ANALYSIS OF THE FINANCIAL IMPACTS OF THE PROPOSED AMENDED DOWNTOWN/MAPS ECONOMIC DEVELOPMENT PROJECT PLAN AND INCREMENT DISTRICTS

I. THE CONTINUING NEED FOR ECONOMIC DEVELOPMENT

Over time, The City of Oklahoma City ("The City") has undertaken a series of economic development strategies, both for the community as a whole and for the central city in particular. These strategies include the three Metropolitan Area Projects ("MAPS") initiatives, a program of economic development incentives by the Oklahoma City Economic Development Trust, the approval and implementation of the related urban renewal plans, and the adoption of project plans with supporting tax increment districts as authorized by Oklahoma's Local Development Act, 62 O.S. § 850, *et seq.* ("Act").

Taken in combination, since the passage of the first MAPS initiative in 1993, these complementary economic development strategies have generated more than $5 billion of new development and created thousands of jobs. It is the objective of The City to duplicate these economic development strategies, and to surpass this level of success.

Prior project activities have created economic vitality by capturing the unparalleled opportunity to stimulate a combination of public and private redevelopment investment activities to match or exceed the investment of The City in the MAPS programs. The first priority and focus of project activities was to stimulate those redevelopment and investment activities that bring residents and visitors to the Downtown/MAPS Economic Development Project Area ("Project Area"), in order to revitalize downtown Oklahoma City. The second priority and focus of project activities was to implement a strategy to retain, attract and expand high quality employment in the Project Area.

An example of the first priority was the substantial allocation of apportioned funds to stimulate the creation of approximately 2,000 units of (principally market rate) residential development in the downtown area. This action supports Oklahoma City Public Schools ("I-89") by bringing new residents into the central city, increasing revenues for the schools, and increasing employment opportunities in Oklahoma City's core areas. The City's commitment to this objective provided the basis for I-89's decision to support the original project plan.

The results greatly exceeded all expectations expressed in the project plan:

- More than 2,000 new market rate residential units have been developed and residential development continues unabated.
- The prior trend of outmigration and steady decline in student population in I-89 has reversed and average daily student attendance is showing steady increase.

- Indirect stimulation of other new investment and development in the core of Oklahoma City has transformed the property tax revenues to the school district from negative or no growth during the 10 years preceding the project plan to an annual arithmetical valuation growth of almost 5% per year.

The interim success in implementing the original project plan financed by Increment District Number Two demonstrates the power and mutual benefit of the economic development strategies intended to benefit the participants and the community. It also exhibits a platform from which continued possibilities for the future are evident.

The premier example of the second priority is the Devon Energy development. Devon Energy developed its headquarters as an architectural gem and the centerpiece of Oklahoma City's downtown redevelopment. The Devon Energy redevelopment transformed the ongoing activities for revitalization of the Central Business District through the retention, attraction and expansion of high-quality employment in the area. The investment, commitment and growth of high-quality employment opportunities continues to offer the single most valuable contribution to the future of the city's downtown, the city as a whole, and the State of Oklahoma.

The development of the Devon Energy Center provided a location for its downtown Oklahoma City employment base of 1,400 people with a payroll of more than $140 million, which doubled by completion to more than $326 million payroll and 3,200 people.

Two significant conditions were met in order for the Devon redevelopment to occur ("Devon Development Conditions"). First, it was essential to provide the public infrastructure improvements and amenities necessary and appropriate for the development and its functional and aesthetic relationships to the surrounding areas ("Redevelopment Framework"). Second, it was critical to provide financial and policy commitments to undertake actions necessary and appropriate to attract, locate, retain and expand other quality investments, businesses and employers in the heart of the city, principally in adjacent locations ("Other Economic Developments"). Both Conditions were met.

Overall, new employment in and near the downtown area numbers in the thousands and the job growth continues.

Although The City's efforts are a success by many measurements, there are critical needs that must be met in order to claim its future potential. Without quality education and job training, without new employment opportunities, without redevelopment of blighted areas surrounding the city's core, and without innovative strategies for stimulation of new business, new investment, and new economic activities, the platform of success will be temporary and limited.

The minimum goal of the amended project plan is to generate aggregate investment and development of at least $2.8 billion, of which $2.6 billion is estimated to be private taxable investment and the balance in public or private nonprofit development. The private taxable investment generates new tax revenues to fund public and private development leverage costs of approximately $372 million.

II. 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 is generated. A project area and increment district 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 prescribed formulas. 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 an apportionment 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 of approval 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, in addition to the revenue from the base assessed value which the taxing entities received throughout the apportionment period.

III. THE PROPOSED AMENDED PROJECT

The Amended Downtown/MAPS Economic Development Project embraces an area bounded on the west by Western Avenue; on the north by N.W. 13th Street west of I-235 and N.E. 4th Street east of I-235; on the south by S.W. 30th Street; and on the east by I-235 from NW 13th Street to N.E. 4th Street, and Martin Luther King Boulevard (or Eastern Avenue) from N.E. 4th Street to S.W. 30th Street. This area is shown on Exhibit A of the Amended and Restated Downtown/MAPS Economic Development Project Plan (“Amended Project Plan”), which is attached to this Economic Impact Analysis.

