



Legislation Text

File #: R-1819-45, **Version:** 2

RESOLUTION R-1819-45: A RESOLUTION OF THE COUNCIL OF THE CITY OF NORMAN REQUESTING A RECOMMENDATION FROM THE STATUTORY REVIEW COMMITTEE OF HOW TO END THE UNIVERSITY NORTH PARK TAX INCREMENT FINANCING (UNP TIF) PROJECT COST FUNDING MECHANISM UTILIZING SALES TAX INCREMENT AS SOON AS POSSIBLE WITHOUT DAMAGING WHAT BENEFIT THE NORMAN PUBLIC SCHOOLS MIGHT BE RECEIVING IN STATE SCHOOL FUNDING BY VIRTUE OF THE UNP TIF DISTRICT.

BACKGROUND: The UNP TIF District was approved by City Council after a citizen committee process where sixteen Norman Citizens were appointed on June 28, 2005, to review the proposal made by representatives of OU and developers of the Project. Citizens serving on the committee included the following: Doug Cubberley (co-chair); Marc Nuttle (co-chair); Trey Bates; Joyce Collard; John Hancock; Nick Hathaway; Steve Lucas; Gene McKown; Clark Mitchell; Sharon Parker; Gail Poole; Sean Rieger; Richard Ryan; Bob Thompson (former Mayor); Chuck Thompson; and Lyntha Wesner. The Citizen Committee met intensively for two months and submitted its 10 page report to City Council in September of 2005. (Citizen Committee Report)

Following citizen review and vetting of the proposal, the proposed Project Plan was submitted to a Statutory Review Committee as required by Oklahoma Statutes to allow the potentially affected ad valorem taxing jurisdictions to make recommendations regarding the proposal. The ad valorem taxing jurisdictions include the Norman Public Schools, Cleveland County, County Health Department, Moore-Norman Technology Center, and the Pioneer Library System, the Mayor, a representative of the Planning Commission, as well as three citizen members elected at large. In 2006, those elected at large citizens were Gene McKown, Marc Nuttle, and Chuck Thompson. The recommendation from the Statutory Review Committee recommended creation of a twenty-five (25) year development plan that allowed investment of up to \$54.75 million in incremental revenues that was projected to entice \$500 million of private investment which was projected to generate additional tax revenues for the City and other taxing jurisdictions of \$1 million annually over the near term and up to \$20 million annually over the life of the project. (see Executive Summary and Economic Analysis). The economic projections were also performed by Dr. Lex Holmes of the University of Oklahoma. (See Holmes report)

The components of the UNP Project Plan that were anticipated to generate this level of economic development in Norman included: Traffic and Roadway improvements to serve the Project with incremental revenue of up to \$11.55 million assisting in those costs; a Hotel and Conference Center with up to \$16.5 million of incremental revenue assisting with those costs; a public park with public art, enhanced landscaping, later built as Legacy Park with up to \$8.25 million of incremental revenue assisting with those costs; a Regional Draw retail component referred to as a Lifestyle Center was allotted up to \$8.25 million of incremental revenue for retail incentives; and an Economic Development effort to assist the Norman Economic Development Coalition (NEDC) in its efforts to bring quality jobs to Norman was allotted up to \$8.25 million of incremental revenue assisting with those costs. (see Original Project Plan)

Since its adoption by the City Council on May 23, 2006, UNP TIF District through 2017, approximately \$30 million of incremental revenues have been directly apportioned to the Project *to fund public improvements* that include streets, intersections, traffic signals, Legacy Park, and Rock Creek Overpass, or to assist NEDC with Quality Job recruitment. The majority of the traffic and roadway improvements have been completed. The Embassy Suites Hotel and Conference Center has been accomplished at no cost to the City. Rock Creek Overpass has been completed. Legacy Park has been completed. NEDC has acquired 60 acres at reduced cost to assist in Quality Job employer recruitment. Infrastructure for the NEDC land has been installed. IMMY, the first Quality Jobs employer has opened a new facility creating over 40 quality jobs.

