

# **ANALYSIS OF FINANCIAL IMPACTS OF THE PROPOSED FIRST AMENDMENT TO THE OKLAHOMA REGIONAL INNOVATION DISTRICT PROJECT PLAN AND INCREMENT DISTRICTS**

## **I. BACKGROUND AND PURPOSE.**

Prior to the adoption of a project plan or a major amendment to a project plan, the review committee considers the eligibility and financial impacts of the proposed increment district, plan, or project on any taxing jurisdiction and business activities within the proposed increment district.

The Oklahoma Regional Innovation District Project Plan (“Project Plan”) and its increment districts have been effective in generating economic development and growth both inside and outside the increment districts. As part of The City of Oklahoma City’s overall economic development strategy, the use of tax increment financing in previously undeveloped and underdeveloped areas of the core has attracted both direct and indirect investment that has strengthened and improved the tax base for all the local taxing jurisdictions.

The currently proposed amendment to the Project Plan builds on that success in modest but impactful ways by creating two new increment districts: (1) a sales tax increment district covering only the large mixed-use project known as Convergence located at Harrison Avenue and North Stiles Avenue that includes the MAPS 4 Innovation Hall and (2) an ad valorem increment district on property that remains undeveloped or significantly underdeveloped, primarily along the western and northern edges of the Innovation District.

## **II. 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 accepted economic models utilized by entities such as the Oklahoma Department of Commerce, the Greater Oklahoma City Chamber of Commerce, and private economic development consultants.

A. Investment. The First Amendment to the Project Plan is estimated to stimulate an additional \$500 million in new public and private investment in the increment districts, as well as indirect investment outside the increment districts in excess of that amount.

B. Employment. The First Amendment to the Project Plan is estimated to stimulate the creation of over 1,500 permanent, high-quality jobs. The Convergence project alone is expected to create over 900 direct construction jobs. Wheeler Bio, which will anchor the Convergence office building, is creating hundreds of new no-degree-needed jobs that pay at or above the area’s median income. The OKC Biopharmaceutical Workforce Training Center to be housed in the MAPS 4 Innovation Hall – part of which is funded by tax increment revenues from the Project Plan – will train thousands of people for in-demand, high-growth and competitive-wage jobs, and help position Oklahoma City as one of the few hubs for biomanufacturing talent in

the United States, attracting business expansions and new companies in the area. The development or redevelopment of long-vacant properties along Interstate 235 will bring employment and housing to the core of the City, which will stimulate further investment and economic activity both inside and outside the increment districts.

C. Ad Valorem and Sales Tax Growth. The revenue sources expected to finance Project Costs authorized by the Project Plan are (1) the incremental increase in sales tax revenue from the construction of Convergence and (2) the incremental increase in ad valorem tax revenue generated by the overall Project within the Increment Districts. It is estimated that between \$1 million annually in the near term and more than \$4 million annually over the longer term will be generated by the incremental increases in ad valorem tax revenue from the activities generated and supported by the First Amendment to the Project Plan.

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 and for the State of Oklahoma, increased ad valorem taxes outside of the Increment Districts, and increased income tax revenues to the State of Oklahoma.

### **III. IMPACTS AND EFFECT ON TAXING JURISDICTIONS.**

The economic development strategies of the Project, strengthened by the First Amendment, 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.

1. Oklahoma City Public School District (I-89). Additional new development in the Project Area is likely to result in an increased demand on the public school district. However, a principal benefit of an Innovation District is the accelerated pace of new business enterprise, new investment and new jobs, the kind of activities that are most beneficial to school district revenues. Over the past two decades, the Oklahoma City economic development strategy has changed flat-line property valuation to an average annual 5% growth and is creating new taxable value in the school district at two and one-half times the amount of value growth in all increment districts. Attracting additional growth and investment in the core, rather than in outlying areas, will continue to have a positive financial impact on OKCPS.

Additionally, the First Amendment provides an additional \$10 million over the life of Increment District No. “P” as a specific revenue source for enhanced education, skills training programs, workforce development, internships, and entrepreneurial support. In 2022, the Oklahoma City Redevelopment Authority (OCRA), allocated \$350,000 for these purposes. Another \$350,000 has been authorized for 2023. The First Amendment will enable OCRA to increase that allocation in future years, following the completion of Convergence.