Within the Project Area, the base assessed value of property (or, for Increment District No. 3 and Increment District No. 8, the base sales tax) within the existing increment districts have been certified as follows:

Increment District No. 2:	$	68,800,264	(base assessed value)
Increment District No. 3:	$	0	(base sales tax)
Increment District No. 8:	$	0	(base assessed value)
Increment District No. 8	$	0	(base sales tax)

When the originally adopted Downtown/MAPS Economic Development Project Plan ("Project Plan") was initially adopted in 2000, public and private investment in the Project Area was anticipated to be approximately $150 million, increasing up to $750 million over a 10-year period. $300 million of new, taxable private investment was intended to be generated by the private development leverage fund, as reflected in the Project Plan. Additional stimulation of private development up to $300 million was projected, along with approximately $150 million in public and private, non-profit development.

After 15 years, development within the increment districts has exceeded these initial estimates, directly generating over $1.6 billion in new investment. This increased development has resulted in increased market and assessed values for property within the increment districts which, in turn, have resulted in increased annual ad valorem tax revenue—the "increment"—upwards of $19 million. This annual increment has contributed to the development of the necessary public costs and improvements that were required to permit the contemplated private and private non-profit investment to occur, by paying eligible public costs of developing these improvements.

The Amended Project Plan seeks to increase the investment and development in the area by approximately $1.0 billion—bringing the total investment in the Project Area since 2000 to approximately $2.8 billion. Of that $1.0 billion increase, approximately $800 million is anticipated to be directly stimulated private investment and development consisting of at least $200 million in residential development (approximately 2,000 additional [principally market-rate] units) and at least $600 million in hotel and commercial investment and development. Additionally, $200 million is projected to be indirectly stimulated private development bringing the total indirectly stimulated private development to $400 million. $350 million is projected in aggregate public and private nonprofit development.

The following economic impact projections are based upon the impacts of the total $2.6 billion in directly stimulated private taxable investment. Projects such as those contemplated by Amended 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. The increment revenues collected from that private investment will fall into one of two categories: (1) directly generated increment from projects receiving financial support from the Amended Project Plan's leverage fund, and (2) indirectly generated (spin-off) increment that does not receive such support. Under the Amended Project Plan's budget, 100% of the directly generated increment is apportioned into the apportionment fund to pay for eligible project costs, but only 50% of the indirectly generated (spin-off) increment is so apportioned. The remaining 50% of the indirectly generated (spin-off) increment will be distributed to affected ad valorem taxing jurisdictions in proportion to the net benefit each jurisdiction would have received in the absence of the increment district (i.e., the proportion of their levied taxes, not including their sinking fund levies, to the entire ad valorem millage rate levied in the area).

IV. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS

a. Impacts within the Increment Districts

Direct increments are increments generated by providing property and/or project funds to directly generate development resulting in tax increments. All other increments are indirect increments. A substantial portion of the indirect increments will be apportioned to public entities in the area in order to achieve project objectives. It is important to note that tax increments have lost their character as ad valorem revenues and instead constitute funds available to implement the project as expressed in the Amended Project Plan.

A 50% apportionment of the indirectly generated (spin-off) increment to the taxing jurisdictions will be provided in proportion to the net benefit which the jurisdictions would ordinarily receive from increased assessed values. No effect of state school aid offsets will be considered after October 1, 2015. This means that sinking fund levies will be disregarded (since they are calculated at a level sufficient to amortize the indebtedness and are not available for other purposes).

The 50% apportionment of the indirectly generated (spin-off) increments from Increment District No. 2 acts as a specific revenue source for these public entities (as authorized by the Oklahoma Constitution and the Act) and, since it is a part of the increment, must be disregarded in the calculation of state school aid. The Act specifically provides that, for purposes of calculating state school aid, only the base assessed value shall be used and increases above the base assessed value must be disregarded.

The growth rate in the Project Area prior to the adoption of the Project Plan was 1.49%. The area suffered severely from arrested economic development and had not shared in the general development growth patterns of either Oklahoma City or Oklahoma County as a whole, which had a growth rate over 3.39% during the same period. The notable exceptions were the massive public developments undertaken pursuant to the MAPS program and a limited number of private developments, which have required tremendous public financial stimulation. The area as a whole had suffered substantial decline in employment, excessive vacancy rates, aging structures, decline in residential units, lack of residential development, aged and deteriorated structures, high percentage of vacant land, and significantly depressed property values. Consequently, the historic growth patterns of Oklahoma City and Oklahoma County as a whole did not hold true for this area. (Note that the increases in assessed values within I-89, with its central city location, were less than the city or county as a whole.)

However, regardless of the pre-existing growth rate in the area, it was clear at the time the Project Plan was adopted that even a modest stimulation of development would benefit the involved taxing jurisdictions, and the same still holds true. The millage levies in place in 2015, not including sinking funds, are as follows:

Oklahoma County	10.35 mills
Oklahoma City-County Health Department ("OCCHD")	2.59 mills
Metropolitan Library System ("Metro Library")	5.20 mills
Vo-Tech District No. 22 ("Metro Tech")	15.45 mills
I-89	45.24 mills*
TOTAL	**78.83 mills**

* The countywide school ("County School") levy is treated by the Amended Project Plan as a levy of I-89.

