lot purchase price in exchange for job creation and significant capital investment. As IMMY adds new jobs which meet the criteria for Quality Jobs as set forth in DA6, accumulated TIF ED increments have been used to meet the

incentive payment obligation for the new Quality Jobs. Under DA6 IMMY assigned the new Quality Jobs incentive payments to NEDC in exchange for a discount on the lot purchase. Construction of the new 60,000 square foot IMMY facility with a taxable value according to the County Assessor's web site of \$11,795,611, was completed in 2016. Thus far, \$17,075 in new Quality Job incentive payments have made to NEDC due to the qualifying new job created by IMMY under DA6. Proceeds from the lot sale were used primarily to reduce the principal balance of the NEDC Infrastructure Loan. The 2017 incentive is \$21,875. An appropriation of available UNP TIF Economic Development Fund balance is needed to make the payment to NEDC for the new Quality Jobs created by IMMY under DA6. The detail of how this Quality Jobs creation payment was calculated is outlined in an attached memo.

It should also be noted that DA6 also formalized the obligation of NEDC to reimburse NTIFA for expenditures of UNP TIF ED funds from future lot sales of UNP ED Tracts. (DA6 Section 3.f.3).

Entrances. Council has long expressed a desire for entrance signage into the UNP development at the intersection of Robinson and 24th Avenue. Staff has focused on solidifying the design and construction of decorative entrances into University North Park when entering the development from Robinson Street northbound onto 24th Ave NW. Amendment Number One to Development Agreement No. 5 ("DA5a") set out a funding and cost sharing mechanism for the decorative entrances into the UNP development. DA5a provides that the costs will be shared equally by the UNP Business Improvement District (BID), from revenues generated from the City's UNP TIF apportionments and BID property owner assessments; the developer of the "south half" of the UNP District (UNP area between Robinson and Rock Creek Road), UTC LLC; and the owner of the "north half" of the UNP District (UNP area between Rock Creek Road and Tecumseh Avenue), UNP LLC. At the time of the adoption of DA5a, Council expressed a desire that the entrances be redesigned to incorporate elements of Legacy Park. As requested, the redesign was provided to City Staff toward the end of January 2017. The design was shared with the UNP TIF Oversight Committee at its meeting on March 21, 2017, where the redesign was supported unanimously by those attending the meeting. The redesign was shared with City Council during the UNP TIF update at its March 21, 2017 Study Session. The redesign and the proposed budget were presented to the UNP BID Board at its meeting on March 31, 2017, where both were supported unanimously.

DA5a specified a budget of \$300,000 for the entrance into the southern portion of UNP District from Robinson Street. The estimated costs proposed for the final design of the south entrance project exceeded \$450,000. That budget was "value engineered" to bring the proposed budget down to a level more in line with what was anticipated with the adoption of DA5a. The primary items revised were:

1. Brick removed from rear of wall, replaced with split block to match other Legacy Park finishes;
2. Stone base removed from low area between pilasters;
3. Thickness and detailing of internal construction revised;
4. Area of sod and irrigation reduced in size;
5. More available landscape species will be specified;
6. Boring under 24th Avenue NW deleted.

After these revisions, the proposed construction budget, including a 10% contingency, is \$300,885. Goppold Architecture, the required architect for the project under DA5a, has proposed that the design, project management, engineering, landscaping & irrigation, and contingency costs should be an estimated \$52,200. The total of the Entryway Signage Project is estimated to be \$353,085. The proposed budget is \$53,085 more than the amount estimated in DA5a; however, Section 4.10.4.f of DA5a provides that should it be estimated that the cost of the entrance will exceed \$300,000, then the contributors shall confer to determine how to revise the project costs, or how to appropriately provide funding for the excess cost of the entrance, as the case may be, prior to awarding a bid for the particular component that would result in the excess cost. For the Robinson Street entrance, the design has been value engineered as discussed above to bring the cost closer to the original projection. Both UTC, LLC and the UNP Bid Board, as contributors, have agreed to split the excess cost evenly. Once the Project is competitively bid, additional discussion between the contributors may be necessary, although it is believed the contingencies built into the Project budget will be adequate for this purpose. Similarly, if the bids are lower than the Project budget, excess contributions by the contributors will also be returned on an equal basis to UTC, LLC and to the UNP BID fund balance.

Contract K-1617-123 for the design services related to the Robinson Street Entrance is proposed for NTIFA/Council's consideration on a separate agenda item. An appropriation of UNP TIF Fund balance, reserved for BID-related expenses is proposed to fund Contract K-1617-123 and construction.

