



ANALYSIS OF FINANCIAL IMPACTS OF THE PROPOSED WESTERN GATEWAY PROJECT PLAN AND SUPPORTING INCREMENT DISTRICTS

December 30, 2016

I. GENERAL DESCRIPTION OF PROPOSED PROJECT PLAN.

The proposed Western Gateway Project Plan is a project plan as defined under the Oklahoma Local Development Act, 62 O.S. §850, *et seq.* (“Act”), and is referred to here as the “Project Plan.” The Project Plan contemplates the creation of two tax increment districts—temporarily designated “Increment District A” and “Increment District B”—to generate revenues to support construction of public infrastructure and other public improvements necessary for Wheeler District, LLC, to transform a 150-acre inner-city area and former airport facility into a mixed-use, urban neighborhood with about 2.5 million square feet of developed area and 2,000 housing units, as well as office, retail and other commercial spaces appropriate to a main-street style, urban mixed-use environment. Public improvements and infrastructure to be supported by the Project Plan include a portion of all infrastructure to be constructed and new school improvements to help meet increased demand from the anticipated residents.

II. PROJECT AREA AND INCREMENT DISTRICT BOUNDARIES.

The project area (where principal activities occur) for the Project Plan embraces generally the area east of South Blackwelder Avenue and west of South Walker Avenue in between the Oklahoma River on the north and Twin Creek on the south, (“Project Area”), which is shown in Figure 1 below. The boundaries of Increment Districts “A” and “B” within the Project Area are also shown in Figure 1. Legal descriptions of the Project Area and both Increment Districts may be found in the Project Plan.

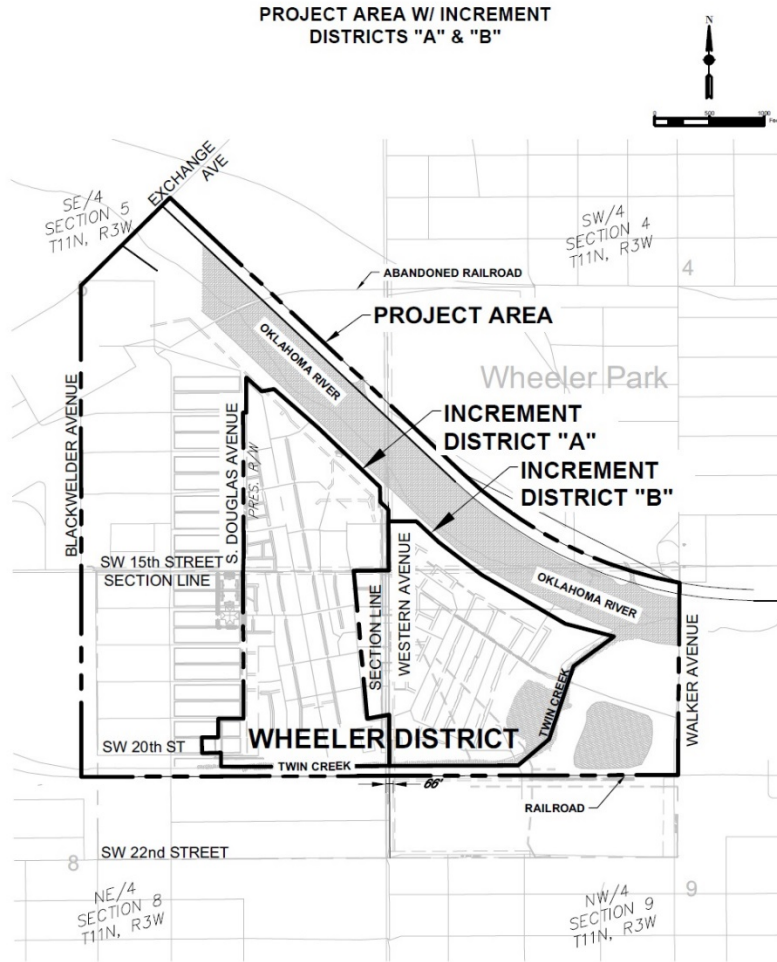


Figure 1. Illustration of Project Area and Increment District Boundaries

III. ELIGIBILITY OF PROJECT AREA AND INCREMENT DISTRICT AREAS.

Both the Project Area and Increment District areas are entirely within a State designated Enterprise Zone, and qualify as a Reinvestment Area, as defined by the Act. The Increment Districts are projected to generate revenues for project activities.

