



Oklahoma Department of Commerce

Economic Impact of Norman TIF District

Research and Economic Analysis Division

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Economic Impact Methodology Summary

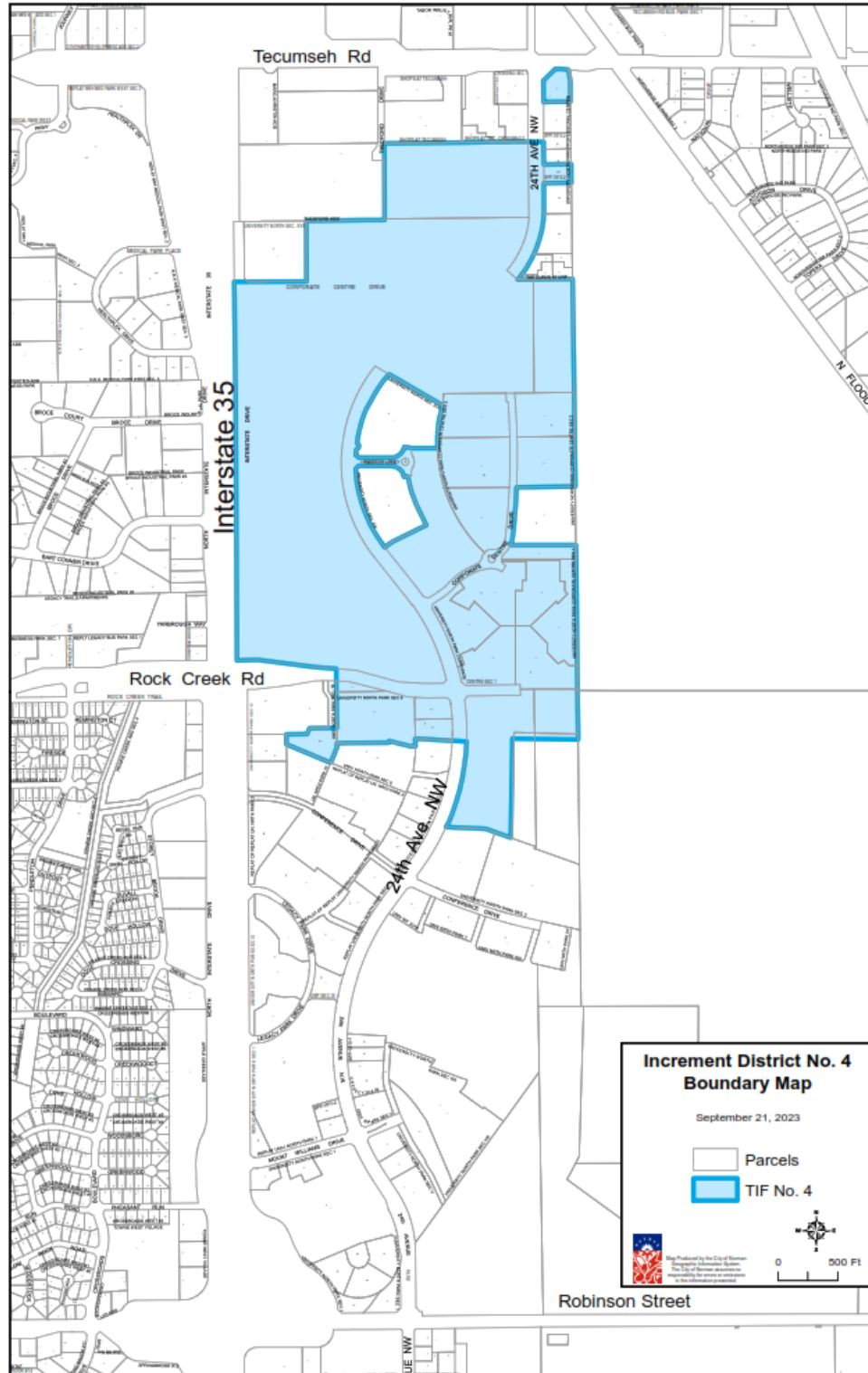
This report is based on estimates from key stakeholders that have provided building and operations costs of facilities included in the OU Foundation plan (See Appendix 2), along with proposed Norman Economic Development Coalition (NEDC) developments that have provided some level of commitment should the tax increment finance (TIF) area (see appendix 1) and arena be approved. The NEDC development primarily consist of a restaurant, a recreational/entertainment facility and a Weather Museum. The impact result reflects how each development has a staggered timeline that may not span the full life of the TIF. The National Weather Museum is a great example of an operation that was estimated to only capture 13 to 15 years of payments during the TIF. However, the impacts do span further outside timeline of the TIF. The estimate on the operations involved significant planning and adjustments to primarily include projects or operations that have a strong chance of meeting the proposed timelines in the development. Some operations did not have sales estimates but did have property tax calculations due to lack of scaling details. In this report there were no additional estimates on likely personal property that should be purchased to furnish and facilitate business operations within the proposed operations. Property values are estimated to increase 3% each year but are heavily offset by a depreciation schedule plus NPV discount rates to factor the time-value of money or cost of capital. A similar 3% growth was assumed for sales tax in the larger sales scenarios, but the discount rate fully covers that increase with an additional dampening effect evident in the net present value calculations.

