



**CITY OF NORMAN, OK
UNIVERSITY NORTH PARK
ENTERTAINMENT DISTRICT PROJECT
STATUTORY REVIEW COMMITTEE**

**Municipal Building, Executive Conference Room
201 West Gray, Norman, OK 73069
Monday, May 13, 2024 at 3:00 PM**

MINUTES

The University North Park Entertainment District Project, Statutory Review Committee, met in the Municipal Complex located at 201 West Gray Street on May 13, 2024, at 3:07 p.m. and notice and agenda of the meeting were duly posted at least 24 hours prior to the beginning of the meeting.

ROLL CALL

PRESENT

Mayor Larry Heikkila (Chair)
Cameron Brewer, Planning Commission
Doug Warr, Cleveland County
Dr. Nick Migliorino, Norman Public Schools
Jackie Kanak, Cleveland County Health Department
Andy Sherrer, Moore-Norman Technology Center, left at 4:15 p.m.
Lisa Wells, Pioneer Library System
Shelley Cox, At-Large
Chuck Thompson, At-Large
Dr. Vytautus Ringus, At-Large, arrived at 3:20p.m.

ABSENT

(none)

STAFF PRESENT

Darrel Pyle, City Manager
Kathryn Walker, City Attorney
Anthony Francisco, Director of Finance
AshLynn Wilkerson, Assistant City Attorney
Sarah Encinias, Legal Admin Tech

OTHERS PRESENT

Emily Pomeroy, Center for Economic Development Law
Jeff Sabin, Center for Economic Development Law
Danny Lovell, Rainier Companies
Keith Peters, OU Foundation
Sean Rieger, Representative, OU Foundation

MINUTES

1. RATIFICATION OF THE MINUTES OF THE APRIL 5, 2024, SPECIAL MEETING
2. APPROVAL OF THE MINUTES OF THE APRIL 25, 2024, SPECIAL MEETING

Upon calling the meeting to order, the Chair presented the Minutes of the April 5, 2024, and April 25, 2024, Special Meetings for approval. Motion was made by Mr. Thompson to approve Minutes for both meetings and the motion was duly seconded by Dr. Migliorino. A vote was taken with the following results: all approved and none opposed. The Minutes for April 5, 2024, and April 25, 2024, were approved by unanimous vote.

ACTION ITEMS

3. PRESENTATION AND DISCUSSION OF THE HUNDEN PARTNERS REPORT TITLED MARKET DEMAND, FINANCIAL FEASIBILITY AND IMPACT STUDY FOR A CLEVELAND COUNTY MULTI-PURPOSE EVENT VENUE

Ms. Walker introduced Hunden Partners presenters, Matt Avila and Rob Hunden, who appeared by internet conference to give presentation of their report. They said they were hired by Cleveland County Industrial Authority to determine the market demand, financial feasibility, and impact of a multi-purpose event venue in Cleveland County. Presenters focused on and described the Executive Summary section of the presentation which summarized their findings. The key goals of the study included 1) analyzing the destination and real estate metrics, including marketing and visitor metrics, current market performance statistics, and product offerings; 2) review existing research, development plans, and other planning documents; 3) identify relevant local and national trends and comparable developments focusing on the best practices for arena anchored mixed-use districts; and 4) prepare projections for the economic, fiscal and employment impacts of the Project. After a review of all of the information, Mr. Avila reported that he believes the Project will generate a new increase in out-of-town visitors to Cleveland County, largely driven by the increase in promoted concerts, family shows, and other events, as well as overall destination draw. Based on his research, he believes approximately 25 new events like these per year at the venue could be expected after stabilization. He reported that the Project will generated net new, or recaptured, spending in Norman. Hunden estimates that over 25 years, the Project will generate \$112 million in City sales tax (including dedicated sales tax), \$13 million in hotel tax, and \$483 million in property tax. Hunden expects there to be a strong opportunity for the financing of the Project to have no impact to the local taxpayer. Mr. Avila reported that the report accounted for expected cannibalization of spending but believes the Project will recapture a comparable amount of spending that currently leaves Norman for Oklahoma City. Finally, Hunden reported that other comparable projects across the country are successful when driven by strong management and a flexible design that accommodates a variety of event types.

At the conclusion of the presentation, Committee members were given an opportunity to ask questions; none were asked.

