11THE AND LEWIS CORRIDOR PROJECT PLAN AND SUPPORTING INCREMENT DISTRICTS, CITY OF TULSA

FINANCIAL IMPACTS REPORT

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I. HOW TAX INCREMENT FINANCING WORKS

Over time, the City of Tulsa ("City") has undertaken a series of economic development strategies for the community. These strategies include the various urban renewal plans, economic development incentives such as the Downtown Development and Redevelopment Fund, and the adoption of tax increment financing districts, as authorized by Oklahoma's Local Development Act, 62 O.S. § 850, et seq. ("Act").

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 their respective levies. 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 a special 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.

II. THE PROPOSED 11^{TH} AND LEWIS CORRIDOR PROJECT

The 11^{th} and Lewis Corridor Project embraces an area generally located along East 11th Street between U.S. Highway 75 and S. Delaware Avenue, and along South Lewis Avenue between East 16th Street and East Archer Avenue. The boundaries of the proposed Increment District A can be generally described as located between South Lewis Avenue and South Atlanta Avenue north of East 11th Street and between the railroad tracks and South Lewis Place south of East 11th Street. The boundaries of the proposed Increment District B can be generally described as bounded by S. Yorktown Avenue on the west, East 10th Street on the north, S. Lewis Avenue on the east, and East 11th Street on the south.

The 11th and Lewis Corridor Project Plan ("Project Plan") anticipates private investment in the Project Area of at least $45 million, consisting of a mixed-use project including Tulsa's first food hall, established by the Lobeck Taylor Family Foundation, including a food incubator program, supporting retail components, and the redevelopment of the long-vacant Tulsa Welding School site into mixed-income apartments with mixed-use components and a parking structure. The Project Plan seeks to provide an economic structure and tax increment funding mechanism authorized by the Act to provide public improvements and to generate additional private investment throughout the Project Area. Public investments include approved public infrastructure and assistance in development financing. The Project Plan also authorizes a revenue sharing formula to support the Tulsa Public Schools (Independent School District No. I-1, "TPS"). Funding for these public investments will be generated primarily by the implementation of two ad valorem and sales tax increment districts, one of which will begin immediately, and the second of which will begin within the next ten years.

This increased development is estimated to increase market and assessed values for property within the increment districts which, in turn, will result in increases in annual ad valorem tax revenues ("ad valorem increments") of approximately $100,000 in the near term and $700,000 over the longer term. Additionally, increases in City sales tax revenue ("sales tax increments") are estimated to be approximately $95,000 annually in the near term and $275,000 annually over the longer term. Total incremental revenues estimated to be generated over the 25-year lifespan of the increment districts range between $20 and $27 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.

Implementation of the Project Plan is anticipated to result in an increase in investment and development in the area in the range of $45 million to $60 million over approximately fifteen years. The following projections are based upon the impacts of $45 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, and continued annual impacts after completion.

III. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS

A. Overall Financial Impacts upon the Affected Taxing Jurisdictions.

A majority of increment generated from the increment districts will be apportioned to pay authorized project costs. However, ten percent (10%) of the ad valorem increment generated from the increment districts—proposed Increment Districts A and B, as defined in the Project Plan—will be apportioned directly to TPS on an ongoing basis as a specific revenue source for that entity. The benefits of the proposed development under the project will be significant for the taxing jurisdictions located in the Project Area and increment districts, and for the community as a whole. The actual increase in demand for services upon those taxing jurisdictions is expected to be limited.

The increment districts currently contain vacant parcels and buildings in highly deteriorated condition that generate very little ad valorem tax revenue in their present condition and could easily become vacant.

The current assessed value within each increment district 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.

Significant redevelopment of the area is unlikely to occur without public assistance. Concentrated stimulation of the redevelopment of the area, as contemplated by the Project Plan, will result in an enhanced ad valorem tax base, from which all of the affected taxing jurisdictions will benefit.

B. Specific Effects from the $45 Million Private Growth.

1. *Tulsa Public Schools*.

The type of development and redevelopment that is a primary goal of this project is likely not to create any increased demand upon services for TPS. The contemplated residential development consists of one bedroom and studio apartments and is likely to appeal primarily to single people and couples without children, rather than to families with school-age children. However, if the anticipated residential redevelopment does eventually increase the demand for services upon the public schools, the 10% specific revenue stream will help offset the financial impact of such increase in demand, if any.