The key figures for employment and GDP were generated using the REMI PI+ economic impact modeling tool. This tool is a dynamic policy model that takes into consideration cannibalization, business cycle, inflation and other regional and national factors. The GDP dollars communicated are in 2012 chained dollars, but inputs were pegged to 2022 dollar value. This economic impact report also considers the construction activities proposed in the overall TIF development (see appendix 1). Construction impacts are temporary in nature and will fade away shortly after construction activities have ended and workers move on to other geographies and/or projects. This report will look at employment, wages and GDP sales generated by the construction, and ongoing operation of businesses proposed by OU Foundation developers and the three NEDC prospects. Economic impacts are primarily influenced by three categories: direct, induced and indirect impacts. An analysis of the construction activities and ongoing operations of the University North Park developments (TIF area) yielded strong economic results. The results communicate the combined impacts from direct, indirect and induced activities. The direct impacts are measured by the direct jobs and investment listed by the developers. Those workers directly employed by proposed businesses earn wages that they in turn spend in the local economy (induced impacts from employee wages) to pay for food entertainment, housing and such. Indirect impacts occur when the proposed businesses spend significant dollars at local suppliers like Target, Crest, Home Depot, Lowes and others, on supplies to support their day-to-day operations. The impact results communicate the combined direct, indirect and induced impacts as a result of the proposed operations in the TIF.

The estimates for property taxes and sales taxes are based on the direct estimates of sales or items subjected to sales tax during construction and operations of the facilities proposed to be located in the TIF. Additional developments outside the planned and measured impacts would yield higher results. Also, if the developments do not occur then estimated tax revenue and development costs would be reduced somewhat proportionally depending on the type of business operation. The exclusion of an Arena would have an outsized negative impact on the overall viability of the development.

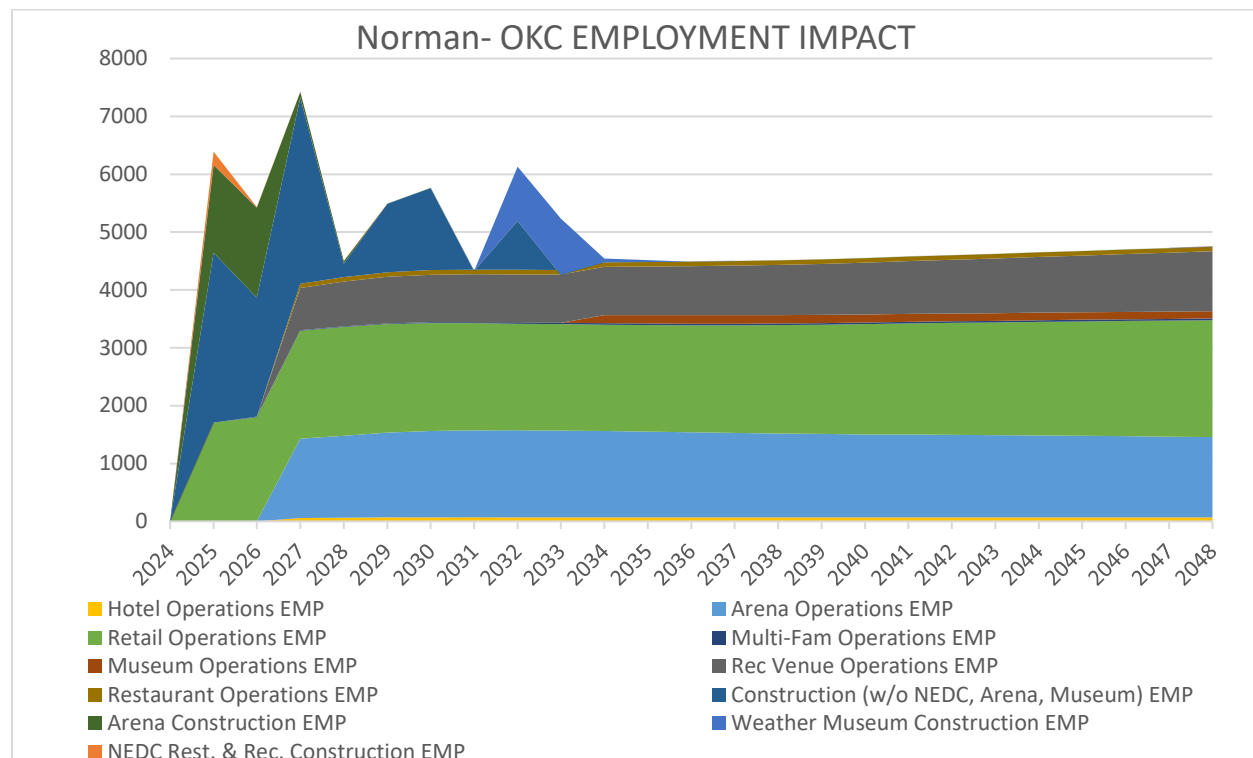
The maps in Appendices 1 and 2 cover the proposed Project Area, but the current economic impact estimates are focused on planned developments within the Project Area.

