



TULSA INTERNATIONAL AIRPORT ECONOMIC DEVELOPMENT PROJECT PLAN

# FINANCIAL IMPACTS REPORT

A PROJECT OF:

THE CITY OF TULSA

IN COOPERATION WITH:

TULSA COUNTY

TULSA INTERNATIONAL AIRPORT DEVELOPMENT TRUST

TULSA AIRPORTS IMPROVEMENT TRUST

WITH THE ASSISTANCE OF:

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## **I. HOW TAX INCREMENT FINANCING WORKS**

Under the mechanism of tax increment financing, two geographic areas are defined. The first is the project area. This 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 will be generated. The project area and increment district may or may not be co-extensive. The value of property within the increment district is determined upon approval of the project plan. This becomes the base assessed value of all taxable 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 the taxing jurisdictions according to each jurisdiction's levy. 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 increases, and so the assessed value of that property also 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 (i.e. allotted) to an apportionment fund that is used to pay the eligible public costs of the project either directly or through the issuance of bonds. This apportionment of ad valorem tax increments will continue for the lesser of a period of 25 fiscal years from the date of approval or until all eligible public costs are paid. Once the tax apportionment period expires, the revenue from the increased assessed value of property within the increment district will be divided among the taxing jurisdictions, in addition to the revenue from the base assessed value that these entities will have continued to receive.

## **II. THE PROPOSED TULSA INTERNATIONAL AIRPORT ECONOMIC DEVELOPMENT PROJECT**

The Tulsa International Airport Economic Development Project embraces an area bounded by North Port Road, East 56th Street North, Highway 169, portions of Pine Street and Interstate-244, and extending just a little west of North Sheridan Road. This area is shown on the attached Exhibit A.

The Tulsa International Airport Economic Development Project Plan ("Project Plan") anticipates private investment in the Project Area of approximately \$900 million over a period of twenty-five years. Private investment is expected to consist of business and commercial development. This increased development is estimated to increase market and assessed values for property within the increment districts which, in turn, will result in combined increases in annual ad valorem tax revenues ("ad valorem increments") and, in Increment Districts D and E, City sales and hotel tax revenue ("sales tax increments" and "hotel tax increments") (ad valorem, sales, and hotel tax increments, collectively, "increments" or "increment revenues"), of approximately \$500,000 annually in the near term and \$5 million annually over the longer term. These annual increments will contribute to the payment of the necessary public costs and improvements required to permit the contemplated private and public investment to occur. Aggregate public and private nonprofit development is projected to be \$200 million.

The following projections are based upon the impacts of the total \$900 million in private taxable investment and \$200 million in public development. Projects such as those contemplated by the Project

Plan have both direct and indirect economic benefits. They have design and construction impacts, which are generally one-time impacts. They also have continued annual impacts after completion.

### **III. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS**

#### **a. Overall Financial Impacts upon the Affected Taxing Jurisdictions**

Under the proposed Project Plan, all increment revenues will be apportioned to the Apportionment Fund for use by the Tulsa International Airport Development Trust to pay for authorized project costs. Increments will not be subject to annual appropriation as part of the general fund of the City or County. When the Increment Districts have terminated, the increments shall be distributed pursuant to the applicable ad valorem and sales tax statutes.

The benefits of the proposed development under this project will be significant for the taxing jurisdictions in which the project area and districts are located and for the community as a whole. The actual increase in demand for services upon those taxing jurisdictions that the proposed developments represent, if any, is extremely limited.

The increment districts still contain a significant number of vacant parcels that generate very little ad valorem tax revenue and no sales tax revenue in their present condition. Portions of the increment districts are currently held in public ownership, contributing nothing to the ad valorem tax revenue of the area.

The current assessed value within the district at the time of project approval 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 will not be affected.

Development of the area is unlikely to occur without public assistance, as the history of the area shows. Concentrated and continuous stimulation of the development of the area, as contemplated by the project plan, 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 new employment in the community will result in benefits to the involved taxing jurisdictions.

