

**FIRST AMENDED DOWNTOWN AREA ECONOMIC
DEVELOPMENT PROJECT PLAN**

FINANCIAL IMPACTS REPORT:
INCREMENT DISTRICT I
(WPX HEADQUARTERS TIF DISTRICT)

PREPARED BY:

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ANALYSIS OF THE FINANCIAL IMPACTS OF THE PROPOSED INCREMENT DISTRICT I (WPX HEADQUARTERS TIF DISTRICT)

I. BACKGROUND AND DESCRIPTION OF WPX PROJECT

Over time, the City of Tulsa (“City”) has undertaken a series of economic development strategies, both for the community as a whole and for the central city in particular. These strategies include the various urban renewal plans, economic development incentives such as the Downtown Development and Redevelopment Fund, and the adoption of Tax Incentive District No. 1 as authorized by Oklahoma’s Local Development Act, 62 O.S. § 850, *et seq.* (“Act”). In an effort to further its economic successes within the City’s Inner Dispersal Loop and an area immediately adjacent to the northeast, in December 2017 the City adopted the Downtown Area Economic Development Project Plan (“Project Plan”) pursuant to the Act. The Project Plan provided for the creation of eight (8) increment districts encompassing several cultural districts: the Arts District (formerly Brady Arts District), Greenwood, Blue Dome, East Village, Oil Capital / CBD, Deco, and Gunboat Park. Historic Rt. 66, “America’s Main Street,” also traverses the area.

Since adoption of the Project Plan, the City has been working on its implementation, and in the process, entered into discussions with WPX Energy on the creation of a new headquarters facility on land that is within one of the Project Plan’s increment districts on the edge of the Arts District and in the historic Greenwood area. WPX currently leases space for its offices in downtown Tulsa, so no new permanent jobs are anticipated for the project, but the WPX Headquarters project will involve the construction of a major corporate office building that will be owned by WPX or an affiliate and will generate new jobs and additional payroll. The cost of the facility is estimated to exceed \$110 million, and it will include: at least 240,000 square feet of Class A office space; a 650-space parking structure; an additional 400 publicly-accessible parking spaces; 5,000 square feet of street-front retail space; and enhanced streetscaping and design components that will integrate the facility with the rest of the Arts District and the City’s central business district. The amount of public improvements and assistance needed to support the WPX Headquarters project would exceed the remaining budget in the existing TIF district where the facility is proposed, so the City has prepared the First Amended Downtown Area Economic Development Project Plan (“Amended Project Plan”) that removes the WPX Headquarters project site from the existing TIF district and establishes it as its own, stand-alone TIF district (labelled “Increment District I” in the Amended Project Plan).

II. HOW TAX INCREMENT FINANCING WORKS

Under the mechanism of tax increment financing, two geographic areas are defined. The first is the “project area.” A project area 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 is generated. The project area and increment district(s) may or may not be co-extensive.

The value of property within an increment district is determined upon the effective date of the increment district. This becomes the base assessed value of 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 a variety of taxing jurisdictions according to prescribed formulas. Throughout the life of the project, this revenue will continue to flow to the taxing jurisdictions. In the event of a general reassessment of property values within the increment district, the ad valorem tax revenue received by the taxing jurisdictions will be proportionately adjusted. To this extent, the taxing jurisdictions are not affected by the implementation of tax increment financing through ad valorem apportionment.

Once development of the property within the increment district occurs, the market value and (consequently) the assessed value of that property 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 to an apportionment fund which is used to pay the eligible public costs of the project, either directly or through the issuance of bonds.

The apportionment of ad valorem tax increments continues for a period of up to 25 fiscal years from the date the increment district commences or until all eligible public costs are paid, whichever is less. Once the tax apportionment period expires, the revenue from the increased assessed value of property within the increment district is divided among the taxing jurisdictions according to their proportional levies, in addition to the revenue from the base assessed value that the taxing entities received throughout the apportionment period.