Appendix 1: Map of proposed TIF District 4.



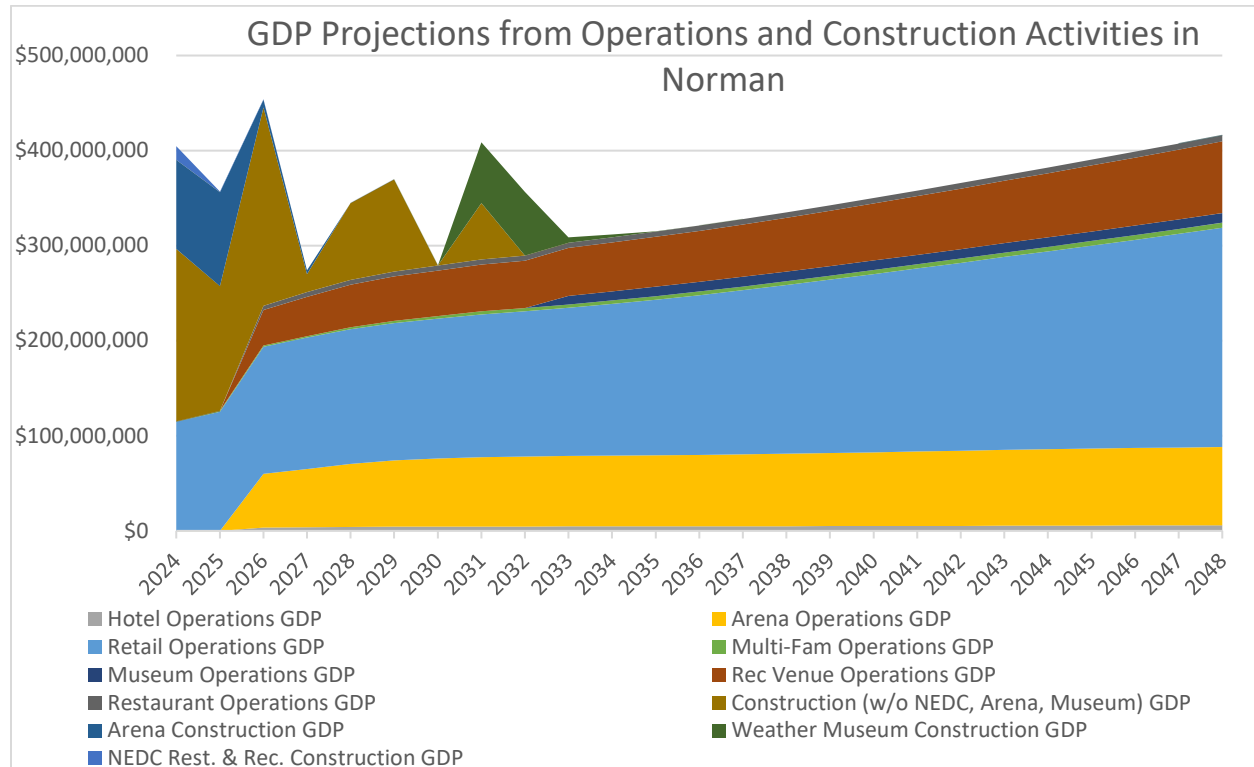
Appendix 2: Map of the OU Foundation Property overlaid onto TIF District 4.





Gross Domestic Product (GDP)

The proposed NEDC and OU Foundation developments are estimated to add significant dollars in the local economy through construction activities and then the on-going operations of the businesses located in the TIF district. As with employment, construction activities are temporary in nature and contribute to significant spikes in the first half of the TIF – as construction fades, the longer-term effects from the day-to-day business will remain. Peak construction shows a high \$454M in GDP added to the local economy. In post construction years that addition to GDP averages over \$350M per year from normal operations.



