



MEMORANDUM

Council Agenda
Item No. XI. O
9/26/2023

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: Craig Freeman, City Manager

1. Ordinance No. 27,420 to be introduced, relating to taxation; amending the Oklahoma City sales tax code, codified as Article II of Chapter 52 of the Oklahoma City Municipal Code, 2020; enacting Section 52-23.8 of said Article II of Chapter 52, which levies an excise tax of one percent (1%) on the gross proceeds or gross receipts derived from all sales taxable under the sales tax laws of the State of Oklahoma; specifying that the excise tax levied by said Section 52-23.8 may be expended only for the limited purpose of funding all expenses related in any manner to constructing, establishing, providing, or maintaining an arena facility to be owned by the City; defining the term "City;" defining the term "expenses;" providing non-exclusive examples of such expenses, to include payment of financing costs for obligations related to the stated limited purpose that are issued by a public trust having the City as its beneficiary; creating the Arena Facility Sales Tax Fund; providing that the excise tax levied by said Section 52-23.8 begins at the same time the excise tax levied by City Ordinance No. 26,255 ends; providing that, once effective, the tax levied by this section lasts for a limited term of 72 months, and then such tax ends; and providing further that, as required by Section 2705 of Title 68 of the Oklahoma Statutes, the excise tax levied by Section 1 of this Ordinance will become effective only if it is approved by a majority vote of the qualified, registered voters of The City of Oklahoma City voting on such question at a special election called for that purpose by the City Council of the City;

AND

2. Ordinance No. 27,420 be adopted with emergency;

OR

Ordinance No. 27,420 be set for public hearing and final hearing on September 27, 2023.

Background:

Oklahoma City opened new publicly-owned arenas to improve and maintain the city's quality of life in 1937, 1972 and 2002. The most recent arena helped the city to secure major league professional sports for the first time. Beginning with the 2008-2009 NBA season, the Oklahoma City Thunder of the National Basketball Association has called Oklahoma City home, due to a use license agreement signed by both parties in 2008. In 2023, the initial term of the 2008 use license agreement expired. The Thunder exercised an option to extend the agreement for three years. Over the past 14 months, Oklahoma City and Thunder leadership have been engaged in discussions concerning the concepts that would allow for the Thunder and the City to agree to a new long-term use license agreement. Earlier this month, representatives of the parties preliminarily agreed to a letter of intent that establishes mutual agreement for a new use license agreement that will keep

the Thunder in Oklahoma City beyond 2050. A new state-of-the-art arena is required to receive this long-term commitment from the Thunder.

Ordinance No. 27,420, as presented today, proposes to levy a temporary special sales tax of one percent (1%) for the special purpose of funding all expenses related in any manner to constructing, establishing, providing, or maintaining an arena facility to be owned by the City. Other items on today's Council agenda would call a special election for approval of the tax levy and set the election date for December 12, 2023. There is also an item on today's agenda to authorize the Mayor to sign the letter of intent on behalf of the City.

The special sales tax to be levied by this Ordinance No. 27,420, following approval by the voters on December 12, 2023, will begin at the same time the excise tax levied by City Ordinance No. 26,255 ends. (Ordinance No. 26,255 is the 1% sales tax currently funding the ongoing MAPS 4 Program. Ordinance No. 26,255 one-percent sales tax ends at 12:00 a.m. on April 1, 2028.) Once effective, the tax levied by this Ordinance No. 27,420 will last for a limited term of 72 months and then such tax will end.

It is anticipated that the temporary sales tax levied by Ordinance No. 27,420 will generate approximately \$976M during its 72-month term. The revenues will be deposited in a special sales tax fund called the Arena Sales Tax Fund. The proceeds in this Fund can be expended only for the purpose of funding all expenses related in any manner to constructing, establishing, providing, or maintaining an arena facility to be owned by the City. The term "expenses" is defined in Subsection 52-23.8(d) of Ordinance No. 27,420.

Review:

Municipal Counselor's Office

Recommendation: Ordinance No. 27,420 be introduced and adopted with emergency or set for public and final hearing on September 27, 2023.