



## Legislation Text

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**File #:** R-1819-16, **Version:** 1

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**RESOLUTION R-1819-16:** A RESOLUTION OF THE NORMAN TAX INCREMENT FINANCE AUTHORITY APPROPRIATING \$35,000 FROM ACCUMULATED UNIVERSITY NORTH PARK (UNP) TAX INCREMENT FINANCING DISTRICT (TIF) REVENUES FOR THE PURPOSE OF FUNDING AN ECONOMIC IMPACT ANALYSIS AND FISCAL IMPACT ANALYSIS TO BE PERFORMED BY HVS CONVENTION, SPORTS, & ENTERTAINMENT FACILITIES CONSULTING ("HVS") AND AN ADDITIONAL \$25,000 FROM ACCUMULATED UNP TIF REVENUES FOR THE PURPOSE OF COMPENSATING HVS FOR WORK PERFORMED TO REVIEW VARIOUS REPORTS AND STUDIES REGARDING AN ENTERTAINMENT DISTRICT PROPOSAL AT THE UNP PROJECT, TOGETHER TOTALING \$60,000.

**BACKGROUND:** The University North Park Tax Increment Finance District Project Plan (City of Norman TIF #2; UNP TIF) was approved by the City Council on May 23, 2006 (Ordinance 0506-66). This Project Plan Ordinance was amended on August 26, 2008 (Ordinance 0809-8). A proposed Amended and Restated University North Park Project Plan ("Project Plan") has been prepared based on input received from Council members, City Staff, the City's financial advisors, and representatives of the affected ad valorem taxing jurisdictions.

The University North Park Planned Unit Development (UNP PUD) was approved by the City Council on August 27, 2002 (Ordinance 0203-2), and amended on December 12, 2006 (Ordinance 0607-13). This PUD placed general limits on the intensity of land uses in various parts of the UNP development. A jointly-funded master plan for updated land uses in University North Park was presented to Council in 2017. The "CallisonRTKL Master Plan" has been reviewed and the amended zoning allowing an additional seven percent (7%) commercial use of the University North Park Planned Unit Development (UNP PUD) was approved by the Planning Commission on June 6, 2018, by a vote of 5-1. The proposed UNP PUD amendment (Ordinance 1718-15) was on the Council Agenda for first reading on June 26, 2018 and was scheduled to be on second and final reading for July 10, 2018. The applicant seeking the UNP PUD amendment has now requested that the item be postponed to August 14, 2018. Resolution R-1718-124 was also on Council's Agenda on June 26, 2018, to consider forwarding the proposed amendments and additions to the UNP TIF (City of Norman TIFs #2, #4 and #5) to a Statutory TIF Review Committee for review, comment, and recommendation. Council postponed action on R-1718-124 to its July 24, 2018 meeting in order to allow additional time for HVS to perform independent economic and fiscal impact analyses.

At the Council Conference on that same date, Mr. Tom Hazinski, President of HVS Convention, Sports, & Entertainment Facilities Consulting ("HVS") presented his review of a number of other studies and reports regarding the Entertainment District proposal. Mr. Hazinski had reviewed: UNP Master Plan update from Callison/RTKL; a feasibility study from Convention, Sports & Leisure ("CSL"); The Impact of Proposed New UNP Development on Property and Sale Tax Revenues for the City of Norman and Cleveland County by Robert Dauffenbach; a "Budget Supplement" by Cynthia Rogers; a Critiques of Budget Supplement by Robert Dauffenbach; and An Economic and Fiscal Impacts report by the Oklahoma Department of Commerce, Research & Economic Analysis Services. Mr. Hazinski advised that while these reports were effective for the purposes for which they were commissioned, none of the materials were true economic or fiscal impact analyses.

Consistent with Council's direction when it postponed R-1718-124 to the July 24, 2018 meeting, Mr. Hazinski has moved forward with true economic and fiscal impact analysis of the OU Foundation's Entertainment District proposal. Mr. Hazinski believes the analysis and report could be accomplished in about a three week time period, depending on how quickly underlying factual information needed for the analysis could be accumulated.

**DISCUSSION:** The parameters of the Economic and Fiscal Impact Study are outlined in the attached proposal and the cost is quoted at thirty-five thousand dollars (\$35,000). The review work performed by HVS in June was coordinated through the Center for Economic Development Law, the City's Economic Development Counsel, and that work carried a cost of twenty-five thousand dollars (\$25,000). The total cost of the HVS independent analysis of the Entertainment District Proposal is sixty thousand dollars (\$60,000), including the reviews performed previously. The item before Council, Resolution R-1819-16, appropriates accumulated UNP TIF Fund balance to cover these costs. The UNP TIF

Project Plan provides for Initial Project Costs as an eligible use of incremental revenues generated by the UNP Project. Appropriating these costs from accumulated TIF Revenues will avoid funding these costs from General Fund allocations.

