

**OWASSO REDBUD DISTRICT PROJECT PLAN
INCREMENT DISTRICT NO. 1, CITY OF OWASSO**

FINANCIAL IMPACTS REPORT

PREPARED BY:

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I. 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 will be generated. The project area and increment district may or may not be co-extensive. The value of property within the increment district is determined upon approval of the project plan. This becomes the base assessed value of all taxable 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 the taxing jurisdictions according to each jurisdiction's levy. Throughout the life of the project, the base 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 increases, and so the assessed value of that property also 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 (i.e. allotted) to an apportionment fund that is used to pay the eligible public costs of the project either directly or through the issuance of bonds. This apportionment of ad valorem tax increments will continue for the lesser of a period of 25 fiscal years from the date of approval or until all eligible public costs are paid. Once the tax apportionment period expires, the revenue from the increased assessed value of property within the increment district will be divided among the taxing jurisdictions, in addition to the revenue from the base assessed value that these entities will have continued to receive.

II. THE PROPOSED PROJECT

The proposed Owasso Redbud District Project Plan is a project plan as defined under the Oklahoma Local Development Act, 62 O.S. §850, et seq., and is referred to here as the "Project Plan."

The boundaries of the proposed Project Area and Increment District No. 1, City of Owasso ("Increment District") are the same and are generally located within the following boundaries: beginning at the western terminus of North Carlsbad Street, east along West 3rd Street to the east side of North Atlanta Street, north one lot, then east one lot, then north to West 4th Street, then east along West 4th Street to North Main Street, south to one lot north of West 3rd Street, then east along West 3rd Street to one lot before Cedar Street, south to East 2nd Street, then east along East 2nd Street to the west Owasso Expressway service road, then south along Owasso Expressway to East 71st Street, west generally along East 71st Street to South Main Street, north to West 5th Avenue, west to North Mingo Road, north along Mingo Road to West 2nd Avenue (E 76th St N), east along West 2nd Avenue to the western side of the Owasso Sertoma Center, north to the railroad tracks, then across the railroad tracks back to North Carlsbad Street and West 3rd Street.

The Project Plan anticipates private investment in the Project Area to exceed \$100 million over a period of 25 years. Development will consist of a range of commercial, residential (single family and multifamily), mixed-use, and where appropriate, industrial. This new development is estimated to increase market and assessed values for property within the Increment District, which, in turn, will result in annual ad valorem tax revenues (“ad valorem increments”) of approximately \$280,000 in the near term and 1,350,000 over the long term. Additionally, increases in City sales tax revenue (“sales tax increments”) are estimated to be approximately \$35,000 annually in the near term and \$75,000 over the long term. Total incremental revenues estimated to be generated over the life of the Increment District range between \$18,000,000 and \$25,000,000.

The projections are based upon the impacts of the total \$100 million in private taxable investment. Projects such as those contemplated by the 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.

III. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS

A. Overall Financial Impacts upon the Affected Taxing Jurisdictions. Under the Project Plan, all incremental revenues will be apportioned to the apportionment fund for use by the Owasso Public Works Authority, or another public entity designated by the City, to pay for authorized project costs. Once the Increment District terminates, the increments shall be distributed pursuant to ad valorem and sales tax statutes.

The benefits of projected development under this project will be significant for the affected taxing jurisdictions and for the greater community. The actual increase in demand for services, if any, will be limited for those taxing jurisdictions, with potential increases in demand discussed in Section III, B herein.

The Increment District at present contains a number of vacant, underperforming, or tax exempt parcels that generate very little or no ad valorem tax and sales tax revenues. The current assessed value within the Increment District at the time of project approval will continue as the basis for allocating the tax revenue to the taxing jurisdictions during the life of the project. Since funding rates for bonded indebtedness are calculated using the base assessed value within the Increment District, repayment of bonded indebtedness will not be affected.

Concentrated and continuous stimulation of the development of the area, as contemplated by the 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 will result in benefits to the affected taxing jurisdictions. Finally, the generation of sales taxes in this underperforming area will benefit the City.

B. Specific Effects from the \$100 Million Private Growth.

1. *Owasso Public Schools.* Owasso Public Schools will experience little to no measurable negative impact as a result of the project because much of the development will be stimulated by public assistance and investment in the area (e.g., the construction and development of new adjacent public or private infrastructure, and the provision of development financing assistance as prescribed in the Project Plan). Owasso Public Schools has several facilities

in the Project Area that improved public infrastructure will enhance. The value of property owned by Owasso Public Schools will increase due to development throughout the Project Area.

The residential portion of development may generate, over time, a small increase in demand for services from Owasso Public Schools, although the type of residential development will likely be more in demand by non-child households. Residential development in a mixed-use, medium density environment often appeals to a younger and near-retirement demographic.

Owasso Public Schools will experience a positive fiscal impact from the project. Currently, Owasso Public Schools is collecting an estimated \$47,000 annually in ad valorem revenues from within the Increment District when accounting for state school aid offsets. Upon termination of the Increment District, it is estimated that annual ad valorem revenues of \$220,000, generated by increased development due to the project, will flow to Owasso Public Schools, based on current millage rates and accounting for state school aid offsets.

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

3. *Tulsa Health Department.* The Tulsa Health Department is positively affected by new employment that the project will generate. The promotion of the Project Area as a highly walkable, mixed-use district will support public health initiatives of the Tulsa Health Department.

4. *Tulsa City-County Library.* The Tulsa-City County Library serves the entire metropolitan area, including a branch in the Project Area. Public infrastructure improvements in the surrounding area will positively affect the branch. Also, due to its location within the Project Area, residential and mixed-use development will contribute to the most immediate, day-to-day clientele for this facility. Commercial and industrial development should not affect this facility outside of increased exposure.

5. *Tulsa Technology Center.* The Tulsa Technology Center has a branch in Owasso, but the campus is not adjacent to the Project Area. Therefore, the development should have minimal impact on demand for services, although complementary job training opportunities, including, but not limited to, culinary arts training in restaurants in the Project Area, may be utilized.

6. *Tulsa Community College.* Impacts to the Tulsa Community College from the project should be similar to those of the Tulsa Technology Center, with minimal impact on demand for services, although complementary job training opportunities may be utilized depending on the nature of the commercial and residential development.

7. *City of Owasso.* The creation of mixed-use development in the Increment District 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 District because they will occupy different positions within the marketplace, including boutique shops and restaurants that do not currently exist within the City. 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.

IV. 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 200 residential units in the Project Area will result in additional household income of \$13,110,000¹. 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 new and existing businesses in the Project Area.

V. CONCLUSION

The projected project will have a positive long-term financial benefit for the Owasso 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. The impact of anticipated development on the provision of governmental services is balanced by the public improvements and infrastructure component in the Project Plan, which addresses public costs associated with the project and minimizes the burden of providing additional government services.

¹ Median Family Income (2014 ACS Census Estimate) = \$65,550