The impact without the NEDC projects would be roughly \$411M at peak construction and an average of \$285M in GDP in the post construction years of the TIF.

FISCAL IMPACT

Ad Valorem

Total Potential Property Tax

Based on the initial value of the infrastructure planned by OU, NEDC and other developers the estimated property tax on those facilities are expressed in the chart below. The chart is reflective of lower property taxes over time due to depreciated property values. Personal property like machinery and equipment unique to business operations were not included with this analysis.

OU Foundation Valuations

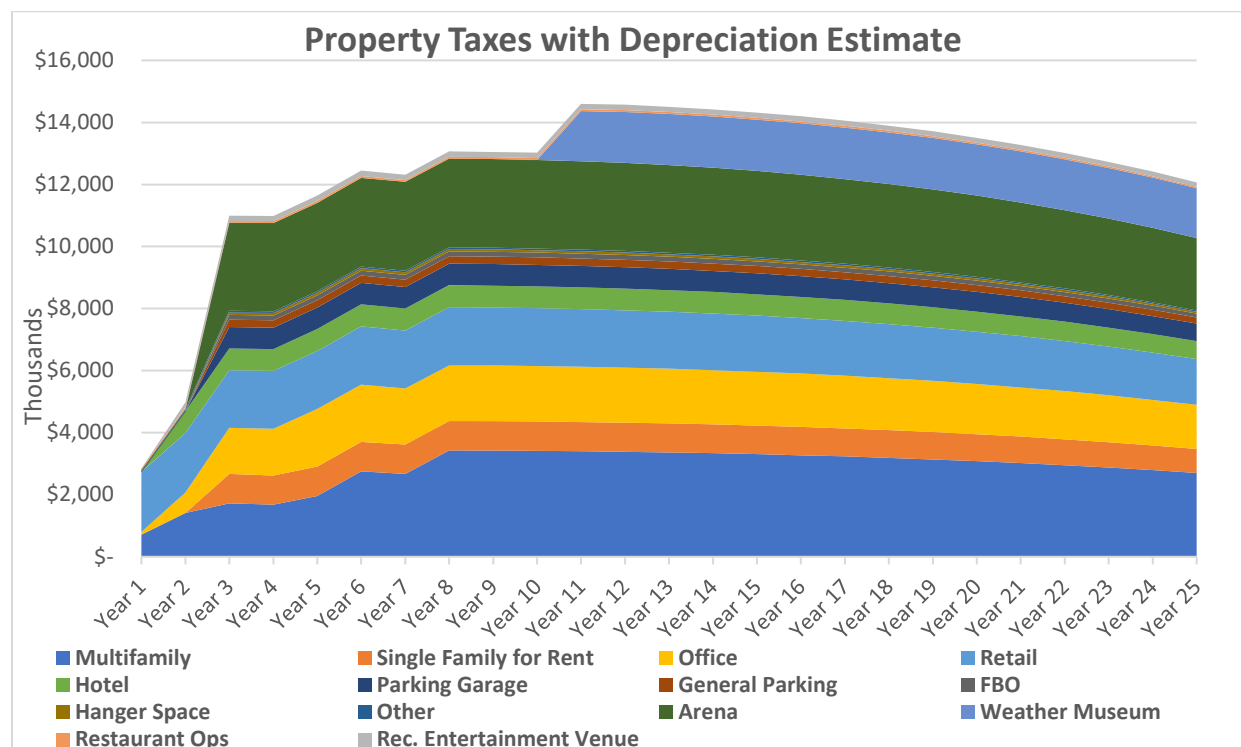
Over the life of the TIF, over \$277 milion is estimated to be generated from property taxes alone. Without depreciation, that total potential tax would be much higher at \$425 million.

- Total Potential Property Tax \$425,213,366 (arena pays taxes thru a PILOT)
- Total with Depreciation \$280,593,521
- **Total NPV (5%) with Depreciation \$169,264,657**