III. IMPACTS AND EFFECTS OF INCREMENT DISTRICT I (WPX HEADQUARTERS TIF DISTRICT) ON TAXING JURISDICTIONS

A. Overall Financial Impacts on Affected Taxing Jurisdictions

A majority of increment generated from the Increment District I will be apportioned to pay authorized project costs. However, ten percent (10%) of the ad valorem increment generated from Increment District I will be apportioned to Tulsa Public Schools (“TPS”) on an ongoing basis as a specific revenue source for that entity. The benefits of the proposed WPX Headquarters project will be significant for the taxing jurisdictions located in the Project Area, and for the community as a whole. The actual increase in demand for services upon those taxing jurisdictions is expected to be limited, and to the greatest extent possible offset by the public development assistance component of the Amended Project Plan.

Increment District I consists of property that has been underdeveloped for many years. The previous business operating on a portion of the area—Spaghetti Warehouse—went out of business several years ago, before that property was acquired by WPX. Approximately half the area of Increment District I was occupied by a surface parking lot. In its current condition, the property generates very little ad valorem tax revenue. The current assessed value within Increment District I as of its commencement date will continue as the basis for allocating the tax revenue to the taxing jurisdictions during the life of the proposed project. Since funding rates for bonded indebtedness are calculated using the base assessed value within the increment district, repayment of bonded indebtedness is not affected.

The WPX Headquarters project is unlikely to occur without public assistance. Concentrated and continuous stimulation of the redevelopment of the area, as contemplated by the Amended Project Plan throughout all of its increment districts, including Increment District I, will result in a greatly enhanced ad valorem tax base, from which all of the affected taxing jurisdictions will benefit. In addition, the benefits of construction employment and the tax revenue that it will generate will result in additional benefits to the involved taxing jurisdictions.

B. Specific Effects of \$110 Million WPX Headquarters Facility

The following analyses are based on projected ad valorem increment generation for Increment District I and the WPX Headquarters project as indicated in the executed term sheet for the project dated August 29, 2019. Any additional assumptions are described within the narrative of the following sections.

1. Tulsa Public Schools

The WPX Headquarters project is not likely to generate increased demand for services from TPS. WPX employees are already housed downtown, and no additional residential development is anticipated as part of the project. Without any direct impact on TPS service demand, TPS should experience a positive fiscal impact from the project. The 10% specific revenue stream proposed from Increment District I will help offset the financial impact of increases in demand, if any, resulting from other projects under the Amended Project Plan. During the effective lives of Increment District I, the 10% specific revenue stream should provide TPS with revenue not subject to State School Aid offset averaging \$160,000 annually.

2. Tulsa County

No specific measurable demand for increased services upon Tulsa County is anticipated to result from the WPX Headquarters project.

3. Tulsa County Health Department

The Tulsa County Health Department will be positively affected by construction employment that the WPX Headquarters project will generate. The project also contributes to the overarching promotion of the Project Area as a highly walkable district will support public health initiatives.

4. Tulsa City-County Library

Because the proposed WPX Headquarters project is not residential, it will likely not contribute to immediate, day-to-day clientele for the Library system.

5. Tulsa Technology Centers

The nature of the WPX Headquarters project makes it unlikely to create any increased demand for educational services and training by Tulsa Technology Center. However, opportunities for mutually beneficial services and activities certainly exist.

6. Tulsa Community College

The nature of the WPX Headquarters project makes it unlikely to create any increased demand for educational services and training by Tulsa Community College. However, the establishment of a permanent headquarters for a large employer is likely to create indirect benefits and opportunities for the college and its graduates.

IV. IMPACTS ON BUSINESS ACTIVITIES

Construction and development economic impacts stimulated by the private and public development of the WPX Headquarters project and within Increment District I are estimated to be as follows:

PROJECTED DEVELOPMENT:	\$ 110,000,000
TEMPORARY JOBS SUPPORTED ¹ :	1,650
TEMPORARY PAYROLL SUPPORTED ² :	\$ 63,732,900
PERMANENT JOBS RETAINED:	450

¹ 1,000 FTEs/\$100 million total investment; 1.5 impact multiplier.

² Average wage of supported job = \$18.57/hour (\$38,626/year).

ANNUAL AD VALOREM REVENUE UPON TERMINATION OF TIF I³: \$ 1,661,181

V. CONCLUSION

The WPX Headquarters project will have a positive long-term financial benefit for the Tulsa 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 Amended Project Plan, which addresses public costs associated with the project and minimizes the burden of providing additional government services.

³ Mill Levy = 137.34; 0% annual appreciation.