The proposed Amendment to the UNP Project Plan provides limited public assistance to the project, paid from incremental revenues generated from economic activity in the UNP District, projected to accomplish the following:

- Over \$500 million in private investment, bringing new residents and visitors to Norman;
- New-to-market living options, helping to attract and retain young professionals;
- Non-retail investment and job growth, helping to attract and retain young professionals;
- Short-term reduction in the apportionment share of sales tax from the City's General Fund to the UNP TIF Fund;
- Significant long-term expansion to the tax base of affected property-taxing jurisdictions;
- Completion of original UNP TIF project goals and objectives

The apportionment of sales tax and property tax will be extended (for UNP TIF #2) and authorized with the adoption of the proposed amendments to UNP TIF #2 and adoption of proposed UNP TIFs #4 and #5. These Project Plan amendments provide a structure for moving forward, but no funds for new authorized project costs will be expended until appropriate development agreements have been prepared and approved by the Norman Tax Increment Finance Authority; until development agreements are approved, apportioned sales taxes and property tax would remain in the UNP TIF Fund balance. No assistance in development financing will be provided towards proposed Entertainment District, Arena, and Parking Garage Project Costs unless and until the developer of the entertainment district, arena, and parking garage has provided evidence of financing of the entertainment district, arena, and parking garage.

After the adoption of the amended Project Plan Ordinances, the closing on any public financing for specific approved projects is contingent upon the private financing necessary for the project. The development agreement and/or financing agreement, to be entered into between the Authority and developer, will provide performance goals, timelines, and appropriate remedies in the event of nonperformance.

HVS consultant, Mr. Hazinski, has stated that Norman is a "retail activity importer". That is to say that more shoppers from outside of Norman come to Norman to shop than those existing Norman shoppers that leave Norman to shop at neighboring communities. A regional draw attraction new to Norman, such as an Entertainment District, will bring new economic activity and thus sales tax revenue to the City of Norman. However, the question has been posed, how much "net new" economic impact can be anticipated from the Project. For example, to the extent OU basketball games are already occurring in Norman, use of the anchor arena in the Entertainment District by OU basketball would only represent net new economic impact if attendance increases, if attendees at OU basketball games spend more while in Norman, or if there are other entertainment options surrounding the arena that would cause extending time in Norman with additional spending that was not already occurring.

On a broader scale, Council has also requested additional information regarding issues of "cannibalization" of business from other parts of the City of Norman, where sales tax is deposited to the City General Fund and Capital Fund, to UNP, where sales tax is apportioned to the TIF Fund. Stated another way, will shoppers that currently shop in other parts of Norman merely redirect the same level of shopping to the UNP area, consequently not generating any "net new" sales tax to the City or County? Mr. Hazinski believes some additional information to be gleaned from the Economic and Fiscal Impact Analysis may help with these types of questions related to sales tax generation. The HVS analysis will include a measurement of new visitation and resulting new economic and spending impacts, including direct, indirect, induced, employment, and net fiscal impacts.

The City Manager, Development Counsel, and the City Attorney have met with the Mayor and Council members in small groups since June 27<sup>th</sup> Council meeting to confirm their interest in continuing with HVS services and Development Counsel services to further evaluate the UNP Entertainment District Proposal. This item is the result of those discussions.

Council member Bierman suggested an additional service be added to the scope that would include an assessment of impacts and effects on the multiple land uses contemplated by the development should a recession occur. HVS is willing to add this analysis to include sensitivity analysis of the impact of a recession by modeling the impacts based on the experience of the most recent recession. This would also require a multi-year analysis that models alternative growth

rates for each land use during a hypothetical recession and the subsequent recovery period.

Council member Hickman suggested an additional service be added to the scope that would include an assessment of impacts if the project occurs compared with impacts if the project does not occur. The scope of services proposed already anticipates estimating the net new economic impact of the TIF development for a stabilized year of demand. However, HVS is willing to expand their scope to estimate the annual recurring impacts during each year of the ten-year buildout of the UNP. HVS would plan to compare the annual impacts with an alternative scenario in which the UNP develops at a slower rate in the absence of the TIF incentives.

Adding these two suggested expansions to the scope of work would increase the cost an additional ten thousand dollars for a total additional cost of forty-five thousand dollars above the work previously performed as described above. As City Staff was not able to discuss these additions with Council members prior to preparing this Agenda item, if Council desires to add this additional scope of work then it is suggested a motion be for that purpose.

**RECOMMENDATION:** To comply with Council's request that HVS perform additional economic and fiscal impact analyses for the Entertainment District proposal in the UNP development, additional funding of thirty-five thousand dollars (\$35,000) will be required, or forty-five thousand dollars (\$45,000) if the scope is expanded as suggested by Council members Bierman and Hickman. The cost of HVS performing the previous review was twenty-five thousand dollars (\$25,000). It is recommended that these costs be appropriated from UNP TIF Fund balance (account 057-0000-253.20-00) to the UNP Master Land Use Plan, Design (account 057-9388-419.62-01; project UT0014).