To illustrate the positive net impacts of stimulated indirect (spin-off) growth, one can examine the situation of I-89. Without a TIF district and without taking into account offsets in the state school aid formula, I-89 receives $0.56 out of every ad valorem tax dollar collected within its jurisdiction.[1] However, as noted previously, sinking fund levies are not available for operating purposes (and levies are always calculated to be sufficient to amortize debt), so I-89 only gets $0.40 out of every tax dollar for operating purposes.[2] With the proposed Amended Project Plan and increment districts, I-89 will continue to receive $0.40 out of every tax dollar for operating purposes from values up to the base assessed value, and will receive an apportioned revenue stream at an increased amount above that base assessed value—$0.29 of every indirectly generated tax dollar.[3] (It is important to note that each tax increment dollar apportioned to I-89, specifically, is worth more than 10 times the value of a non-increment dollar when accounting for state school aid offsets.) Therefore, pursuant to the Amended Project Plan, once stimulated indirectly generated tax dollars generate 40% more growth than had pre-existed the increment districts' creation, I-89 will benefit more than if there were no increment districts in place.[4] The financial benefits then escalate accordingly as indirectly stimulated growth exceeds the preexisting growth rate at even greater levels. The history of the project has shown consistent 10+% more generated growth than the preexisting 1.49% growth rate.

1 64.85 = total I-89 mill levy, including sinking fund and allocated countywide 4-mill
114.5 = total mill levy
64.85/114.5 = 55.7% = I-89's overall percentage share of tax dollars for all purposes.

2 45.24 = I-89 operating levies (does not include sinking fund but includes allocated countywide 4-mill)
114.5 = total mill levy
45.24/114.5 = 39.51% = I-89's percentage share of tax dollars for operating purposes.

3 The Amended Project Plan provides that 75% of indirectly generated tax dollars will be distributed to taxing jurisdictions based on their proportionate share of total *operating* levies—not total mill levy—so it excludes sinking fund levies, making I-89's proportionate share (and that of every other taxing jurisdiction) higher than it would have been in the absence of the proposed Amended Project Plan:
45.24 = I-89 operating levy
78.83 = total operating levies;
45.24/78.83 = 57.39% = I-89's proportionate share of total operating levies
50% of that 57.39% = 28.70% = I-89's indirectly generated tax percentage.

4 40%/28.70% = 139.37%. However, far less growth will benefit I-89 if state school aid offsets are considered.

Similar results are seen when examining impacts to other taxing jurisdictions. Based on current levies, the net impact of stimulated indirect (spin-off) growth on new revenues apportioned to taxing jurisdictions from the project was demonstrated by the following table (i.e., the increase in revenues to taxing jurisdictions from indirect [spin-off] increment distributions compared to revenues the taxing jurisdictions would have received with pre-existing growth rates and no increment district [and hence no stimulated growth beyond the pre-existing rate]):

INCREMENT DISTRICT NO. 2
TABLE OF EFFECT OF INDIRECT (SPINOFF)
INCREMENT DISTRIBUTION FORMULA (100% = COMPLETE OFFSET)

Pre-Existing Growth Rate	*Stimulated Growth Rate*	*Net Impact*
5%	1%	87%
4%	1%	91%
3%	1%	97%
2%	1%	109%
1%	1%	145%
5%	5%	145%
4%	5%	163%
3%	5%	194%
2%	5%	254%
1%	5%	436%
5%	10%	218%
4%	10%	254%
3%	10%	315%
2%	10%	436%
1%	10%	799%
5%	15%	290%
4%	15%	345%
3%	15%	436%
2%	15%	617%
1%	15%	1,162%

Under this arrangement, an apportioned tax increment dollar is more valuable than a non-increment district tax dollar once stimulated growth exceeds 140% of the preexisting growth. The involved public entities then experience a greater benefit from the apportioned tax increments, and the 50% of the indirectly generated (spin-off) increment to be retained for funding of specific public improvements may make feasible the capital financing of school, parking, and other public facilities, which would not otherwise be possible.

The Assessed Value Increments throughout all increment district areas covered by the Amended Project Plan since the initial analysis was completed in 2000 indicate a 15-year average of 18.56% of stimulated growth, and the average indirect assessed value growth during the same period has been 6.5%. Knowing that the pre-existing growth rate in the increment district area was 1.49%, based on the above tables the net impacts have proven to be in some of the higher percentages listed in the table. The total Indirect TIF Revenues that the taxing jurisdictions have received from the stimulated growth are shown below:

Indirect TIF Revenues to Other Taxing Jurisdictions—Fiscal Years 2001–2015*								
Tax Year	*InDirect*	*I-89*	*Metro Tech*	*County School*	*Metro Library*	*Oklahoma County*	*OCCHD*	*Total*
2001	$78,140	$33,280	$20,020	$1,344	$6,736	$13,409	$3,352	$78,140
2002	$360,670	$153,609	$92,404	$6,204	$31,090	$61,891	$15,473	$360,670
2003	$804,927	$342,818	$206,222	$13,845	$69,385	$138,125	$34,531	$804,927
2004	$726,098	$309,245	$186,026	$12,489	$62,590	$124,598	$31,150	$726,098
2005	$915,787	$390,034	$234,625	$15,752	$78,941	$157,149	$39,287	$915,787
2006	$1,096,512	$467,004	$280,926	$18,860	$94,519	$188,161	$47,040	$1,096,512
2007	$1,560,895	$664,785	$399,901	$26,847	$134,549	$267,850	$66,962	$1,560,895
2008	$1,971,280	$839,568	$505,042	$33,906	$169,924	$338,272	$84,568	$1,971,280
2009	$1,877,099	$799,456	$480,913	$32,286	$161,806	$322,110	$80,528	$1,877,099
2010	$2,104,411	$896,268	$539,150	$36,196	$181,400	$361,117	$90,279	$2,104,411
2011	$2,252,627	$959,394	$577,123	$38,745	$194,176	$386,551	$96,638	$2,252,627
2012	$2,446,032	$1,041,765	$626,673	$42,072	$210,848	$419,739	$104,935	$2,446,032
2013	$2,762,523	$1,176,559	$707,758	$47,515	$238,130	$474,049	$118,512	$2,762,523
2014	$2,931,573	$1,248,557	$751,069	$50,423	$252,702	$503,058	$125,764	$2,931,573
2015	$3,549,258	$1,511,629	$909,320	$61,047	$305,946	$609,053	$152,263	$3,549,258
Total	**$21,888,573**	**$9,322,343**	**$5,607,852**	**$376,483**	**$1,886,795**	**$3,756,079**	**$939,020**	**$21,888,573**

