



## CITY OF NORMAN, OK STAFF REPORT

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**MEETING DATE:** 09/17/2024

**REQUESTER:** Rick Knighton

**PRESENTER:** Rick Knighton, Interim City Attorney

**ITEM TITLE:** CONSIDERATION OF APPROVAL, ACCEPTANCE, REJECTION, AMENDMENT AND/OR POSTPONEMENT OF CONTRACT K-2425-55: BY AND BETWEEN THE CITY OF NORMAN; THE NORMAN TAX INCREMENT FINANCE AUTHORITY; UNP NORTH, L.L.C.; AND THE CLEVELAND COUNTY RECREATIONAL AND ENTERTAINMENT FACILITIES AUTHORITY FOR AN ECONOMIC DEVELOPMENT AGREEMENT FOR THE ROCK CREEK ENTERTAINMENT DISTRICT.

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### **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 finance (“TIF”) is a tool authorized by the Oklahoma Local Development Act (the “Act”; Oklahoma Statutes, Title 62, Section 850, et. Seq.) 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 considered 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.

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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 as inputs to the Project Plan (these studies are attached to the Project Plan).

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.

The Local Development Act, requires two public hearings to be held prior to Council's consideration of the Project Plan (to be considered separately, as Ordinance O-2425-2). Staff and outside counsel have also recommended that Council consider an Economic Development Agreement concurrently with its consideration of the Project Plan. The Project Plan creates the framework under which tax increment financing may be provided, but it is a legislative act completely within the purview of the City Council. Economic Development Agreements ("EDA") set forth the contractual obligations of the parties: in this case, the City/Norman Tax Increment Finance Authority ("NTIFA") and developer(s), UNP North, LLC (the "Landowner"; a subsidiary of the University of Oklahoma Foundation), and the Cleveland County Recreational and Entertainment Facilities Trust ("CC Trust").

## **DISCUSSION**

The goal of the EDA is to set forth the contractual obligations of the City/NTIFA to provide TIF funding, and the obligations of the Landowner and the CC Trust to build the "Mixed-Use Project" and the "Arena Project". The Mixed-Use Project is defined in the EDA to include the following aspects: a public plaza ("festival plaza"); approximately 140,000 square feet of retail and restaurant space; up to 180,000 square feet of Class A office space built in phases, based on market demand; a 150-room select service hotel; approximately 500 multifamily housing units; and additional multifamily housing units and/or up to 177 medium density housing units built in phases based on market demand. The Arena Project is defined to include the multipurpose performance venue and sports arena anchor containing approximately 8,000 seats and a 1,200 space parking garage. Flexibility is built into the agreement to allow for no more than a 15% variance from the described components in size or scale.

As discussions regarding the EDA evolved, it became evident that in order to impose obligations adequate to the City to ensure all of the proposed development is built, the developer of the

Arena Project (the CC Trust) should be included as a party to the Agreement in addition to the Landowner. Under this Agreement, CC Trust is responsible for ensuring the construction and operation of the Arena Project as defined. The Landowner is responsible for ensuring the construction and operation of the Mixed-Use Project as defined, and these obligations can be assigned or transferred as provided in Section 6.11 of the proposed EDA. Consistent with the Project Plan, the City/NTIFA will provide up to \$600,000,000 in incremental sales tax and ad valorem tax revenues collected within the District, as well as State matching funds received as a result of the State Leverage Act, to the CC Trust as Assistance In Development Financing for the Arena Project over a period of up to 25 years. No other funding from the City/NTIFA is contemplated.

Both the Landowner and the CC Trust will be required to provide phasing plans and development plans to the City before moving forward with the components of the Project. This information will include evidence of financing. The parties have had extensive discussion about the ability of the City to review the financing and ensure adequate protections exist to ensure both the Mixed-Use Project and the Arena Project are built as contemplated. Commencement of the City/NTIFA payment obligations will not begin until the phasing plan for the entire project and development plans for the Arena Project have been approved by NTIFA. The Mixed-Use Project is required to begin construction no later than January 1, 2026, with completion occurring no later than December 31, 2032. The Arena Project is required to begin construction no later than January 1, 2026 with completion occurring no later than December 31, 2029.

In the event of default of any obligations under the Agreement, NTIFA will not be able to terminate or “clawback” any assistance already provided at the time of default due to the pledge of such TIF assistance by the CC Trust to their bondholders. The City/NTIFA will have other legal remedies in the event of default by the CC Trust or Landowner, including breach of contract, damages, etc.

## **RECOMMENDATION**

Staff forwards Contract K-2425-55 to Council/NTIFA for consideration upon adoption of the Rock Creek Entertainment District Project Plan (Ordinance O-2425-2).