4. PRESENTATION AND DISCUSSION OF THE OKLAHOMA DEPARTMENT OF COMMERCE REPORT TITLED ECONOMIC IMPACT OF NORMAN TIF DISTRICT

Mr. Aldwyn Sappleton presented this report to Review Committee members. He said both sales tax and ad valorem tax from the increment districts would be captured at 100% by the TIF. Mr. Sappleton's analysis looked at the initial value of the construction planned by the Developer and estimated property tax on those facilities over 25 years, taking into account depreciation in property values over time. He noted that although personal property taxes on things like machinery and equipment unique to business operations were included in the property tax increment, such values were not included in the analysis because there is not enough information about them at this time. Mr. Sappleton explained that a PILOT (payment in lieu of tax) is anticipated for any property within the increment district that would otherwise be exempt from ad valorem taxation. This is required by the Local Development Act; Ms. Pomeroy and Mr. Sabin clarified that the PILOT in this case would be reflective of actual taxes that would be assessed if the otherwise exempt property were placed on the tax rolls.

Mr. Sappleton also presented his sales tax estimates for the development to the Committee. He included construction sales tax and discussed the importance of tracking the construction sales tax to ensure it is allocated to the project as increment. Mr. Sappleton also pointed out that the state could match, upon application, eligible funds collected from construction and other project sales tax revenue at a rate up to 100% through the State Leverage Act. Excellent reporting measures and an adequate project plan must be provided to the state for reimbursement of these funds.

In summary, Mr. Sappleton reported that the Entertainment District portion of the development (the property owned by the OU Foundation), was estimated to generate, with appropriate consideration of net present value and depreciation, \$266 million in total sales and property taxes. Including the entirety of the increment area, Mr. Sappleton projected that the project would generate \$295 million in total sales and property taxes, again with appropriate consideration of net present value and depreciation.

5. PRESENTATION AND DISCUSSION OF THE COALIGN GROUP REPORT TITLED SUMMARY OF TIF REVENUES, DATED MAY 6, 2024

Ms. Cathy O'Connor presented the Coalign Group report and its findings. Ms. O'Conner was hired by the City of Norman to evaluate revenue estimates associated with the creation of a tax increment finance district for the Project. She examined the various components of the project, including the proposed residential development, a performance arena, retail, office, a museum and parking, a total investment of more than \$1.1 billion. She reported the following:

- The estimates of the construction costs of the various aspects of the project appeared to be reasonable
- The estimates of the value of the components of the project were discounted by 20% for the determination of taxable value for ad valorem taxes.
- The estimates of sales for each aspect of the development appeared to be reasonable and conservative.
- 100% of ad valorem was included; the City’s non-dedicated sales tax rate of 3% was included.
- Construction sales taxes were included and used to calculate revenues subject to the Leverage Act.
- The estimates of the TIF revenue assume that Leverage Act will be utilized to maximize revenues available to support project costs. Leverage Act revenues are calculated at 50% of the sales tax increment each year.
- An estimate of the net present value and debt coverage ratio that would be needed for the issuance of debt are also included.
- Summary of Available Revenues with the Leverage Act for a period of 25 years:
 - Total TIF Revenues: \$614,457,021
 - Net Present Value at 7% Discount Rate: \$380,579,742
 - Funding NPV with DCR at 1.25x: \$304,463,794
 - Funding NPV with DCR at 1.50x: \$253,719,829

6. INTRODUCTION AND DISCUSSION OF THE PROPOSED ROCK CREEK ENTERTAINMENT DISTRICT PROJECT PLAN

Ms. Walker reviewed the document titled “Rock Creek Entertainment District Project Plan Outline Summary” which summarized the various components of the proposed Project Plan. The establishment of two (2) tax increment districts within the project area are proposed – a sales tax/use tax increment district, to be activated on May 1, 2025 to capture the construction sales tax, as well as retail sales tax (“TIF No. 4) and an ad valorem increment district, to be activated on December 31, 2026, to capture ad valorem tax beginning the first year properties in the Project Area are developed and assessed for taxation. The City would pledge 100% of non-dedicated sales tax (3%) generated within the increment district. Also, 100% of ad valorem collections in excess of the base assessed value of the property within the increment districts would be allocated to the project as increment.

As proposed, neither the City nor the Norman Tax Increment Finance Authority (NTIFA) are proposed to finance the Project. Instead, the tax increment revenues would be pledged on a “pay as you go” basis to the Project, and neither the City nor the NTIFA would be obligated to make up any shortfalls in financing or revenue generation for the Project. The financial risk is on the OU Foundation as proposed. The total project costs

to be included in the Project Plan are still being discussed, but could range between \$540 million and \$600 million. Of the Project Costs, \$5 million will be allocated to the City for implementation and administration and will be provided annually in increments of \$200,000. In addition to the anticipated sales tax and ad valorem tax increment, state matching payments up to \$152 million are anticipated to be pledged to the Project.

Mr. Sherrer mentioned the current zoning and covenants of the area sets limits on retail development. Ms. Walker acknowledged this and said it is anticipated that this will be addressed both through the proposed zoning change for the area, and through covenant amendments.

MISCELLANEOUS COMMENTS

None.

ADJOURNMENT

The meeting adjourned at 4:30 p.m.