Against the Proposed New UNP Project Plan

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There are basically three (3) things wrong with the University North Park Tax Increment Financing (UNP TIF) district under the current project plan:

1) It has failed to deliver on the high-end, regional-draw retail which it promised.

2) It diverts tax income from higher priority uses.

3) Expenditures in the TIF create a competitive disadvantage for non-TIF areas of Norman.

Taken together, these issues are not merely technical flaws but involve distributive-justice concerns. The UNP TIF area is not the site of a disadvantaged population. Rather, it is owned by well-to-do, well-connected interests. Supporting such a TIF not only draws resources away from higher value uses; it does so by transferring those resources *up* the wealth/influence ladder.

The City of Norman is considering a *new* UNP TIF project plan. The new plan (i) stops the income tax diversion at the end of FYE2019 and the ad valorem tax diversion at the end of CY2019 and (ii) spends *all* of the approximately $17M that will have built up in the UNP TIF Fund by those times.[1]

The proposed UNP plan only *attempts* to address one of the problems with the current plan. The proposed plan does end any *future* tax diversions into the TIF Fund. It is also spends *all* of the unobligated money that will be in the fund - $13.5M.[2] The City of Norman has the power to

[1] See Appendix A for details about both the current project plan, current obligations, and the proposed project plan, as well as a comparison between the latter two categories.
[2] There is approximately $17M in the Fund, but only a little less than $3.5M is contractually obligated. See Appendix A.

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simultaneously end the tax diversion *and* amend the UNP project plan to deauthorize unobligated expenditures, thereby freeing up the $13.5M for higher priorities.[3] But it hasn't chosen that path, despite serious needs in public transit, environmental services, and affordable housing.

The proposed project plan actually makes the other TIF problems worse. It effectively gives up on high-end retail and lets the TIF developers off the hook for creating a regional draw. It does this by removing any incentives the developers would have to pursue those difficult paths. Instead, it gives the developers a right to incentives so long as they bring in *any* "entertainment option that is not already located in Norman."[4] The lack of any minimum performance standards for novel entertainment venues pretty much ensures that entertainment venues will open and that incentives will be paid but *not* that the entertainment venues will constitute a significant regional draw.

The customer-attraction aspect of the TIF becomes the responsibility of the City under the proposed plan since it will be providing the "Recreation Facilities that will serve as a regional draw for sport related activities."[5] There is nothing in the justification for the proposed project plan to establish that the recreational facilities proposed would provide any regional draw, or at least any greater draw than the facilities they replace. Further, to build these facilities, the City will be spending Norman Forward tax money in the TIF area, thereby increasing the total amount of

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[3] Even if the City needs to refund the ad valorem taxing jurisdictions their contributions, they amount to only about 25% of the total. Getting 75% of $13.5M still would net the City over $10M.

[4] *Norman University North Park Amended and Restated Project Plan, Revised Draft 8-25-19*, p. 12.
In fact, incentives are available for the mere asking: "If the proposed retail or entertainment development does not meet all of these criteria, but incentives are still requested, then such request will be approved only upon execution of a satisfactory development agreement by the Authority." (ibid)

[5] *Norman University North Park Amended and Restated Project Plan, Revised Draft 8-25-19*, p. 6.

public money spent at UNP (compared to *both* currently obliged expenditures *and* the current project plan).

Under the proposed project plan, public spending in the UNP TIF area will increase from approximately $29M so far to more than $64M.[6] The available evidence suggests that previous spending in the UNP TIF has *not* created net-new economic activity in Norman - it has merely shifted activity that would have taken place elsewhere in Norman.[7] This is *not* an unanticipated effect. TIF is primarily a mechanism for *changing* the location of economic activity rather than *generating* new economic activity. As Dye and Merriman note,

> TIF districts grow much faster than other areas in their host municipalities. TIF boosters or naive analysts might point to this as evidence of the success of tax increment financing, but they would be wrong. Observing high growth in an area targeted for development is unremarkable. The issues we have studied are (1) whether the targeting causes the growth or merely signals that growth is coming; and (2) whether the growth in the targeted area comes at the expense of other parts of the same municipality. We find evidence that the non-TIF areas of municipalities that use TIF grow no more rapidly, and perhaps more slowly, than similar municipalities that do not use TIF. ... Our evidence shows that commercial TIF districts reduce commercial property value growth in the non-TIF part of the same municipality. ... [I]f you subsidize a store in one location there will be less demand to have a store in a nearby location.[8]

Further, Norman itself is already a regional hub for economic activity.[9] To the extent the UNP TIF succeeds in attracting economic activity, then, it seems to do so by attracting it from activity already in, or headed to, Norman. The new project plan does nothing to guard against this effect:

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[6] *Norman University North Park Amended and Restated Project Plan, Revised Draft 8-25-19*, p. 3, p. 14. The over-$64M figure exceeds even the *authorized* expenditures under the old project plan - less than $55M.

[7] See the Norman taxable sales trends in Appendix B.

[8] R. Dye and D. Merriman, "Tax Increment Financing: A Tool for Local Economic Development," *Land Lines: Lincoln Land Institute* (January 2006): 2-7 <https://www.lincolninst.edu/sites/default/files/pubfiles/tax-increment-financing-lla060102.pdf>.

