



NORTHWEST 39<sup>th</sup> GATEWAY PROJECT PLAN

# FINANCIAL IMPACTS REPORT

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**I. HOW TAX INCREMENT FINANCING WORKS**

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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 and repayment of bonds, notes, or other debt. 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**

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The Northwest 39th Gateway Project Plan is a project plan as defined under the Local Development Act, 62 O.S. § 850, et seq. ("Act"), and is referred to here as the "Project Plan." The Project Plan provides the economic structure and funding to construct needed public improvements and stimulate additional private development within select areas of Bethany, primarily centered around the former Waterside TIF district, the undeveloped area north of Northwest 39th Expressway and east of the Lake Hefner Canal, and scattered redevelopment sites along Northwest 39th Expressway (the "Project"). The Project Plan is considered to be a critical element in fostering public-private partnerships to create a continuing stimulus for economic revitalization. The establishment of three (3) new increment districts will provide critical funding for public improvements and help induce private investment through active incentivization of development focused on a mixture of retail, office, and residential growth.

The Project Plan will spur the creation of a mixed-use development adjacent to the Lake Hefner Canal and Northwest 39th Street, but it is also aspirational as there are many unknowns related to exactly how the rest of the Project Area will develop or precisely when various public and private improvements will occur. However, through committed adherence to this Plan and related efforts and the deliberate application of resources, continual progress towards a more livable Bethany—with thriving retail and mixed-use districts along the western entryway into the city—is achievable. If and when the City is successful with those efforts, the Project is anticipated to stimulate approximately \$123 million in new private investment over a period of 20 years (including \$70 million in Increment District A, \$16 million in Increment District B, and \$37 million in Increment District C).

### **III. BOUNDARIES OF PROJECT AREA AND INCREMENT DISTRICTS**

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The Project Area and Increment Districts' boundaries are shown on the illustration in Exhibit A of the Project Plan, titled "TIF District Boundaries." The Project Area is generally located (1) between North Stinchcombe Avenue and North Council Road between Northwest 50th Street and Northwest 39th Expressway, (2) within the triangular piece of property immediately east of North Eagle Lane and south of Overholser Drive, (3) all nonresidential parcels adjacent to and south of Northwest 39th Expressway from the North Canadian River to North Rockwell Avenue (including the entire block between Northwest 39th Street and Northwest 39th Expressway west of North Rockwell Avenue and east of North Divis Avenue), (4) a majority of Eldon Lyon Park, and (5) all right of way along Northwest 39th Street Expressway from the North Canadian River to North Rockwell Avenue. The three increment districts, for purposes of the Project Plan, are referred to as Increment Districts A, B, and C (collectively, the "Increment Districts"). Increment District A consists of the area north of Northwest 39<sup>th</sup> Expressway and just east of the Lake Hefner Canal. Increment District B is the area just east of Lake Overholser and south of Northwest 39<sup>th</sup> Expressway that was part of the Waterside Project Plan. Increment District C consists of a series of undeveloped properties stretching east along the south side of Northwest 39<sup>th</sup> Expressway and a few parcels immediately northwest of the intersection of Northwest 39<sup>th</sup> Expressway and North Council Road. Once the commencement date of each Increment District is determined, that Increment District will be renamed as "Increment District Number \_\_\_\_\_, City of Bethany," as appropriate, by assigning the next consecutive number for increment districts of the City of Bethany in accordance with Section 856(3) of the Act. Legal descriptions for the Project Area and all three Increment Districts are provided in Exhibits B and C of the Project Plan.

### **IV. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS**

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- A. Overall Financial Impacts on Affected Taxing Jurisdictions. Under the Project Plan, most all of the incremental revenues will be apportioned to the apportionment fund for use by the City, the Bethany Development Authority, or another public entity designated by the City, to pay for authorized project costs. The only portion of the incremental revenues that will not be apportioned to the Project will be ninety (90%) of the ad valorem increment from Increment District A, which will be apportioned to Putnam City Public Schools as a specific revenue source pursuant to Article X, Section

6C of the Oklahoma Constitution and Section 853(9) of the Act. Once each Increment District expires, the increment from that Increment District shall be distributed pursuant to ad valorem statutes.

The benefits of 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 IV.B herein.

The current assessed value each of the four proposed Increment Districts—estimated to be approximately \$53,000 for Increment District A, \$43,000 for Increment District B, and \$1,400,000 for Increment District C—at the time each Increment District is created will continue as the basis for allocating the tax revenue to the taxing jurisdictions during the full life of that Increment District. Since funding rates for bonded indebtedness are calculated using the base assessed value within an increment district, repayment of bonded indebtedness will not be affected.

Concentrated stimulation of the development, as contemplated by the Project Plan, will result in an enhanced ad valorem tax base, from which all of the affected taxing jurisdictions will benefit. The benefits of any new employment at the Project site and its ancillary benefits also will result in benefits to the affected taxing jurisdictions.

B. Specific Effects from the Potential \$123 Million in Private Investment.

1. ***Putnam City Public Schools.*** Putnam City Public Schools will experience little to no measurable negative impact as a result of the project because the Project will be stimulated by the public assistance and investment in the area. Additionally, while the residential portion of the Project anticipated to occur in Increment District A is likely to result in increased student enrollment in the school district, Putnam City Public Schools will receive an apportionment of ten percent (10%) of the ad valorem increment generated in Increment District A as a specific revenue source as an affected taxing entity pursuant to state law. These payments are not considered ad valorem taxes and are not chargeable against Putnam City Public School's state school aid allocation.