With NEDC Properties Valuations

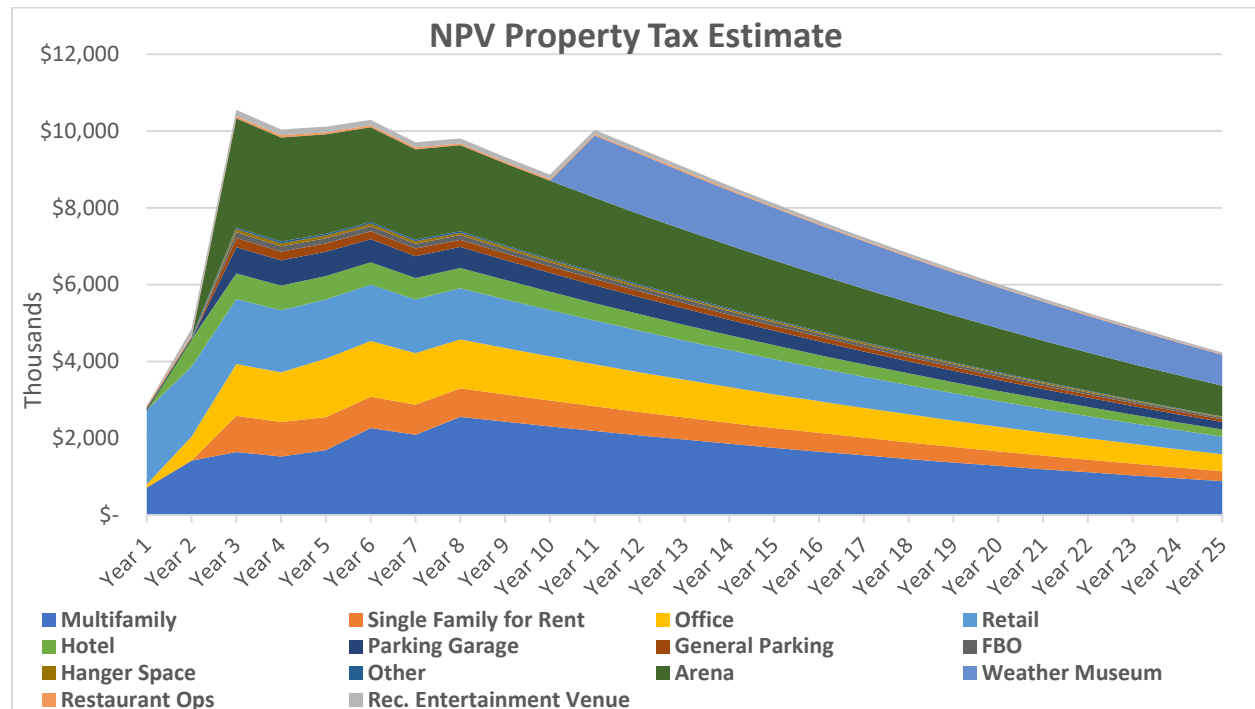
Over the life of the TIF, over \$310 milion is estimated to be generated from property taxes alone. Without depreciation, that total potential tax would be much higher at \$455 million.

- Total Potential Property Tax \$463,145,932 (arena pays taxes thru a PILOT)
- Total with Depreciation \$310,621,784
- **Total NPV (5%) with Depreciation \$190,506,418**



Net Present Value (NPV) of Direct Property Taxes

The Net Present Value of Property Taxes factoring depreciation over the life of the TIF would lead to a relatively smaller return on taxes over time, mainly due to the time-value of money. The chart below shows peak taxes generated over the life of the TIF when projects come online. The overall NPV is over \$169M for the original OU Foundation plan and over \$190 million in property taxes with NEDC projects added.



- Total Potential Property Tax \$425,213,366 (arena pays taxes thru a PILOT)
- Total with Depreciation \$280,593,521
- **Total NPV (5%) with Depreciation \$169,264,657**

With National Weather Experience Museum \$115M facility

- Total Potential Property Tax \$30,073,439 (15 Years of TIF start 2033)
- Total with Depreciation \$24,646,488
- **Total NPV (5%) with Depreciation \$17,922,737**

With NEDC Tecumseh Restaurant – Email commitment from large restaurant group

- Total Potential Property Tax \$2,050,527 (23 Years of TIF)
- Total with Depreciation \$1,416,866
- **Total NPV (5%) with Depreciation \$889,661**

With NEDC Recreational Entertainment Venue – LOI received

- Total Potential Property Tax \$5,808,599 (23 Years of TIF)
- Total with Depreciation \$3,964,910
- **Total NPV (5%) with Depreciation \$2,429,363**

