STILLWATER (RE) INVESTMENT PLAN
(A STILLWATER DOWNTOWN/CAMPUS LINK PROJECT PLAN)

ELIGIBILITY AND FINANCIAL IMPACTS REPORT

PREPARED BY:
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I. REASONS TO CONSIDER THE PROJECT PLAN

A Project Plan is a document that provides a long-term legal strategy necessary for the successful implementation of the City’s vision of attracting reinvestment to the core of the City, overcoming inhibitions to residential development, inviting quality job-generating businesses, and nourishing a vibrant lifestyle, but can be achieved only by means of the financing tools available under the Local Development Act, 62 O.S. §850, et seq.

A strong downtown can be a major stimulator for economic growth and a key revenue generator for local taxing jurisdictions. A city’s downtown area has an important and unique role in economic and social development. Downtowns are quintessential and powerful symbols for a city and often contain the most iconic landmarks, distinctive features, and unique neighborhoods. Given that most downtowns contain some of the oldest neighborhoods citywide, they offer rare insights into their city’s past, present and future. They can also be the hotbeds of business creativity, civic activity, neighborhood involvement, non-profit entrepreneurs, economic diversity, and an attraction for visitors, seniors, and young talent. This concentration of activity supports existing businesses, facilitates and stimulates new investment and business growth, and attracts new residents and jobs.

In 2005, the City of Stillwater (“City”), through its adoption of the Core Commercial Districts Master Plan (“CCD Plan”), recognized a need to adopt strategic investment policies and development initiatives to revitalize its downtown and to enhance the campus commercial districts. Revitalization and development of the area has proven to be a complex undertaking presenting many challenges and opportunities, yet the City has demonstrated its commitment to stimulate development, redevelopment, and new investment to the core commercial districts. In 2012, the City rekindled its efforts through its adoption of the Corridor Redevelopment Plan, spearheaded by the City’s Director of Development Services, Paula Dennison. The Corridor Redevelopment Plan is a long-term plan to continue the efforts to revive downtown Stillwater and to stimulate development and investment opportunities in the core commercial areas of the City. The overall goals and objectives of the Corridor Redevelopment Plan are to: promote the developed core commercial areas of Stillwater as centers of business activity and economic growth; encourage private investment to upgrade existing deteriorated buildings and sites; encourage a diversity of housing types and densities which satisfy a wide-range of needs for all persons; encourage private investment to redevelop vacant and underutilized buildings and sites; explore carefully selected and positive financial and regulatory incentives that support the retention, expansion, and relocation of uses to and within the plan area; expand and upgrade existing city facilities to provide the necessary infrastructure for redevelopment while encouraging private financial investment; promote, retain, and attract businesses and investments that provide a diverse base of employment opportunities; provide the necessary beautification improvements to attract and encourage public and/or private investment; provide a visible and useable connection between the Oklahoma State University campus and the three primary core commercial districts: The Strip, Campus Corner, Downtown Stillwater.
The Corridor Redevelopment Plan, and its predecessor, the CCD Plan, provide key tools and guidelines to the City in evaluating and implementing future development plans. As mentioned in each of the plans, other programs, public-private partnerships, and financing strategies, which might include business improvement districts, general obligation bonds, increased sales taxes, and tax increment financing, are also necessary to implement the City’s initiatives.

II. 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 a 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 levies. Throughout the life of the project, the base revenue will continue to flow to the taxing jurisdictions. To this extent, the taxing jurisdictions are not affected by the implementation of tax increment financing through ad valorem apportionment.

Once new investment and 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.

III. THE PROPOSED PROJECT PLAN

The City of Stillwater is considering the adoption of the Stillwater Downtown/Campus Link District Project Plan, a project plan as defined under the Local Development Act, 62 O.S. §850, et seq., and is referred to herein as the “Project Plan.” At the heart of the Project Plan is the City’s desire to establish downtown as a special and unique place to live, work, shop, and play. By its approval of the CCD Plan in 2005, and the Corridor Redevelopment Plan in 2012, the City prioritized the revival of downtown and campus areas. Through a series of planning efforts, including approval of a form based code covering a portion of the downtown/campus link area, the community core is ripe for further transformation. The adoption of the form based code for a portion of the Project Area, however, represents a single step toward the assuring the kind of intensity and level of reinvestment desired by the community. The City, through the proposed Project Plan, will accelerate its efforts to revitalize downtown and create a connection to the campus, to establish a central area to reside, locate businesses, and be entertained, creating a synergy generating new investment, growth, and vitality in the community at large.
The difficulty and increased costs of developing in the core of the City, as compared to the suburbs with vacant land and new utilities, amplifies the importance of the City’s use of the tools under the proposed Project Plan to protect and increase the vitality and strength of the City. The proposed Project Plan seeks: to encourage new investment and development in commercial, residential (with varied densities and mixed uses), and non-retail commercial; to improve the quality of public improvements; and to create pedestrian connections and green spaces. More enjoyable and comfortable public spaces encourage private investment of the density, form, and type that creates a place where people want to live, work, visit, shop, eat, gather, and linger. The proposed Project Plan seeks to stimulate that private investment.