[9] See, for example, the *retail pull factor* analysis in R. Loy, B. Whitacre, and D. Shideler, "Pull Factors: A Measure of Retail Sales Success Estimates for 77 Oklahoma Cities (2018)," OSU Extension Fact Sheet July 2018 <http://factsheets.okstate.edu/documents/agec-1079-pull-factors-a-measure-of-retail-sales-success-estimates-for-77-oklahoma-cities-2018/>

the plan goals focus only on the area itself.[10] More than doubling the current level of subsidy to the UNP district will, more than likely, not be good for the rest of Norman.

The proposed new project plan for the UNP TIF is, quite clearly, a *special interest* project. It benefits only one set of (already wealthy) developers and one small (already developing) part of town. There is no particular advantage to the city as a whole or to any particularly deserving subset of residents. Norman has real needs; focusing this much money on one tiny set of not-needy beneficiaries is not only silly - it is wrong. The equal dignity and value of each person makes inequality in the distribution of social goods a moral problem, other things equal. Other considerations - incentives that help everyone, for example - *can* justify certain social inequalities, but they need to be justified in *some* serious way, a way that takes into account those 'left behind'. Given that the beneficiaries of the UNP TIF are a pretty narrow subset of the population, one that doesn't have any special claim on the social resources being distributed, there doesn't seem to be such a case for the UNP TIF, either under the current or the proposed project plan.

[10] "Under this 2019 Project Plan, the principal objectives of the Project for the remaining duration of the Increment District will to be: ... To continue to stimulate private commitments to invest *in the Project Area*. ... To continue to reverse a long-standing condition of arrested economic development, to continue to serve as a catalyst for expanding employment, and to continue to attract major investment *in the area*." (*Norman University North Park Amended and Restated Project Plan, Revised Draft 8-25-19*, p. 5; emphasis added)

Appendix A
(from City of Norman sources)

COST COMPARISON: 'Fulfil SQ obligations' vs 6/21 Term sheet									
prepared by Stephen Ellis									
TIF Fund Balance	$ 17,000,000.00		**TIF Fund Balance**	$ 17,000,000.00		**TIF Fund Balance**	$ 17,000,000.00		**change from SQ - obligated to 6/21 term sheet**	$ -
authorized expenditures remaining*			**status quo - obliged**			**June 21 term sheet obligations**				
roads	$ (275,508.00)		*roads*	$ (275,508.00)		*roads*	$ (5,024,394.00)		*roads*	$ (4,748,886.00)
Legacy Park	$ (2,730,640.00)		*Legacy Park*	$ (2,500,000.00)		*Legacy Park*	$ (250,000.00)		*Legacy Park*	$ 2,250,000.00
Cultural Center	$ (8,750,000.00)		*Cultural Center*	$ -		*Cultural Center*	$ (5,154,762.00)		*Cultural Center*	$ (5,154,762.00)
Lifestyle Center - earn incentives	$ (8,250,000.00)		*Lifestyle Center - earn incentives*	$ (8,250,000.00)		*Lifestyle Center - earn incentives*	$ (5,000,000.00)		*Lifestyle Center - earn incentives*	$ 3,250,000.00
Lifestyle Center - clawback	$ 8,300,000.00		*Lifestyle Center - clawback*	$ 8,300,000.00		*Lifestyle Center - clawback*	$ -		*Lifestyle Center - clawback*	
Lifestyle Center - neither	$ -		*Lifestyle Center - neither*	$ -		*Lifestyle Center - neither*	$ -		*Lifestyle Center - neither*	$ -
Economic development	$ (3,958,523.00)		*Economic development*	$ (699,565.00)		*Economic development*	$ (1,425,000.00)		*Economic development*	$ (725,435.00)
miscellaneous	$ (849,048.00)		*miscellaneous*	$ -		*miscellanous*	$ (125,000.00)		*miscellanous*	$ (125,000.00)
Total authorized - earn incentives	$(24,813,719.00)		*Total SQ - earn incentives*	$(11,725,073.00)		*Total offer - earn incentives*	$(16,979,156.00)		*Total difference - earn incentives*	$ (5,254,083.00)
Total authorized - clawback	$ (8,263,719.00)		*Total SQ - clawback*	$ 4,824,927.00		*Total offer - clawback*	$(11,979,156.00)		*Total difference - clawback*	$(16,804,083.00)
Total authorized - neither	$(16,563,719.00)		*Total SQ - neither*	$ (3,475,073.00)		*Total offer - neither*	$(11,979,156.00)		*Total difference - neither*	$ (8,504,083.00)
TIF Fund balance minus authorizations			**TIF Fund balance minus obligations**			**TIF Fund balance minus obligations**			**TIF Fund balance minus obligations**	
earn incentives	$ (7,813,719.00)		*earn incentives*	$ 5,274,927.00		*earn incentives*	$ 20,844.00			
clawback	$ 8,736,281.00		*clawback*	$ 21,824,927.00		*clawback*	$ 5,020,844.00			
neither	$ 436,281.00		*neither*	$ 13,524,927.00		*neither*	$ 5,020,844.00			
most likely	$ 436,281.00		*most likely*	$ 13,524,927.00		*most likely*	$ 20,844.00		*most likely change*	$(13,504,083.00)

Appendix B
(data from City of Norman Finance Director; monthly variations smoothed)