To illustrate fully the positive net impacts of 10% distribution to TPS, the state school aid formula must be accounted for. Without an increment district and without taking into account offsets in the state school aid formula, TPS currently receives approximately $0.55 out of every ad valorem tax dollar collected within its jurisdiction.[1] However, sinking fund levies are not available for operating purposes (and levies are always calculated to be sufficient to amortize debt), so TPS only gets approximately $0.34 out of every tax dollar for operating purposes.[2] When taking into account offsets in state school funding, the net benefit TPS receives from every ad valorem tax dollar collected decreases further to $0.05.[3] With the proposed project and increment districts, TPS will continue to receive $0.34 ($0.05 net of school aid offsets) out of every tax dollar for operating purposes from values up to the base assessed value, but will receive an apportioned revenue stream from taxes generated above that amount—$0.10 of every tax increment dollar from the proposed increment districts. Each tax increment dollar apportioned to TPS, specifically, is worth two times the value of a non-increment dollar derived through ordinary ad valorem processes when accounting for state school aid offsets. Specific revenue sources under a Project Plan consist of project funds to be used for purposes of the Project Plan and are appropriately classified as gifts, grants, or donations, depending on whether those funds are given for purposes of capital or noncapital expenditures, and are not subject to offset in the state school aid formula.[4]

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[1] 74.27 = total TPS mill levy, including sinking fund and allocated countywide 4-mill;
134.25 = total mill levy;
74.30/134.25 = 55.32% = TPS's overall percentage share of tax dollars for all purposes.

[2] 45.20 = TPS operating levies (does not include sinking fund but includes countywide 4-mill);
134.25 = total mill levy;
45.20/134.25 = 33.67% = TPS's percentage share of tax dollars for operating purposes.

[3] By offsetting TPS's 15.45-mill certification of need levy and 75% of the countywide 4-mill levy in its Foundation Aid calculation, and a theoretical 20-mill levy in its Salary Incentive Aid calculation, the state school aid formula effectively offsets 85% of TPS's operating levies, with the end result that TPS's net effective operating mill levy is only 6.75 mills, which is only 5% of the total 2016 mill levy of 134.25 mills.

[4] *See* 62 O.S. § 864; 70 O.S. § 1-117(G), (H).

	Amount Collected	TPS Operational Share	
		TPS Operational Share	*TPS Operational Share Net of School Aid Offsets*
Ad Valorem	$100	$34	$5
Increment Revenue	$100	$10	$10

TPS should experience a positive fiscal impact from the project. During the effective lives of the increment districts, the 10% specific revenue stream should provide TPS with non-offset revenue averaging $4,000 annually in the near term and up to $71,000 annually over the long term.

As illustrated above, TPS will experience little or no negative impact as result of the project because nearly all of the new development within the increment districts 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 because TPS will benefit from the 10% specific revenue stream.

2. *Tulsa County*.

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

3. *Tulsa Health Department*.

No specific measurable demand for increased services upon Tulsa County Health Department is anticipated to result from this project. The promotion of the Project Area as a more walkable district will support public health initiatives.

4. *Tulsa City-County Library*.

The Central Library facility serves the entire metropolitan area. Additionally, the Kendall Whittier Library lies within the Project Area. The public improvements envisioned by the Project Plan will likely specifically support this facility through increased pedestrian accessibility. The residential portion of the mixed-use development may contribute to the most immediate, day-to-day clientele of the Library system. 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 provide an opportunity for Tulsa Technology Center to participate.

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

There will be small construction and development economic impacts stimulated by the private and public development within the increment districts. Approximately 500 temporary construction jobs are anticipated. There will also be annual impacts from the proposed development including increased residential units (approximately 340 units) and commercial businesses (approximately 40,000 square feet of retail) in the increment districts. Approximately 60 new full-time jobs and 20 part-time jobs in the restaurant, retail, and apartment management sectors are anticipated by the project. Residential and commercial developments reflect corresponding growth in economic demands for business activities in the area.

The impact of the proposed public improvements is of potentially greater significance. A key component is the addition of traffic calming and pedestrian safety improvements throughout the Project Area. This emphasis positively impacts business activities in the area by establishing increased safety and accessibility to existing and future businesses. Such public investment helps establish a sense of place and provides an opportunity for people to park once, visit multiple businesses, linger, spend time, and therefore money. This promotion of increased foot traffic is likely to have a positive impact on business activities in the area.

V. CONCLUSION

The projected 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 Project Plan, which addresses public costs associated with the project and minimizes the burden of providing additional government services.