#### **b. Specific Effects from the \$900 Million Additional Private Growth**

##### **i. Tulsa Public Schools**

The business and commercial redevelopment which is a primary goal of this project is unlikely to generate any measurable increased demand upon services for Tulsa Public Schools, as the residential population within the Project Area will not increase from the proposed development. In addition, the growth in the number of jobs and individual income will have positive economic impacts outside the Increment Districts. The Local Development Act specifically provides that, for purposes of calculating state school aid, only the base assessed value shall be used and increases above the base assessed value must be disregarded. Therefore, the increase in assessed values in the Increment Districts will not negatively impact Tulsa Public Schools' state aid.

**ii. Tulsa County**

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

**iii. Tulsa Health Department**

The Tulsa Health Department is negatively impacted by unemployment and underemployment. New employment can create only positive impacts upon this taxing jurisdiction. The proposed Project is estimated to produce substantial new employment, as discussed in Section IV herein.

**iv. Tulsa City-County Library**

The proposed commercial and industrial development to be stimulated by the project will likely not contribute to immediate, day-to-day clientele for the Library system.

**v. Tulsa Technology Center**

The nature of the project makes it likely to create some increased demand for training by Tulsa Technology Center. Any increased demand for job training occasioned by the project is likely to be complementary in its impact upon Tulsa Tech.

**vi. Tulsa Community College**

The business and commercial redevelopment which is a primary goal of this project is unlikely to generate any increased demand upon services for Tulsa Community College.

**IV. ECONOMIC IMPACTS ON BUSINESS ACTIVITIES**

Construction and development economic impacts stimulated by the private and public development within Increment Districts A through E are estimated to be as follows:

<u>Projected Development</u>	<u>Temporary Jobs Supported<sup>1</sup></u>	<u>Temporary Payroll Supported<sup>2</sup></u>
\$900,000,000	4,078	\$247,492,414

The continued annual impact of the proposed developments on the community is of greater significance. Isolating the specific impacts of the Increment Districts are not possible, but through correlation of demands for commercial and industrial space within the District, a meaningful calculation of effects on business activities is possible. Commercial and industrial developments reflect corresponding growth in economic demands for a spectrum of business activities in the retail, commercial, technical, industrial and office categories. The continuing and cumulative economic impacts of the developments stimulated by the new development are estimated to be as follows:

<sup>1</sup> 1,000 jobs = 967 FTEs = \$220 million; 1.37 Type 1 Effects Multiplier.

<sup>2</sup> Average wage of supported job = \$18.57/hour.

<u>Projected Development</u>	<u>Permanent Jobs Supported<sup>3</sup></u>	<u>Permanent Payroll Supported<sup>4</sup></u>	<u>Annual Ad Valorem Revenue<sup>5</sup></u>
\$900,000,000	2,300–3,500	at least \$44,393,024	\$13,316,490

**V. CONCLUSION**

Clearly, the projected development projects will have a very positive long-term benefit for the whole community and for the State of Oklahoma. 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 the anticipated commercial and industrial development on the provision of governmental services is balanced by the public improvements and infrastructure component in the Project Plan, which addresses public costs associated with the Project and minimizes the burden of providing additional government services.

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<sup>3</sup> Projected new jobs created upon project completion according to Tax Increment Financing Application dated December 30, 2014. Total jobs by type, nature and category: Heavy Industrial/Technical – 800 to 1,600; Warehousing/Light Industrial – 720 to 1,200; Light Office – 204; Retail – 579.

<sup>4</sup> This estimate assumes lowest number of new employees in the previously listed ranges, and the lowest potential wage data for the industries presented by those projections: \$8.89/hour for industrial jobs, \$10/hour for office and retail jobs. Hourly wages for those industries will vary on average between \$8.89–\$20.82 for industrial jobs and between \$10–\$40 for office jobs.

<sup>5</sup> Mill Levy = 134.51.