Summary of Property Taxes- NEDC

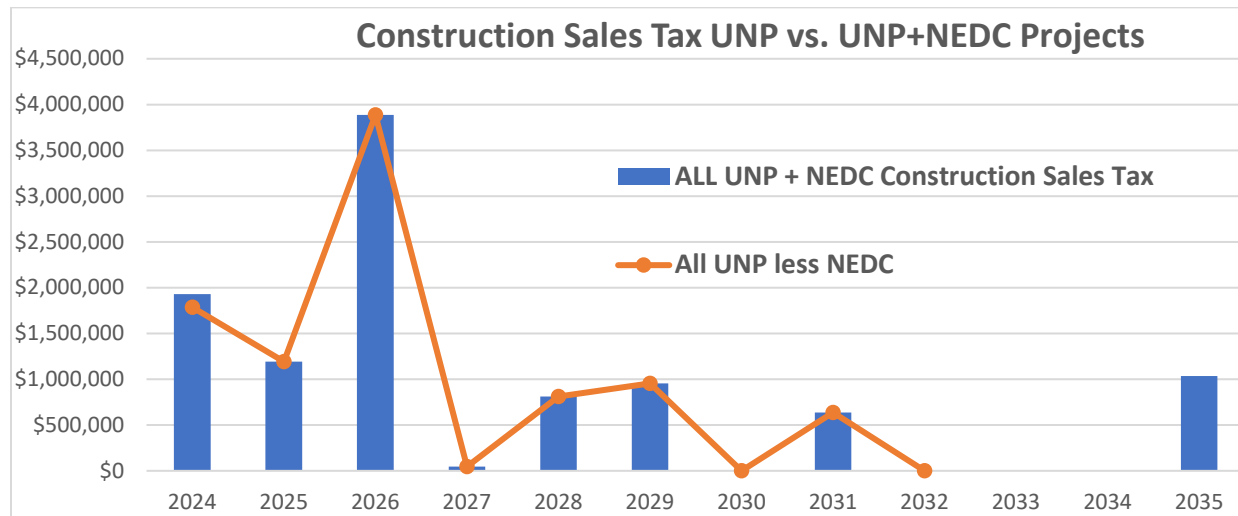
- Total Potential Property Tax \$37,932,566 (Museum et al- All Private Ownership and/or pays taxes thru a PILOT)
- Total with Depreciation \$30,028,263
- **Total NPV (5%) with Depreciation** **\$21,241,761**

Grand Total Property Tax Estimate

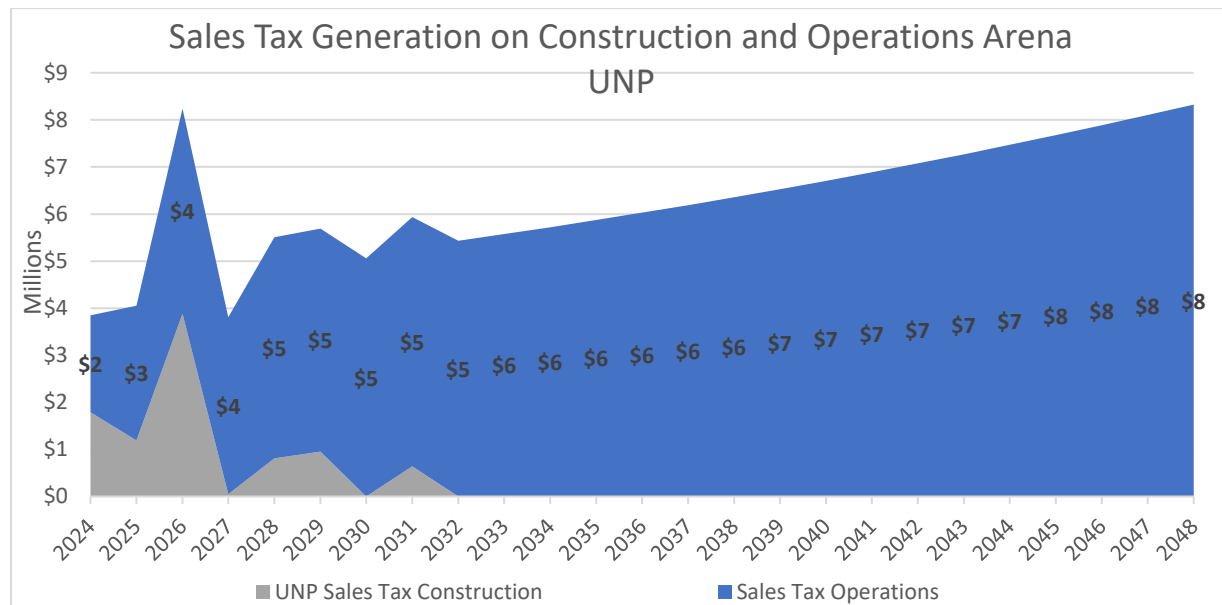
- Total Potential Property Tax \$463,145,932 (arena pays taxes thru a PILOT)
- Total with Depreciation \$310,621,784
- **Total NPV (5%) with Depreciation** **\$190,506,418**