IV. OBJECTIVES.

The Project and Project Plan hope to address the following objectives:

- A. To facilitate the development of the District and initiate a catalytic effect for surrounding or nearby neighborhoods in South Oklahoma City.
- B. To provide a funding mechanism for a substantial portion of the local public investment required to facilitate that development.

- C. To enhance the tax base and make possible investment, development, and economic growth that would otherwise be difficult without the Project and the apportionment of increment tax revenues.
- D. To stimulate private commitments to invest and reinvest in the Project Area.
- E. To create and expand commercial activities and residential investment in the area.

V. PROJECTED RESULTS OF PROJECT PLAN ACTIVITIES.

Projects such as those contemplated by this 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. Direct and indirect benefits to the community as a whole and to the taxing jurisdictions can be projected, based on economic models utilized by the Oklahoma Department of Commerce and the Greater Oklahoma City Chamber of Commerce, as well as economic development consultants.

A. Investment

The Project Plan is estimated to stimulate \$576 million in new public and private investment, which is anticipated to be valued at over \$1 billion after completion.

B. Employment

The Project Plan is estimated to stimulate the creation of over 700 permanent jobs having an aggregate payroll of over \$40 million.

C. Ad Valorem and Sales Tax Growth

The revenue source expected to finance Project Costs authorized by the Project Plan is the incremental increase in ad valorem tax revenue generated by the Project within the Increment Districts. It is estimated that between \$50,000 annually in the near term and more than \$11 million annually over the longer term will be generated by the incremental increases in ad valorem tax revenue.

Additionally, it is anticipated that development of the Project as a whole, and the attendant increases in employment, will result in increased sales taxes for The City of Oklahoma City, increased sales taxes for Oklahoma County, increased sales taxes for the State of Oklahoma, increased ad valorem taxes outside of the Increment Districts, and increased income tax revenues to the State of Oklahoma.

VI. IMPACTS AND EFFECT ON TAXING JURISDICTIONS.

The economic development strategies of the Project will enhance public tax revenues from all sources, both inside and outside the project area, much of which will flow directly to the taxing jurisdictions in the area.

A. Oklahoma City Public School District (I-89)

The influx of new residents from the 2,000 housing units that will be constructed as part of the new development in the Project Area will result in increased demand on the Oklahoma City Public School District. To address this increased demand, the Project Plan calls for sharing increment revenue with the Oklahoma City Public School District in two different phases/tiers: (1) Tier 1 will provide 75% of generated increment revenues toward payment of a portion infrastructure costs incurred by the developer—up to \$60 million—and 25% of generated increment revenue to the Oklahoma City Public School District—up to \$20 million—for purposes of planning, building, and operating a Spanish/English Dual Immersion Elementary School within the Project Area that will serve the Project Area; and (2) after the Tier 1 distribution limits have been reached, Tier 2 will provide 100% of generated increment revenue—up to \$40 million—to the Oklahoma City Public School District to support middle and high school development, expansion, and operations. All money going to the Oklahoma City Public School District pursuant to the Project Plan is not counted against the district’s allocation of state school aid.

The Oklahoma City Public School District will experience a positive fiscal impact from the project beyond the specific revenue sources described above, as well. The district currently only collects approximately \$50,406 per year from property within the proposed Increment Districts. When amounts collected from sinking fund levies are excluded, that amounts to only \$35,911 collected that may be used for operational purposes, which shrinks even further to \$5,337 if state school aid offsets are accounted for. Upon termination of the proposed Increment Districts, it is estimated that the district will generate annual revenues for Oklahoma City Public Schools upwards of \$6 million total, \$4.5 million in operating revenues, and a net \$700,000 benefit when accounting for state school aid offsets.

B. Oklahoma City Community College

The Project Area is served by the Oklahoma City Community College (“OCCC”), which may experience a slight increase in demand from the new residents anticipated by the development. Land within the proposed Increment Districts’ boundaries currently generate approximately \$8,000 per year for OCCC’s operations, but that number should increase to approximately \$1 million annually upon termination of the proposed Increment Districts after completion of the project.

C. Oklahoma County

No specific demand for increased services on Oklahoma County is likely to result from the developments under the Project Plan. Land within the proposed Increment Districts’ boundaries currently generate approximately \$8,000 per year for the County’s operations, but that number should increase to approximately \$1 million annually upon termination of the proposed Increment Districts after completion of the project.