This public investment has resulted in \$230 million in private investment which has resulted in the generation of over \$74.8 million in gross sales taxes. Of that \$44.23 million has gone to the City's General Fund as follows: \$9.6 million for Public Safety Sales Tax (PSST); \$2.6 million to the Norman Forward Fund; \$10.2 million to the General Fund due to adjustments accounting for businesses located elsewhere in the City that relocated into the Increment District; \$0.8 million to the General Fund due to annualized growth rate calculations accounted for in the Increment District; \$21 million

from direct allocation of 40% of the sales tax increment to the General Fund; and \$30.6 million to the incremental sales tax revenue allocation available for public infrastructure and project costs in the Increment District.

Additional ad valorem tax incremental collections for this time period were over \$20 million of which \$10 million was available to fund Project Costs, and \$10 million was retained by the ad valorem taxing jurisdictions. This sharing of ad valorem revenues generated in the increment district with the ad valorem taxing jurisdictions was a unique approach when compared to other TIFs utilized in the state, as most of those capture 100% of the ad valorem increment for Project Costs. In addition, approximately \$1.1 million has been generated by the Project through Hotel/Motel tax revenue, which specifically benefits arts, public parks, and tourism.

The outstanding UNP TIF Note has been fully paid off; a cash balance of incremental revenues for Project Costs of \$10,739,427 currently exists; Outstanding Project Cost Authorizations under the Amended 2008 Project Plan total \$25,081,627, which includes funding for Regional Draw Retail Incentives (\$8.25 million) and Cultural Facilities funding (\$8.75 million). The Project goals of a Regional Draw and a Cultural Facility have not been met. Annual estimated incremental accrual for Project Costs is estimated to be approximately \$4 million in sales taxes and approximately \$2 million in ad valorem taxes.

This item follows the November 6, 2018 Study Session regarding the UNP TIF. Council has expressed concern regarding the health of the City's General Fund and has expressed a lack of confidence that a Lifestyle Center project that would meet the criteria for UNP TIF incentives would materialize. In addition, Council expressed some concern that a Cultural Facility project in the UNP TIF District will not materialize. Council also expressed concern that their possible actions regarding UNP TIF not negatively impact the Norman Public Schools. Resolution R-1819-45 seeks a recommendation from the Statutory TIF Committee on how best to end the apportionment of incremental City Sales taxes generated in the UNP District to Project Costs without damaging what benefit the Norman Public Schools might be receiving by virtue of the UNP TIF District.

DISCUSSION: The Resolution was drafted using as a template the Resolution adopted last spring by City Council when it sent the Senior Center funding question to the Statutory TIF Committee for comment. All the language in the sections in the Resolution is the same except some tweaking in §18, and §25. Sections 26-31 are new as background. Section 28 references the change in OU leadership that has resulted in altering the land swap agreement approved by City Council last December. Section 29-31 references the discussion last Tuesday. Language changes to the prior Resolution and new language to this point are indicated in "red". The "Therefore" clauses §32-35, are all new as setting out the request to the Statutory Review Committee, but follow the same format at the Resolution from last spring that Council adopted.

Attachments to this item include: the draft Resolution; 11/6/18 Study Session materials; Re-Apportionment memo to Council of 8/30/18; As requested, more detailed information regarding the Project Plan, project costs expended, obligations under the Development Agreements, and recent steps taken toward implementation of the Project Plan; and a compilation of the Citizen Committee Report; Project Plan, Project Plan as amended in 2008, and Council approved Development Agreements.

RECOMMENDATION: It is believed Resolution R-1819-45 is consistent with the direction given by City Council on November 6th. A draft of the Resolution language was sent to Council members late Thursday afternoon. While the City Manager did hear from some Council members regarding the Resolution language, there did not appear to be consensus on modifications to the Resolution. There was no objection expressed for having the Resolution on for Council discussion and possible amendment at the City Council meeting. If this Resolution, or some amended version thereof is approved by Council, then the Mayor, as Chair of the Statutory TIF Committee, will assemble that committee and seek their recommendation regarding this matter.