

# SANTA FE SQUARE ECONOMIC DEVELOPMENT PROJECT PLAN

## INCREMENT DISTRICT NO. 8, CITY OF TULSA

# FINANCIAL IMPACTS REPORT

PREPARED BY:

THE CITY OF TULSA, OKLAHOMA



WITH THE ASSISTANCE OF:

CENTER FOR ECONOMIC DEVELOPMENT LAW

301 North Harvey, Suite 100  
Oklahoma City, Oklahoma 73102  
(405) 232-4606

[econlaw@econlaw.com](mailto:econlaw@econlaw.com)

# **SANTA FE SQUARE PROJECT PLAN**

## **FINANCIAL IMPACTS REPORT**

### **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 SANTA FE SQUARE PROJECT**

The Santa Fe Square Project embraces an area bound generally on the north by Interstate 244; on the east by Highway 75; on the south by East 8<sup>th</sup> Street; and then on the west irregularly by sequence: South Cincinnati Avenue, East 6<sup>th</sup> Street, South Boston Avenue, East Fifth Street, South Cincinnati Avenue, mid-block between East 4<sup>th</sup> Street and East 3<sup>rd</sup> Street to Boston Avenue, then up Boston Avenue through the plaza fronting the Performing Arts Center, East Second Street, South Cincinnati Avenue again to the Santa Fe Railroad Tracks, then down the railroad right-of-way to North Elgin Avenue, then up North Elgin Avenue to Interstate 244. The boundaries of the proposed Increment District No. 8, City of Tulsa ("Increment District"), can be generally described as the superblock bound by South Elgin Avenue, East 1<sup>st</sup> Street, South Greenwood Avenue, and East 2<sup>nd</sup> Street.

The Santa Fe Square Project Plan ("Project Plan") anticipates private investment in the Project Area of approximately \$160 million over a period of twenty-five years (consisting of a mixed-use development containing: approximately 291 market-rate residential units; 70,000 square feet of retail

space; 135,000 square feet of Class A office space; and a 105-room, full-service, boutique hotel). This increased development is estimated to increase market and assessed values for property within the Increment District which, in turn, will result in increases in annual ad valorem tax revenues (“ad valorem increments”) of approximately \$2–2.35 million. Additionally, increases in City sales tax revenue (“sales tax increments”) are estimated to be approximately \$500,000 annually in the near term and \$650,000 annually over the longer term. Total incremental revenues estimated to be generated over the 25-year lifespan of the Increment District range between \$59.7–68 million. These annual increments will contribute to the development of the necessary public costs and improvements required to permit the contemplated private investment to occur.

The following projections are based upon the impacts of the total \$160 million in private taxable investment. 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 Industrial Authority, or another public entity designated by the City, to pay for authorized project costs. Once the Increment District terminates, the increments shall be distributed pursuant to 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 Increment District are located and for the community as a whole. The actual increase in demand for services upon those taxing jurisdictions that the proposed development represents, if any, will be limited.

The Increment District at present contains a number of vacant or underperforming parcels that generate very little ad valorem tax revenue, and no sales tax revenue, in their present condition. The current assessed value within the Increment 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. 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 \$160 Million Private Growth.

1. *Tulsa Public Schools.* The residential portion of the mixed-use development which is a primary goal of this project may generate, over time, a small increase in demand for services from Tulsa Public Schools. Typically, residential development in a city’s core appeals to

singles and empty-nesters rather than to families with school-age children. In some cities, families eventually follow—and Tulsa is seeing some of that—but even in these cities, city-core residential development continues to be predominated by residents without school-age children. In any event, stimulation of any residential development in a downtown area will be critically linked to the conditions and perception of the inner-city schools which would serve such residential development. Ultimately, Tulsa Public Schools will experience little to no measurable negative impact as a result of the project because nearly all of the proposed development will occur only because it is stimulated by public assistance and investment in the area (for example, because of the construction and development of new adjacent public or private facilities, and the provision of development financing assistance as prescribed in the Project Plan).

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

3. *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.

4. *Tulsa City-County Library.* The Central Library facility serves not only downtown, but the entire metropolitan area. Additionally, the Librarium currently serves the downtown area. The residential portion of the mixed-use development will likely contribute to the most immediate, day-to-day clientele for these facilities. The proposed commercial portion of the development will likely not contribute to immediate, day-to-day clientele for the Library system.

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

6. *Tulsa Community College.* The residential portion of the mixed-use development may generate increased demand for educational services from Tulsa Community College, but the commercial portion will be 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 the Increment District are estimated to be as follows:

PROJECTED DEVELOPMENT:	\$ 160,000,000
<hr/>	
TEMPORARY JOBS SUPPORTED <sup>1</sup> :	725

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

TEMPORARY PAYROLL SUPPORTED<sup>2</sup>:     \$   44,000,000

The continued annual impact of the proposed development on the community is of greater significance. Isolating the specific impacts of the Increment District are not possible, but through correlation of demands for residential and commercial space within the Increment District, a meaningful calculation of effects on business activities is possible. Residential and Commercial 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 stimulated by the new development are estimated to be as follows:

PROJECTED DEVELOPMENT:	\$ 160,000,000
NEW POPULATION <sup>3</sup> :	375–454
ANNUAL HOUSEHOLD INCOME <sup>4</sup> :	\$ 16,534,038
PERMANENT JOBS SUPPORTED:	1,494
ANNUAL AD VALOREM REVENUE <sup>5</sup> :	\$ 2,367,376

**V. CONCLUSION**

Clearly, the projected development project 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 mixed-use 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.

---

<sup>2</sup> Average wage of supported job = \$18.57/hour.  
<sup>3</sup> Occupancy = 1.29 persons / 1-bedroom unit; 1.56 persons / 2-bedroom unit.  
<sup>4</sup> Median Family Income = \$56,818.  
<sup>5</sup> Mill Levy = 134.51.