* Based on Oklahoma County ad valorem tax billings

The overall net revenue to I-89 has increased, even when taking into account statutory offsets:

	NET REVENUES TO OKLAHOMA CITY PUBLIC SCHOOLS (I-89) SINCE 2000[1]								
Tax Year	Mill Levy[2]	Net Effective Mill Levy[3]	Net Valuation Less TIF	Gross Revenues	Net Revenues[4]	Apportioned TIF 2 Indirect Increment	Total Net Revenues[5]	Annual Change in Net Revenues	Cumulative Increase in Net Revenues
2000	45.24	6.725	$ 1,215,083,048	$ 54,970,357	$ 8,171,433	n/a	$ 8,171,433	n/a	n/a
2001	45.24	6.725	$ 1,305,085,977	$ 59,042,090	$ 8,776,703	$ 33,280	$ 8,809,983	$ 638,550	$ 638,550
2002	45.24	6.725	$ 1,329,117,034	$ 60,129,255	$ 8,938,312	$ 153,609	$ 9,091,921	$ 281,938	$ 920,488
2003	45.24	6.725	$ 1,354,057,914	$ 61,257,580	$ 9,106,039	$ 342,818	$ 9,448,857	$ 356,936	$ 1,277,424
2004	45.24	6.725	$ 1,419,420,233	$ 64,214,571	$ 9,545,601	$ 309,245	$ 9,854,846	$ 405,989	$ 1,683,413
2005	45.24	6.725	$ 1,583,720,703	$ 71,647,525	$ 10,650,522	$ 390,034	$ 11,040,556	$ 1,185,710	$ 2,869,122
2006	45.24	6.725	$ 1,621,751,694	$ 73,368,047	$ 10,906,280	$ 467,004	$ 11,373,284	$ 332,728	$ 3,201,851
2007	45.24	6.725	$ 1,672,540,071	$ 75,665,713	$ 11,247,832	$ 664,785	$ 11,912,617	$ 539,333	$ 3,741,183
2008	45.24	6.725	$ 1,734,580,222	$ 78,472,409	$ 11,665,052	$ 839,568	$ 12,504,620	$ 592,003	$ 4,333,186
2009	45.24	6.725	$ 1,822,544,697	$ 82,451,922	$ 12,256,613	$ 799,456	$ 13,056,069	$ 551,449	$ 4,884,636
2010	45.24	6.725	$ 1,850,936,589	$ 83,736,371	$ 12,447,549	$ 896,268	$ 13,343,817	$ 287,747	$ 5,172,383
2011	45.24	6.725	$ 1,879,038,468	$ 85,007,700	$ 12,636,534	$ 959,394	$ 13,595,928	$ 252,111	$ 5,424,494
2012	45.24	6.725	$ 1,900,070,532	$ 85,959,191	$ 12,777,974	$ 1,041,765	$ 13,819,739	$ 223,812	$ 5,648,306
2013	45.24	6.725	$ 1,889,170,549	$ 85,466,076	$ 12,704,672	$ 1,176,559	$ 13,881,231	$ 61,492	$ 5,709,797
2014	45.24	6.725	$ 1,938,948,641	$ 87,718,037	$ 13,039,430	$ 1,248,557	$ 14,287,987	$ 406,756	$ 6,116,553
2015	45.24	6.725	$ 2,008,693,881	$ 90,873,311	$ 13,508,466	$ 1,511,629	$ 15,020,095	$ 732,109	$ 6,848,662

1. **Assumptions:**
    a. **Assumes all ad valorem taxes were paid when due and no post-tax-year valuation adjustments.**
    b. **Approximates the effective value of the County School Levy.**
    c. **Assumes full adjusted allowable millage levies.**
2. "**Mill Levy**" = (General Fund Levies) + (Building Fund Levies) + (County School Levy); excludes Sinking Fund Levy.
3. "**Net Effective Mill Levy**" = [(General Fund Levies) + (Building Levy) + (Countywide School Levy)] – [(Art. X § 9(c) Levy) + (75% of County School Levy)] – [20-mill Salary Incentive Aid state school aid offset].
4. Adjusts for state school aid offsets.
5. Adjusts for state school aid offsets and includes apportioned TIF 2 Indirect Increments.

