

**CITY OF WEWOKA
DOWNTOWN REVITALIZATION
PROJECT PLAN**

FINANCIAL IMPACTS REPORT



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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 City of Wewoka Downtown Revitalization Project Plan is a project plan as defined under the Local Development Act, 62 O.S. § 850, et seq., 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 the Downtown Wewoka and immediately surrounding environs (the "Project"). The Project Plan is considered to be a critical element in fostering a public-private partnership to create a continuing stimulus for revitalization. The establishment of a new increment district will provide critical funding for public improvements and help induce private investment through the establishment of an active incentivization program focused on retail, office and residential growth. Public projects will also stimulate private investment in the area in the form of the renovation and restoration of existing buildings and façades.

Several recent transformative projects have resulted in new private investment, many buildings changing hands, and new excitement for downtown from the community at large. The redevelopment of the Aldridge Hotel and the construction of new affordable housing highlight this excitement and the outstanding issues with fostering new development in Downtown Wewoka.

Together, these projects have set the stage for increased potential growth and prosperity at a time when favorable regional and national trends indicate more interest in a downtown environment as a place to live, work and play.

This Project Plan is also aspirational as there are many unknowns related to exactly how Downtown Wewoka 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 Wewoka—a city with a thriving downtown as the very heart of the community—is achievable.

III. BOUNDARIES OF PROJECT AREA AND INCREMENT DISTRICT NO. 4

The Project Area is shown on the illustration in the attachment to the Project Plan titled “Exhibit: TIF District Boundaries.” The Project Area is generally bound by Mekusukey Avenue, Sixth Street, Compton Avenue, Fourth Street, Jackson, Avenue, and the Union Pacific rail line. Increment District No. 4, City of Wewoka (“Increment District No. 4”), includes all of the Project Area, except for the lots immediately facing Mekusukey Avenue in between First and Second Streets (Lots 19–30, Block 23, Original Town Addition) that are currently in Increment District No. 2, City of Wewoka. Increment District No. 4 is the area in which the increments will be generated, and is illustrated on the Project Plan’s Exhibit A. Legal descriptions for both Increment District No. 4 and the Project Area are provided in the attachment to the Project Plan titled “Exhibit B: Legal Descriptions.”

IV. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS

A. Overall Financial Impacts on Affected Taxing Jurisdictions

Under the Project Plan, all incremental revenues will be apportioned to the apportionment fund for use by the City of Wewoka, the Wewoka Industrial Authority, or another public entity designated by the City, to pay for authorized project costs for the first twelve fiscal years of Increment District No. 4’s effective life. Starting in the thirteenth fiscal year, affected ad valorem taxing jurisdictions will receive ten percent (10%) of the annual increment as specific revenue source apportionments, to be distributed in proportion to each taxing entity’s operational mill levies (i.e., excluding sinking fund levies). Once the Increment District terminates, all increment shall be distributed pursuant to ad valorem 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 IV.B herein.

Increment District No. 4 at present contains a number of vacant, underperforming, or tax-exempt parcels that generate very little or no ad valorem revenues. The current assessed value within Increment District No. 4 at the time of project approval will continue as the basis for allocating the tax revenue to the taxing jurisdictions during the full 25-year life of Increment District No. 4. 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. The

specific revenue source apportionments beginning in the thirteenth fiscal year are not categorized appropriately as tax revenue.

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 \$10 Million in Private Growth

1. *Wewoka Public Schools*

Wewoka 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). Wewoka Public Schools has several facilities in the Project Area that improved public infrastructure will enhance. The value of property owned by Wewoka 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 Wewoka Public Schools.

Wewoka Public Schools will experience a positive fiscal impact from the project. Currently, Wewoka Public Schools is collecting an estimated \$10,000 in operational ad valorem revenues each year from within the proposed Increment District No. 4, when accounting for state school aid offsets.

Wewoka Public Schools should receive approximately \$80,000, cumulatively, in years 13 through 25 of the Project Plan from specific revenue source allocations. When Increment District No. 4 terminates in 20144, Wewoka Public Schools should experience an increase in ad valorem revenue (based on current millage rates and accounting for state school aid offsets) of approximately \$10,000 annually.

2. *Seminole County*

No specific measurable demand for increased services upon Seminole County is anticipated to result from this project. Seminole County currently receives approximately \$13,000 in operational ad valorem revenue annually from the area within the proposed Increment District No. 4. The County should anticipate receiving approximately \$20,000 total from specific revenue source apportionments during Increment District No. 4's effective life, and an estimated \$14,000 in additional operational revenues beginning when Increment District No. 4 terminates in 2044.

3. *Seminole County Health Department*

The Seminole County Health Department is positively affected by new employment that the project will generate. The promotion of the Project Area that is capable of functioning as a highly walkable district will support public health initiatives. When Increment District No. 4

terminates in 2044, the Health Department is anticipated to experience a modest, \$5,000 annual increase in ad valorem revenue.

4. *Gordon-Cooper Technology Center*

Gordon-Cooper Technology Center should experience minimal impacts from the project on demand for services, although complementary job training opportunities, including, but not limited to, construction and engineering-related trades, may be utilized. Gordon-Cooper should anticipate receiving approximately \$30,000 in specific revenue source apportionments during years 13 through 25 of the Project Plan, and should begin collecting additional ad valorem revenue of approximately \$20,000 per year starting in 2044 when Increment District No. 4 terminates.

5. *City of Wewoka*

The stimulation of additional development in Increment District No. 4 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 Increment District No. 4 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.

V. IMPACTS ON BUSINESS ACTIVITIES

Isolating the specific impacts of Increment District No. 4 on the greater community is difficult, but through correlation of demands for residential and commercial space within Increment District Non. 4, 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. The following analysis is based on a projected private investment of \$10,000,000.00, 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-used developments.

	Projected Development	Temporary Jobs Supported ¹	Temporary Payroll Supported ²
<i>Residential</i>	\$4,000,000.00	60	\$2,100,000.00
<i>Commercial/Industrial</i>	\$6,000,000.00	90	\$3,150,000.00
TOTALS	\$10,000,000.00	150	\$5,250,000.00

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

¹ 100 FTEs / \$10 million; 1.5 Impact Multiplier.
² Average wage of supported job: \$35,000.

increased presence of individuals will increase the opportunity of potential customers for new and existing businesses in the Project Area.

VI. CONCLUSION

The projected project will have a positive long-term financial benefit for the Wewoka 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.