D. Metropolitan Library System

The Metropolitan Library System serves most of Oklahoma County, and its two branches closest to the Project Area are the Capitol Hill Library (located at 330 S.W. 24th Street) and the Wright Library (located at 2101 Exchange Avenue). The residents of the new housing proposed as part of the project will likely contribute to the most immediate, day-to-day clientele for these two branches, though proximity to the Ronald J. Norick Downtown Library may also lure Project Area residents to that facility. Land within the proposed Increment Districts' boundaries currently generate approximately \$4,000 per year for the Library's operations, but that number should increase to approximately \$500,000 annually upon termination of the proposed Increment Districts after completion of the project.

E. Oklahoma City-County Health Department

A modest demand for increased services by the Oklahoma City-County Health Department might be anticipated as a result of the new developments arising under the Project Plan. However, the Oklahoma City-County Health Department will be positively affected by the new employment anticipated, and the promotion of the area as a highly walkable, mixed-use district will support several of its public health initiatives. Annual operating revenues generated from the land within the Increment Districts' boundaries should increase from their current \$2,000 to \$284,000 after completion of the project.

F. The City of Oklahoma City

The creation of mixed-use development in the Increment Districts will generate new sales taxes for the City. The proposed developments are not expected to significantly pull sales away from existing retailers within the City outside of the Increment Districts because they will occupy different positions within the marketplace. Also, the project will generate significant development and investment in an underserved and underdeveloped part of the City, thus having additional desired and positive impacts on the City.

VII. ECONOMIC IMPACTS ON BUSINESS ACTIVITIES.

Isolating the specific impacts of the Increment District on the greater community is difficult, but through correlation of demands for residential and commercial space within the Increment District, 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, office and industrial categories.

As public and private development occurs, construction will result in temporary jobs and completion of development projects will result in permanent jobs, particularly in commercial, industrial and mixed-used developments.

The development of an estimated 2,000 housing units in the Project Area will result in an influx of 3,500 residents with aggregate annual household incomes upwards of \$175,000,000.¹ The increased presence of individuals living and working in the Project Area will further stimulate demand for development, establishing a well-rounded mixed-use district. Further, the increased presence of individuals will increase the opportunity of potential customers for the new businesses in the Project Area and existing business in the surrounding neighborhoods.

PROJECTED ECONOMIC IMPACT—CONSTRUCTION PHASE

	<u>Residential</u>	<u>Office</u>	<u>Retail</u>	<u>Industrial</u>
Direct Outlays	\$238,880,000	\$14,400,000	\$10,000,000	\$3,000,000
Total Output ²	\$324,870,000	\$19,580,000	\$13,600,000	\$4,080,000
New Personal Earnings ³	\$43,840,000	\$2,640,000	\$1,840,000	\$550,000
Jobs Generated ⁴	1,225	74	51	15

Sources: NAIOP Research Foundation, CCIM

PROJECTED ECONOMIC IMPACT—POST-CONSTRUCTION PHASE

	<u>Residential</u>	<u>Office</u>	<u>Retail</u>	<u>Industrial</u>
Jobs Housed	-	480	222	56
Total Payroll	-	\$34,400,000	\$5,300,000	\$2,700,000
Retail Sales	-	-	\$22,500,000	-
Building Operations				
- Direct Outlays	\$5,700,000	\$800,000	\$400,000	\$100,000
- Total Output ²	\$7,920,000	\$1,080,000	\$480,000	\$170,000
- New Income ³	\$2,220,000	\$300,000	\$140,000	\$50,000
- New Jobs ⁴	66.56	9.05	4.06	1.45

Source: NAIOP Research Foundation

¹ Occupancy – 1.75 persons/unit; Average salary – \$50,000/person.

² Contribution to OKC MSA gross product.

³ New personal earnings accruing to OKC MSA residents.

⁴ New jobs generated within OKC MSA throughout construction phase, on- and off-site.

VIII. SUMMARY AND CONCLUSIONS.

The proposed project will have a positive long-term financial benefit for the community, affected taxing jurisdictions, and business activities. Correspondingly, no appreciable adverse impact is likely to result from the project for the taxing jurisdictions or business activities within the Project Area that has not been addressed in the Project Plan. The impact of anticipated development on the provision of governmental services is balanced by the public improvements (including educational improvements) and infrastructure components in the Project Plan, which addresses public costs associated with the project and minimizes the burden of providing additional government services.