A corresponding benefit has been experienced by Metro Tech:

	NET REVENUES TO METRO TECH SINCE 2000[1]							
Tax Year	Mill Levy	Net Valuation Less TIF	Gross Revenues Less TIF	Apportioned TIF 2 Indirect Increment	Total Net Revenues	Change in Net Revenues	% Change in Net Revenues	Cumulative Increase in Net Revenues
2000	15.45	$ 953,074,649	$ 14,725,003	n/a	$ 14,725,003	n/a	n/a	n/a
2001	15.45	$ 1,025,016,383	$ 15,836,503	$ 20,020	$ 15,856,523	$ 1,131,520	8%	$ 1,131,520
2002	15.45	$ 1,034,625,752	$ 15,984,968	$ 92,404	$ 16,077,372	$ 220,849	1%	$ 1,352,369
2003	15.45	$ 1,058,246,877	$ 16,349,914	$ 206,222	$ 16,556,136	$ 478,764	3%	$ 1,831,133
2004	15.45	$ 1,107,628,049	$ 17,112,853	$ 186,026	$ 17,298,879	$ 742,743	4%	$ 2,573,876
2005	15.45	$ 1,152,842,481	$ 17,811,416	$ 234,625	$ 18,046,041	$ 747,162	4%	$ 3,321,038
2006	15.45	$ 1,173,959,394	$ 18,137,673	$ 280,926	$ 18,418,599	$ 372,557	2%	$ 3,693,595
2007	15.45	$ 1,236,350,267	$ 19,101,612	$ 399,901	$ 19,501,513	$ 1,082,914	6%	$ 4,776,509
2008	15.45	$ 1,285,298,170	$ 19,857,857	$ 505,042	$ 20,362,899	$ 861,386	4%	$ 5,637,895
2009	15.45	$ 1,373,626,356	$ 21,222,527	$ 480,913	$ 21,703,440	$ 1,340,541	7%	$ 6,978,437
2010	15.45	$ 1,412,036,257	$ 21,815,960	$ 539,150	$ 22,355,110	$ 651,670	3%	$ 7,630,107
2011	15.45	$ 1,436,250,818	$ 22,190,075	$ 577,123	$ 22,767,198	$ 412,088	2%	$ 8,042,195
2012	15.45	$ 1,452,461,369	$ 22,440,528	$ 626,673	$ 23,067,201	$ 300,003	1%	$ 8,342,198
2013	15.45	$ 1,451,952,502	$ 22,432,666	$ 707,758	$ 23,140,424	$ 73,223	0%	$ 8,415,421
2014	15.45	$ 1,500,960,998	$ 23,189,847	$ 751,069	$ 23,940,916	$ 800,492	3%	$ 9,215,913
2015	15.45	$ 1,562,496,347	$ 24,140,569	$ 909,320	$ 25,049,889	$ 1,108,972	5%	$ 10,324,885

1. **Assumptions:**
   a. **Assumes all ad valorem taxes were paid when due.**
   b. **Assumes full adjusted allowable millage levies.**

b. Induced Impacts Outside the Increment Districts

The induced growth in values outside of increment districts and increased capture rates of new building permits demonstrate greater financial benefits to the taxing jurisdictions, illustrated by the following table for I-89:

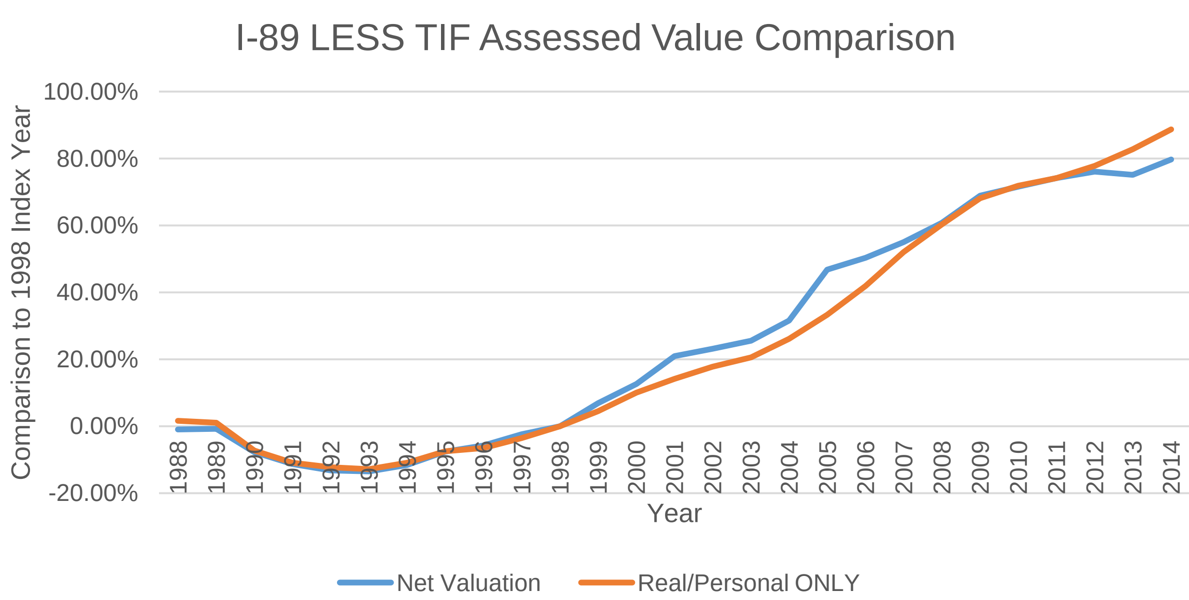
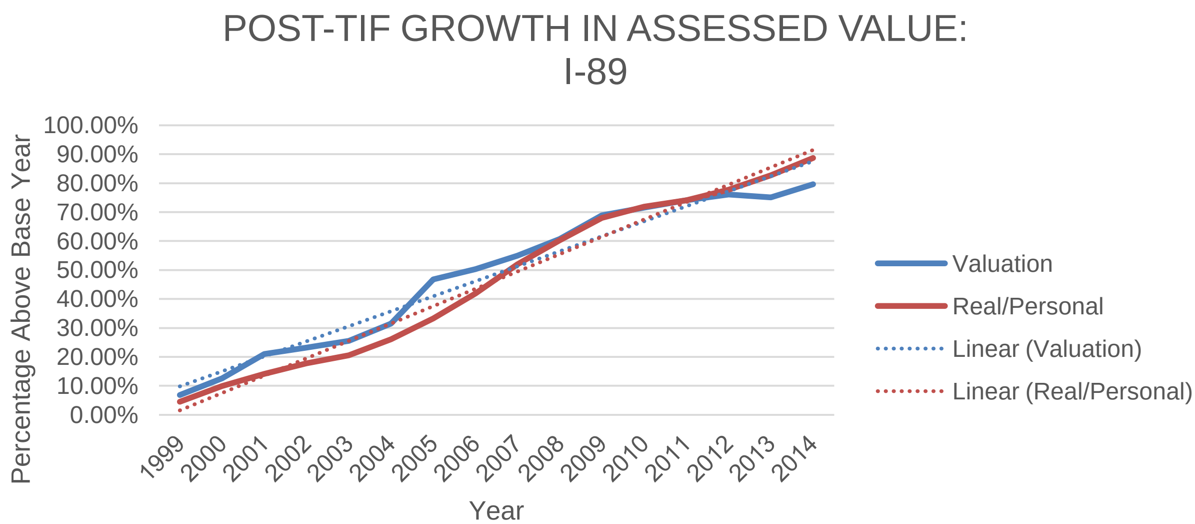
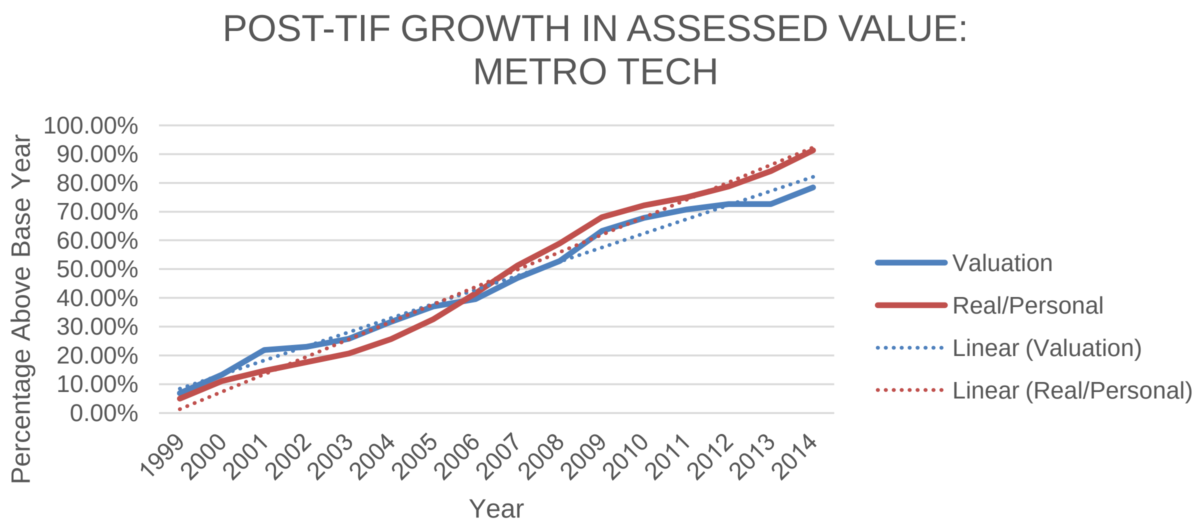


Illustration of Assessed Value Growth in I-89 since 1988.

The following tables demonstrate the growth in assessed values over the last 15 years for I-89 and Metro Tech:





The increases in assessed values in I-89 and Metro Tech are approximately 2.59 times the growth within all of The City's increment districts. Thus, the beneficial impacts were even greater outside of the increment districts than within.

Net new revenues to I-89 amount to more than $6.8 million annually, and net new revenues to Metro Tech amount to more than $10.3 million annually.

c. Specific Effects of $1.0 Billion Additional Growth

i. I-89

The residential redevelopment which is a primary goal of the Amended Project Plan is likely to generate, over time, an increased demand upon services for I-89. Typically, residential redevelopment in a city's core appeals to singles and empty-nesters, rather than to families with school-age children. In some cities, the families eventually follow—and Oklahoma City is seeing some of that—but even in these cities, city-core residential development continues to be predominated by residents without school-age children.

If the anticipated residential redevelopment does eventually increase the demand for services upon I-89, the newly-constructed John Rex Elementary School (funded through the public development assistance fund targeted by the project plan for public school development), and additional school development funded in similar fashion, will help offset the financial impact of such increase in demand, if any. Stimulation of residential redevelopment of the downtown area is critically linked to the conditions and perception of the inner-city schools which would serve such residential development.