Master Plan. The developer of the UNP District Property south of Rock Creek Road is University Town Center, LLC (UTC). The developer of the UNP District property north of Rock Creek Road is University North Park, LLC (UNP), a wholly owned subsidiary of the OU Foundation. During the negotiation process for DA5a, UNP, the OU Foundation, wanted to undertake an updated master plan for the development of its land, as market demands had likely changed significantly since the PUD was adopted in 2005 and the TIF was adopted in 2006. The proposed master plan for the north half presented an opportunity to further coordinate the future development of the north half with the existing and planned development for the south half. Council has also expressed some frustration that the Regional Draw Retail shopping component of the Project Plan was not occurring as anticipated. Discussions between UNP, UTC and City Staff resulted in provisions in DA5a that called for coordinated master planning to be done by RTKL Associates, a global architecture, planning and design firm.

The planning effort has been led by Jeff Gunning, an architect whose expertise includes mixed-use, shopping and entertainment districts. For the north half, the RTKL team tested a range of uses and densities, seeking the best-fitting uses; incorporated urban design and walkability concepts into the plan; and identified optimal uses for the property. For the south half, the team has worked on identifying key uses; testing a range of uses and densities that might best incorporate the proposed retail Lifestyle Center into Legacy Park and the hotels; and consider urban design concepts, walkability, and connectivity. RTKL is in the process of finalizing the master plan. As noted in DA5a, the budget for the Project is \$40,000. UNP has paid \$20,000 toward the Project. UTC has paid \$10,000 toward the project. DA5a requires a contribution from the NTIFA of \$10,000. An appropriation of \$10,000 of available UNP TIF Fund balance is needed to fund the NTIFA portion of the master planning effort. The master planning effort is on-going. Staff is working with UNP, UTC, and RTKL to schedule a date for a presentation to the City.

DISCUSSION:

Economic Development and Quality Job Creation: As discussed with Council at its Study Session on March 21, 2017, the NEDC has requested a draw be made upon the authorized 2011 UNP Project Plan Tax Apportionment Revenue Note pursuant to the Economic Development Agreement (Sections 4.1.d and 5.1.b) in the amount of \$3,000,000. Rather than issue a new Note and incur additional interest and financing costs, Staff recommends that this request from NEDC for the purpose of paying off the Infrastructure Loan when it comes due in June of 2017, related carrying cost for the Land Acquisition Loan, and maintenance expenses pending future lot sales, be satisfied from accumulated TIF ED increments. There are sufficient TIF ED incremental revenues that have accumulated to be used for this purpose under the prior Economic Development Agreement. The available cash is on deposit at the NTIFA Trustee Bank. NEDC is agreeable to this approach as well.

Additionally, under DA6, IMMY has earned a Quality Jobs creation incentive of \$21,875. This Quality Jobs creation incentive was assigned to NEDC and is now due. An appropriation of UNP TIF ED Fund balance is needed for these two items.

Robinson Street Entrance: A further appropriation of University North Park Tax Increment Finance District Fund balance, reserved for UNP BID expenses, in the amount of \$353,085 is needed to fund the design and construction of Entryway Signage at Robinson and 24th Avenue, with the Developer (UTC, LLC) portion to be deposited into the UNP TIF Fund balance, reserved for BID expenses, upon receipt of the Developer portion. As required under DA5a, UTC's 50% share of the entrance cost will be deposited back to the UNP BID Fund balance upon receipt.

Master Plan: A further appropriation of University North Park Tax Increment Finance District Fund balance in the amount of \$10,000 is needed to fund the NTIFA's portion of the Master Plan process being completed by RTKL also as required under DA5a.

RECOMMENDATION: Staff recommends approval of the following:

- *NEDC Note:* An appropriation in the amount of \$3,000,000 from the UNP TIF Fund Balance (Account Number 057-000-253.20-00) to Economic Development Activities, NEDC Construction (Project UT0008, Account 057-9542-419.60-01).
- *IMMY Incentive:* An appropriation in the amount of \$21,875 from the UNP TIF Fund Balance (Account Number 057-000-253.20-00) to project Economic Development Activities, NEDC Construction (Project UT0008, Account 057-9542-419.60-01).

- An appropriation in the amount of \$353,085 from the UNP TIF Fund Balance (Account Number 057-000-253.20-00) with \$52,200 to project UNP Entrance Signs (BID) Design (Project UT0013, Account 057-9510-431.62-01) and \$300,885 to project UNP Entrance Signs (BID) Construction (Project UT0013, Account 057-9510-431.61-01).
- An appropriation in the amount of \$10,000 from the UNP TIF Fund Balance (Account Number 057-000-253.20-00) to project UNP Master Land Use Plan (Project UT0014, Account 057-9388-431.62-01).