2. MetroTech. As with OKCPS, Oklahoma City’s economic development strategy over the past two decades has changed flat-line property valuation to an average annual 5% growth and is creating new taxable value in the MetroTech’s district at two and one-half times the amount of value growth in all increment districts. The additional growth to be stimulated by the First Amendment will have a positive financial impact on the tax base for MetroTech.

Likewise, the additional \$10 million provided by the First Amendment as a specific revenue source for enhanced education, skills training programs, workforce development, internships, and entrepreneurial support is envisioned to be deployed through partnerships and coordination with MetroTech.

3. Oklahoma County. No specific demand for increased services on Oklahoma County is likely to result from the developments under the Project Plan. Like OKCPS and MetroTech (both districts are embraced with the County area), the County's property tax base and revenues have been stimulated by the City's economic development policies. County-wide property valuations have improved from a modest 3% annual growth to an average 8% annual growth over the past two decades, mirroring the growth patterns outside of all increment districts as seen in the OKCPS and MetroTech districts.

4. Metropolitan Library System. The anticipated additional developments stimulated by the First Amendment to the Project Plan may add to the clientele visiting the Ronald J. Norick Downtown Library, as the closest public library in the metropolitan area. The benefits to the Library System's tax base should be proportional to County benefits.

5. Oklahoma City-County Health Department. No demand for increased services by the Oklahoma City-County Health Department is anticipated as a result of the new developments arising under the First Amendment to the Project Plan. The Project Plan's objectives of creating better connected neighborhoods, improved walkability, and increased opportunities for underserved communities should have a positive impact on public health. The benefits to the Health Department's tax base should be proportional to County benefits.

6. The City of Oklahoma City. The actual, current, and future projected benefits to Oklahoma City mirror the benefits of the other affected taxing jurisdictions and are therefore net positive, even considering the investment of \$2,500,000 in sales tax revenue in the Project.

#### **IV. ECONOMIC IMPACTS ON BUSINESS ACTIVITIES.**

Isolating the specific impacts of the increment districts on the greater community is difficult, but the positive impacts an innovation district can have on business activities and on communities as a whole have been well documented by the Brookings Institution and others. An innovation district is implemented with an intentional economic development strategy based on the premise that economic growth, job creation, and innovation can be fostered through the clustering of businesses, institutions, and people, and the creation of new partnerships. Proximity and relationships allow people to collaborate and, as a result, spur and stimulate productivity, ideas, education, and innovation. Innovation districts encourage multiple use developments that include housing, office, retail, green space, and entertainment venues. They foster connections between leading edge anchor institutions and business, cluster research with startups, business incubators and entrepreneurs, and create new partnerships with education, skills training, and the community.

Oklahoma City's Innovation District will continue to serve as a platform for quality job growth and business expansion and generate a higher multiple of beneficial economic impacts. As

public and private development occurs, construction will result in temporary jobs and the completion of those development projects will result in permanent high-quality jobs and continued economic growth. The development of a multi-use/innovation hub, improvements to adjacent neighborhoods, enhanced education and skills training programs, and the nourishment of public-private partnerships will collectively spur job growth, investment, and new business, particularly in biotechnology, technology, life sciences, engineering and related fields. The increased presence of individuals living and working in the Project Area will further stimulate demand for development, establishing a well-rounded multi-use area. Further, the increased presence of individuals will increase the opportunity of potential customers for both new and existing businesses in the Project Area.

## **V. SUMMARY AND CONCLUSIONS.**

### **Principal Conclusions:**

- A. The Project, as amended, has a high probability of accelerating job creation in the community.
- B. The First Amendment to the Project Plan has a high probability of stimulating additional investment both within and outside of the project area and increment districts.
- C. The Project, as amended, has a high probability of increasing ad valorem tax revenues for all affected taxing jurisdictions, and in particular, the payments to the Oklahoma City Public School District will be significantly greater than the net benefit to the school district without approval of the First Amendment to the Project Plan.

In summary, the benefits of the proposed First Amendment to the Oklahoma Regional Innovation District Project Plan will be significant for the taxing jurisdictions in the Project Area and increment districts, and for the community as a whole. A modest increase in the demand for services upon certain taxing jurisdictions can be anticipated, but such increases will be more than offset by the benefits generated by the Project Plan, as amended.