I-89 will experience little or no negative impact as result of the amended project because nearly all of the new development within the increment district 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. Any potential impacts of the projected developments may be more than offset by the public development assistance funds authorized for allocation to public school development in the area, which funding may be provided by the issuance of bonds. Additionally, I-89 will experience a slight increase in indirect increment distribution due to the changing distribution formula to reflect the actual proportional net benefit each taxing entity will receive in the absence of an increment district (no longer accounting for state school aid offsets).

ii. Oklahoma County

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

iii. OCCHD

OCCHD is currently negatively impacted by unemployment and underemployment. New employment can create only positive impacts upon this taxing jurisdiction. Market-rate residential development should have little or no impact upon the services provided.

iv. Metro Library

The Ronald J. Norick Downtown Library facility serves not only downtown, but the entire metropolitan area. The residential redevelopment stimulated by the project will likely contribute to the most immediate, day-to-day clientele for the Downtown Library.

v. Metro Tech

The nature of the project makes it likely to create some increased demand for training with Metro Tech. Any increased demand for job training occasioned by the project is likely to be complementary in its impact upon Metro Tech.

d. Summary of Financial Impacts upon the Affected Taxing Jurisdictions

The benefits of the proposed development under the Amended Project Plan will be significant for the taxing jurisdictions 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 that the proposed developments represent, if any, is extremely limited, and is offset by the public development assistance component of the Amended Project Plan.

The increment districts still contain a significant number of vacant parcels and an additional, also significant, number of buildings in highly deteriorated condition that could easily become vacant and, at best, generate very little ad valorem tax revenue in their present condition. Property within the increment districts are currently held in public ownership, contributing nothing to the ad valorem tax revenue of the area.

The current assessed value within the increment districts at the time of approval of the Amended Project Plan 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 districts, repayment of bonded indebtedness is not affected.

Redevelopment of the area was unlikely to occur without public assistance, as the history of the area shows. Concentrated and continuous stimulation of the redevelopment of the area, as contemplated by the Amended 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 and the annual tax revenue which that generates will result in additional benefits to the involved taxing jurisdictions.

V. ECONOMIC IMPACTS ON BUSINESS ACTIVITIES

Because the Amended Project Plan focuses on increased authorizations only in Increment District No. 2 and Increment District No. 10, the following analysis focuses on Increment District No. 2 and Increment District No. 10. Experience indicates a minimum leverage factor of at least 7.5 which is used in the following estimates. Additional construction and development economic impacts directly stimulated by the private development leverage fund from Increment District No. 2 and Increment District No. 10 are estimated to be as follows:

	Projected Development	Temporary Jobs Supported[5]	Temporary Payroll Supported[6]
Residential	$200,000,000	3,000	$105,000,000
Hotel/Commercial	$600,000,000	9,000	$315,000,000
TOTALS	**$800,000,000**	**12,000**	**$420,000,000**

[5] 1,000 FTEs / $100 million; 1.5 Impact Multiplier.
[6] Average wage of supported job – $35,000.

Indirectly stimulated new development is estimated at $200 million, which will proportionately increase the beneficial impacts and increase the leverage factor to about 10.0.

The continued annual impact of the proposed developments on the community is of greater significance. The City's strategies for economic development (including the use of tax increment financing) have yielded a reported growth of new jobs supported (full-time equivalent employment or FTEs) of 49,579 new jobs over the nine fiscal years from 2006 through 2015, which is an average of 5,509 jobs per year. See Table below:

FISCAL YEAR TOTALS	Primary Jobs	Average Salary	Annual Payroll	Capital Investment
FY 06-07	4,743	$ 42,879	$ 203,375,859	$ 240,793,242
FY 07-08	9,792	$ 42,358	$ 414,776,902	$ 149,665,000
FY 08-09	2,258	$ 37,880	$ 85,534,028	$ 118,952,000
FY 09-10	4,336	$ 40,238	$ 174,473,248	$ 169,596,700
FY 10-11	5,780	$ 73,523	$ 424,963,760	$ 511,073,000
FY 11-12	4,139	$ 56,549	$ 234,056,954	$ 447,727,530
FY 12-13	4,045	$ 41,826	$ 169,189,574	$ 344,894,800
FY 13-14	7,170	$ 45,355	$ 325,202,322	$ 431,185,000
FY 14-15	7,316	$ 60,402	$ 441,904,893	$ 1,096,586,000
Total	**49,579**	**$ 49,889**	**$ 2,473,477,540**	**$ 3,510,473,272**

Isolating the specific impacts of Increment District No. 2 is not possible, but through correlation of demands for residential and commercial space within Increment District No. 2, 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, and office categories.

As discussed above, I-89 captured 0% growth in ad valorem valuation in the decade or so preceding the year 2000. Over the following 15 year period, I-89 captured 12% of Oklahoma City's residential growth, of which 40% has been new residential development in the downtown area. For purposes of this analysis, 50% of the demand for downtown residential units is assumed to be the result of primary new jobs created or supported. Accordingly, the following estimates of continuing economic impacts within Increment District No. 2 are assumed to be 50% of 12% of the annual new jobs created or supported. Thus, the continuing and cumulative economic impacts of the developments stimulated by the private development leverage fund are estimated to be as follows:

	Projected Development	New Population[7]	Annual Household Income[8]	Annual Ad Valorem Revenue
Residential	$200,000,000	3,500	$175,000,000	$4,488,000

[7] Occupancy – 1.75 persons/unit.
[8] Average salary – $50,000.