Sales Tax Estimates

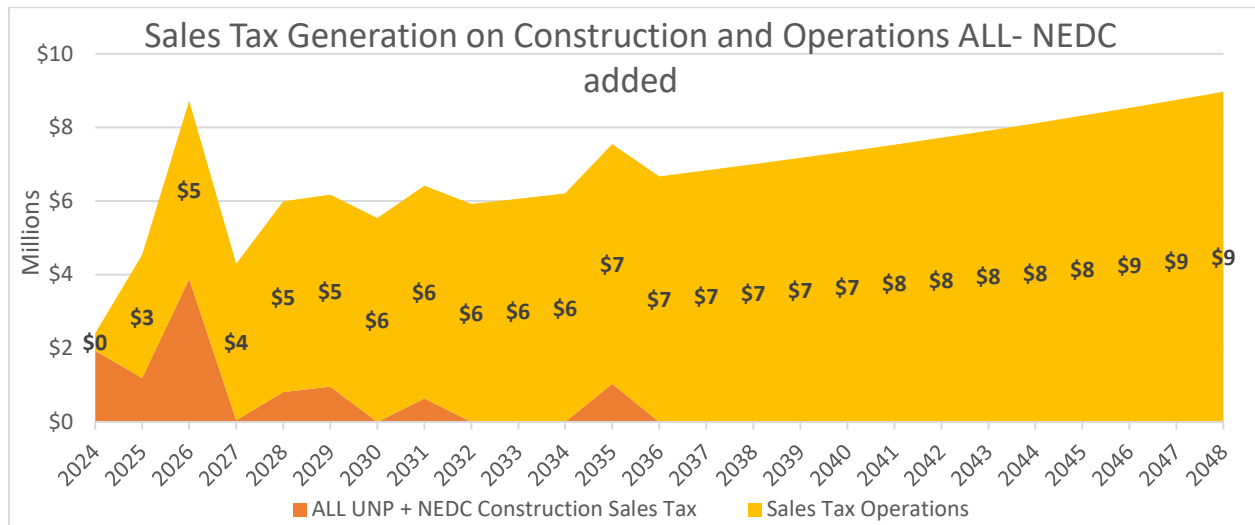
With a preliminary look at only construction sales taxes so far, we are estimating that just under \$9 to \$10.5 million in local sales taxes will be generated from construction activities through the proposed developments. This estimate assumes roughly 30-35% of the construction costs are spent in the TIF district on building materials that are subject to sales taxes. Other sources such as RSMeans show materials cost at over 45% for multifamily production as an example. The chart below shows construction sales tax with and without the NEDC projects based on a conservative material cost ratio.



Should Norman apply and get approval for programs such as the Leverage Act, the full amount of construction sales tax could potentially be leveraged and matched by the state. Additionally, sales taxes from operations over the life of the TIF is estimated to be a steady number. When considering all sales subjected to sales taxes, roughly \$148M is estimated to be generated from the Arena and other projects in the OU Foundation plan for the University North Park area (see chart below).



With NEDC properties and the Weather Center Museum, roughly \$12M in net new sales taxes are estimated to be generated over the life of the TIF. The total sales tax from operations is estimated to be over \$160M over the life of the TIF. When the construction sales taxes are added, the grand total sales tax is estimated to be over \$157M without the NEDC projects and over \$170M in sales tax with all UNP, Arena and NEDC projects combined (see chart below).



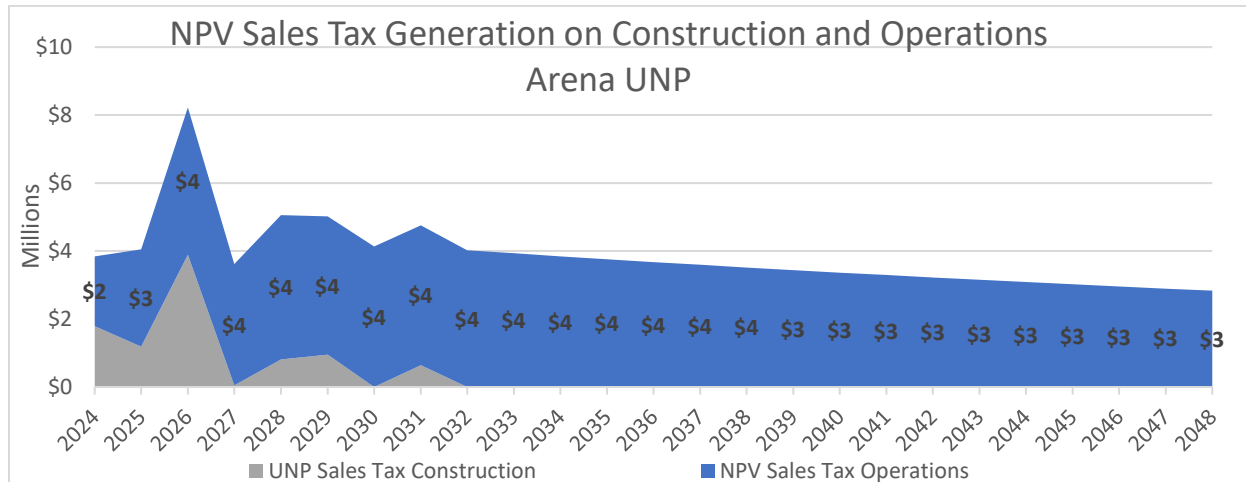
Again, based on performance, those funds could be leveraged to maximize matching state funds.

