



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 09/03/2024

REQUESTER: Rick Knighton

PRESENTER: Rick Knighton, Interim City Attorney

ITEM TITLE: CONSIDERATION OF ADOPTION, REJECTION, AMENDMENT, AND/OR POSTPONEMENT OF ORDINANCE O-2425-2 UPON FIRST READING BY TITLE: AN ORDINANCE OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, APPROVING AND ADOPTING THE ROCK CREEK ENTERTAINMENT DISTRICT PROJECT PLAN; DESIGNATING AND ADOPTING PROJECT AREA AND INCREMENT DISTRICT BOUNDARIES; SETTING EFFECTIVE DATES FOR THE INCREMENT DISTRICTS; ADOPTING CERTAIN FINDINGS; AUTHORIZING THE CITY OF NORMAN AND THE NORMAN TAX INCREMENT FINANCE AUTHORITY TO CARRY OUT AND ADMINISTER THE PROJECT PLAN; RATIFYING AND CONFIRMING THE ACTIONS, RECOMMENDATIONS AND FINDINGS OF THE REVIEW COMMITTEE AND THE NORMAN PLANNING COMMISSION; AND PROVIDING FOR THE SEVERABILITY THEREOF.

BACKGROUND:

Team Norman was formed a year or so ago to ensure collaboration between a broad and diverse coalition of organizations, including the University of Oklahoma and the City of Norman. On September 6, 2023, Team Norman announced a proposal for the creation of an Entertainment District, anchored by a multi-purpose performance venue, as well as office and residential uses, generally located between Rock Creek Road and Tecumseh Road in the area known as University North Park. Under the initial proposal, a combination of University and private resources would combine to finance approximately 40% of the total arena construction costs, while the University would only use approximately 25% of the event dates. Team Norman asked the City to consider funding the remainder of the amount necessary to finance the construction costs for the performance venue and additional infrastructure utilizing tax increment financing.

Tax increment financing ("TIF") is a tool authorized by the Local Development Act (the "Act") that utilizes the growth in sales and/or ad valorem taxes generated within a specified district to fund public improvements in the designated project area. In order for a TIF district to be created, a Project Plan must first be created meeting all statutory requirements, including providing a list of all proposed improvements, estimated project costs, and proposed uses of property within the District. The Project Plan is reviewed by a Review Committee to determine

project eligibility, financial impact on taxing jurisdictions and business activities within the district, and ultimately, to make a recommendation to City Council regarding the project. The Project Plan is also reviewed by the Planning Commission for a recommendation to the City Council. Two public hearings are required, with special notice provisions, prior to Council's formal consideration of the Project Plan.

On November 14, 2023, the City Council adopted Resolution R-2324-89 declaring its intent to consider approval of a project plan and the creation of one or more tax increment districts, directing the preparation of a project plan, appointing the review committee, directing the review committee to make findings as to eligibility and financial impact, if any, on taxing jurisdictions and business activities within the proposed districts, and directing the review committee to make a recommendation with respect to the proposed project. City Staff and outside counsel began developing the project plan while financial impact studies were being conducted by the Oklahoma Department of Commerce and Hunden Partners. These studies are attached to the Project Plan as Exhibit E and F.

The Review Committee began meeting in April and on May 23, 2024 adopted a resolution recommending Council approval of the Rock Creek Entertainment District Project Plan (the "Project Plan") and making certain findings as required by the Local Development Act. The Planning Commission reviewed the Project Plan on June 13, 2024 and recommended Council adoption of the Project Plan. Resolutions adopted by Council, the Statutory Review Committee and the Planning Commission are attached for your reference.

As required by the Local Development Act, two public hearings are required prior to Council's adoption of the Project Plan by Ordinance O-2425-2. The first public hearing is scheduled to coincide with first reading of the Ordinance on September 3, 2024. The purpose of first hearing is to answer questions regarding the Project Plan. The purpose of the second hearing will be for members of the public to give their opinion of the proposal. The second hearing is scheduled for September 17, 2024. Notice has been published for both hearings in accordance with the Local Development Act requirements.

DISCUSSION:

The Rock Creek Entertainment District Project Plan (the "Project Plan") creates two increment districts. Increment District No. 4 is a sales tax increment district that would allocate 100% of the sales tax increment (defined as the non-dedicated portion of the City's sales and use taxes generated within the District) beginning May 1, 2025 and lasting for a maximum of 25 years pursuant to the Act. Increment District No. 5 is an ad valorem increment district that would allocate 100% of the ad valorem increment (defined as the ad valorem taxes in excess of the base assessed values of property within the District) beginning December 31, 2026 and lasting for a maximum of 25 years pursuant to the Act. Funds generated within the Increment Districts will be held by the Norman Tax Increment Finance Authority (the "Authority") for authorized project costs.

The Project Plan authorizes project costs up to \$600 million for expenditure on Administration/Implementation and Assistance in Development Financing. Assistance in Development Financing is intended to assist the Developer to finance \$230 million in private development costs related to the construction of an arena and a parking garage serving the arena, as well as additional needed infrastructure. Any state funds received pursuant to the

Leverage Act will also be provided to the developer for the improvements. The lesser of 2% of the ad valorem increment or \$200,000 per year will be allocated to the Authority for costs related to the creation and implementation of the Project Plan.

The Act requires that the review committee consider and determine whether the proposed plan and project will have a financial impact on any taxing jurisdiction and business activities within the proposed district and shall report its findings to the governing body. Such impacts are discussed in Article XI (C) and (D) of the Project Plan. Staff asked its outside counsel to contract with HVS Convention Sports and Entertainment Facilities Consulting to look beyond the direct impact of the project on the City and examine indirect impacts that may result from the project. The HVS study is attached for Council's review.

Ordinance O-2425-2 is a legislative act adopting the Project Plan. It does not create a contractual obligation. Because of this, Staff and outside counsel have also been working with the Developer on an Economic Development Agreement (the "EDA") that would spell out the structure and the details related to how tax increment might be expended in furtherance of the project. The EDA is still being finalized and should be considered concurrently with the Rock Creek Entertainment District Project Plan on Second and Final Reading.

RECOMMENDATION:

Staff forwards Ordinance O-2425-2 to Council for consideration on Second and Final Reading.