	Projected Development	Permanent Jobs Supported[9]	Permanent Payroll Supported[10]	Annual Ad Valorem Revenue
Commercial	$600,000,000	7,437	$371,850,000	$6,732,000
• *Induced*	n/a	14,874	$743,700,000	n/a
TOTAL JOBS & PAYROLL =		**22,311**	**$1,115,550,000**	

VI. CONCLUSION

Clearly, the projected development projects 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 affected taxing jurisdictions.

The Amended Project Plan continues to include as a priority the stimulation of residential redevelopment in the downtown area. The anticipated impact of this residential development on the provision governmental services is balanced by the public development assistance component of the Amended Project Plan, which permits affected taxing jurisdictions to bring forward development proposals to offset any such impact. Thus, the burden of providing governmental services is minimized in this case.

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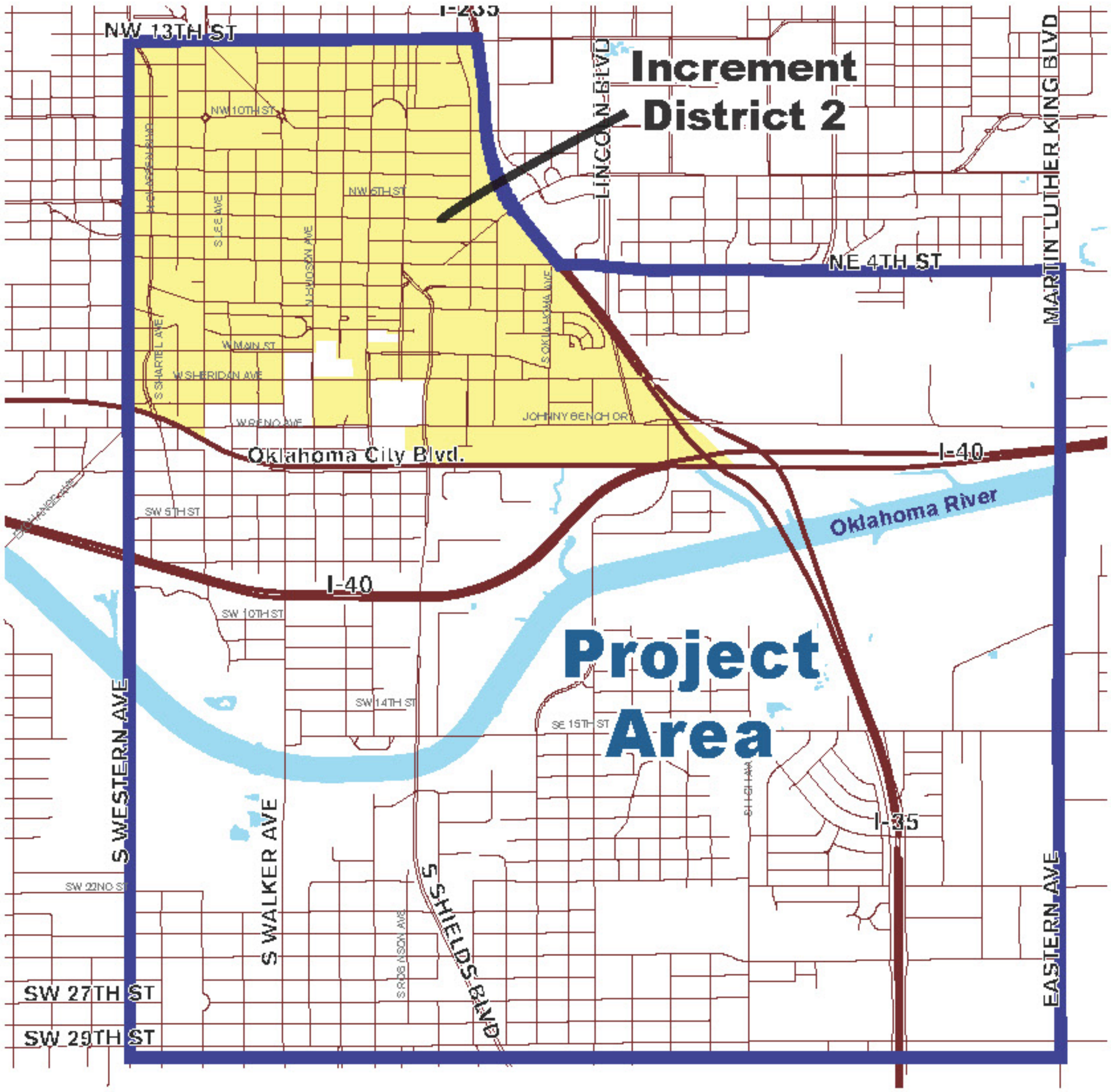
[9] 6% of Oklahoma City job growth – 22.5 years; 2.0 Impact Multiplier for induced jobs.
[10] Average salary of job supported – $50,000.

ATTACHMENT:

AMENDED PROJECT PLAN'S EXHIBIT A

DOWNTOWN/MAPS ECONOMIC DEVELOPMENT
PROJECT PLAN AREA BOUNDARIES



ATTACHMENT:

AMENDED PROJECT PLAN'S EXHIBIT A-1

TAX INCREMENT DISTRICT NUMBER TWO BOUNDARIES