Summary estimate of overall sales tax generation through the life of the TIF

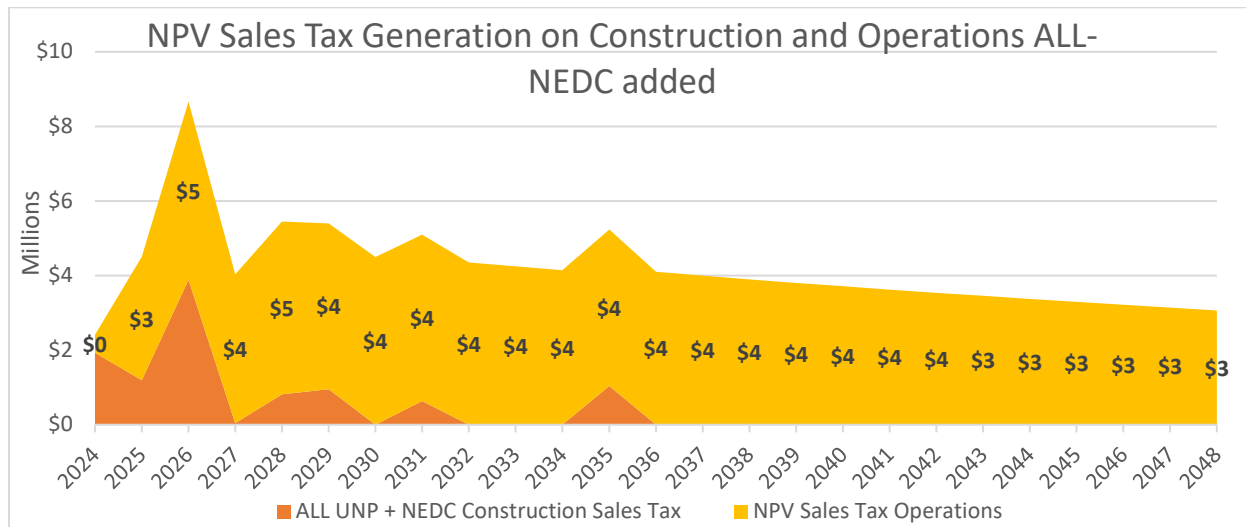
- UNP OU Foundation developments including the Arena
 - **\$148M** in operations sales tax
 - **\$157M** in construction and operations sales tax
- All NEDC developments and OU Foundation development projections
 - **\$160M** in operations sales tax
 - **\$170M** in construction and operations sales tax

NPV Sales Tax Breakdown

When considering the net present value of those sales tax dollars estimated to be generated over the life of TIF, the sales tax revenue for the Arena plus the original UNP developments reduces to \$87M. When construction sales tax revenues are added in the total, NPV rises to \$96M total for operations and constructions sales tax.



With the addition of the NEDC projects, including the Museum, Rec facility and restaurant, the total NPV estimate tax revenue will increase over the life of the TIF to \$94M without construction sales tax and \$104M with construction sales taxes added in.



Summary estimate of overall NPV sales tax generation through the life of the TIF

- **NPV Arena plus UNP original developments**
 - **\$87M** in operations sales tax
 - **\$96M** in construction and operations sales tax
- **NPV All NEDC developments along with Arena and UNP projections**
 - **\$94M** in operations sales tax
 - **\$104M** in construction and operations sales tax

Summary of Property and Sales Tax generation estimate

- UNP original developments plus Arena
 - **\$280M** in property taxes
 - **\$157M** in construction and operations sales tax
 - **\$148M** in operations sales tax
 - **\$438M Total Sales and Property Taxes**
- All NEDC developments along with Arena and UNP projections
 - **\$310M** in property tax
 - **\$170M** in construction and operations sales tax
 - **\$160M** in operations sales tax
 - **\$481M Total Sales and Property Taxes**

NPV Summary of Property and Sales Tax generation estimate

- **NPV** Arena plus UNP original developments
 - \$169M in property taxes
 - **\$96M** in construction and operations sales tax
 - **\$87M** in operations sales tax
 - **\$266M Total Sales and Property Taxes**
- **NPV** All NEDC developments along with Arena and UNP projections
 - **\$190M** in property taxes
 - **\$104M** in construction and operations sales tax
 - **\$94M** in operations sales tax
 - **\$295M Total Sales and Property Taxes**