Beyond the specific revenue source payments from Increment District A, Putnam City Public Schools will experience a positive fiscal impact from the Project overall. Currently, Putnam City Public Schools collects approximately \$11,000 in operational ad valorem revenue (*i.e.*, not including sinking fund revenues, based on current millage rates, and accounting for state school aid offsets) annually within all proposed Increment Districts, based on the value of the current improvements. A similar amount will continue to be available for operational purposes for Putnam City Public Schools during the effective life of the Increment Districts.

Putnam City Public Schools should experience an increase in operational ad valorem revenue (*i.e.*, not including sinking fund revenues, based on current

millage rates, and accounting for state school aid offsets) of approximately \$96,000 annually once all Increment Districts terminate.

2. ***Oklahoma County.*** No specific measurable demand for increased services upon Oklahoma County is anticipated to result from this project. Oklahoma County currently receives approximately \$16,000 in operational ad valorem revenue (*i.e.*, not including sinking fund revenue) from the area within the proposed Increment Districts. The County should anticipate an estimated \$140,000 in additional operational revenues beginning once all Increment Districts terminate.
3. ***Oklahoma City-County Health Department.*** The Oklahoma City-County Health Department will be positively affected by any new employment that the Project may generate. In addition, the Project will promote the health and well-being of residents in the Health Department's service area through the construction of public infrastructure and improvements such as sidewalks that encourage walking, cycling, and other physical activity—especially in Increment District A. The Health Department currently receives approximately \$4,000 per year in ad valorem revenue from the area within the proposed Increment Districts. Once all Increment Districts terminate, the Health Department is anticipated to experience a \$35,000 annual increase in operational ad valorem revenue.
4. ***Francis Tuttle Technology Center.*** Francis Tuttle Technology Center should experience modest impacts from the Project on demand for services, although a few additional students may reside in the residential portion of the Project planned for Increment District A. Francis Tuttle will be positively impacted by the complementary job training opportunities, including, but not limited to, construction and engineering-related trades involved in the construction of the private developments. Francis Tuttle currently receives approximately \$24,000 per year in ad valorem revenue from the area within the proposed Increment Districts. Francis Tuttle should anticipate receiving additional operational ad valorem revenue of approximately \$212,000 per year once all Increment Districts terminate.
5. ***Metropolitan Library System.*** Metropolitan Library System should experience minimal impacts from the Project. The Library currently receives approximately \$8,000 per year in ad valorem revenue from the area within the proposed increment districts, but should anticipate new annual operational ad valorem revenues of approximately \$70,000 once all Increment Districts terminate.
6. ***City of Bethany.*** The Project has the largest impacts on the City of Bethany, which will become responsible for maintenance of all new public infrastructure to be built, in addition to providing general municipal services to serve the Project (*i.e.*, police, fire protection, utilities). Additionally, the City will need to add additional water utility capacity to service new development, as it is

nearing its current capacity. To offset those increased service demands, the Project’s additional employment and retail opportunities within the City will generate new sales tax revenues for the City. The three Increment Districts are proposed to be sales tax increment districts as well as ad valorem increment, with the City including its undedicated sales tax revenues (3.3% rate) generated by the Project as increment, so the City will forego significant revenue until the Increment District terminate. Without knowing the specific breakdown of where employees will live or shop and what specific projects will generate, a concrete projection about their economic impacts cannot be made at this time.

**V. IMPACTS ON BUSINESS ACTIVITIES**

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Isolating the specific impacts of the Increment Districts on the greater community is difficult, but through correlation of demands for residential and commercial space within the Increment Districts, 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 retail, commercial, office, and industrial categories. The following analysis is based on a projected private investment of \$123 million, and does not include indirectly stimulated economic impacts.

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-use developments.

	<u>Projected Development</u>	<u>Temporary Jobs Supported<sup>1</sup></u>	<u>Temporary Payroll Supported<sup>2</sup></u>
<i>Residential</i>	\$33,800,000	463	\$16,207,963
<i>Commercial</i>	\$89,300,000	1,223	\$42,812,827
<b>TOTALS</b>	<b>\$123,100,000</b>	<b>1,686</b>	<b>\$59,020,790</b>

The development of an estimated 146 new residential units in the Project Area will result in additional annual household income of \$7,300,000.<sup>3</sup> The increased presence of individuals living and working in the Project Area will further stimulate demand for development. And increase the opportunity of potential customers for new and existing businesses in the Project Area.

**VI. CONCLUSION**

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The 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. The impact of anticipated development on the provision of governmental

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<sup>1</sup> 10 FTEs / \$1 million; 1.37 Type 1 Effects Multiplier.  
<sup>2</sup> Average wage of supported job = \$16.83/hour, 40 hours/week, 52 weeks/year.  
<sup>3</sup> Median household income = 50,000.

services is balanced by the project costs and revenue allocations authorized by the Project Plan, which addresses public costs associated with the Project and minimizes the burden of providing additional government services.