IV. BENEFITS OF PROPOSED PROJECT PLAN

Although meaningful progress has been made to implement the 2012 Corridor Redevelopment Plan and the form based code, it is vital to the future of the community that additional supporting strategies be approved and undertaken to accelerate the rate of investment and reinvestment in core areas in order to capitalize on the significant assets already present in Stillwater, including the growing activity in the downtown commercial district and in the areas connecting the downtown to the campus of Oklahoma State University and the new McKnight Center for the Performing Arts. The timing is appropriate to both broaden and focus the City’s efforts to enhance the community’s quality of life and to accelerate future investment and development. This can be accomplished by increasing intensity and multiplying concurrent efforts.

It is difficult to precisely predict what development will take place in the area, but the Project Plan requires the creation of an Implementation Policy Committee (which shall include representatives of the Stillwater Public Schools and Meridian Technology Center) charged with recommending implementation strategies to assist the City in developing a clear guide for the development direction and potential of the area.

The development potential of specific parcels in the Project Area has been examined. The parcel by parcel development potential analysis undertaken shows there are properties, including vacant lots and publicly-owned properties, that have strong development potential. With a realistic snapshot of projected new development, taking into account multiple factors, including, for example, likelihood of development, timing of development, conditions of existing structures, and current property ownership, it is projected that, under the Project Plan, new private investments initiated in the Project Area may range from $100 to $125 million over a period of 25 years. Development would consist of a range of commercial, residential (single family and multifamily), mixed-use, non-retail commercial, and public. This new development is estimated to increase market and assessed values for property within the Increment District, which, in turn, will result in annual ad valorem tax revenues (“ad valorem increments”) of approximately $600,000 in the near term and $3,200,000 over the long term. Additionally, increases in City sales tax revenue (“sales tax increments”) are estimated to be approximately $35,000 annually in the near term and $75,000 over the long term. Total incremental revenues estimated to be generated over the life of the Increment District range from $35,000,000 to $50,000,000.
The projections are based upon the impacts of private taxable investment. New investment and development in the Project Area will have both direct and indirect economic benefits. There will be design and construction impacts, which are generally one-time impacts. There will also be continued annual impacts, both within and outside of the increment district, after completion. The benefits include increased quality of life, meaningful interactions with neighbors, a strong sense of community, and an opportunity to allow the core downtown areas of the City to build on their inherent unique attributes.

V. BOUNDARIES OF PROJECT AREA AND INCREMENT DISTRICT

The Project Area, as established in the Project Plan, is the area in which project activities will take place and in which project expenditures may be made. The Increment District, as established in the Project Plan, is the area from which the increment is generated. The boundaries of the Project Area and Increment District No. 3, City of Stillwater (“Increment District”) proposed under the Project Plan, are the same and are generally located in the Stillwater downtown area and in areas linking downtown to the Oklahoma State University campus and located within a portion of the properties bounded by the following streets: Hall of Fame on the north, Lowry Street on the east, 15th Street on the south, and Washington Street on the west. See Exhibit “A” attached.

VI. ELIGIBILITY

In order to establish a tax increment financing district, Section 856(b)(4)(a) of the Oklahoma Local Development Act requires that the governing body adopt an ordinance that contains a finding that the Project Area or Increment District meet one of the following criteria: (1) is a reinvestment area, (2) is a historic preservation area, (3) is an enterprise area, or (4) is a combination of the areas specified in (1), (2), and (3) above. The Project Area and Increment District under the proposed Project Plan share the same boundaries, and are eligible as follows:

A. Enterprise Area. Sections 853(5) and (6) of the Oklahoma Local Development Act define an “enterprise area” as “an enterprise zone as designed by the Department of Commerce pursuant to the provisions of Section 690.3 of this title or as designated by the federal government.” A current map of Oklahoma Department of Commerce Enterprise Zones in the Project Area/Increment District is attached as Exhibit B. The Project Area and Increment District lie entirely within an enterprise zone designated by the Oklahoma Department of Commerce. Therefore, the Project Area and Increment District qualify as an enterprise area under the Oklahoma Local Development Act.

B. Reinvestment Area. The Project Area and Increment District also qualify as a reinvestment area under the Act. 62 O.S. §853(17) defines “reinvestment area” as:

any area located within the limits of a city, town or county requiring public improvements, including but not limited to transportation-related projects identified by any transportation authority pursuant to Section 1370.7 of Title 68 of the Oklahoma Statutes, to reverse economic stagnation or decline, to serve as a catalyst for retaining or expanding employment, to
attract major investment in the area or to preserve or enhance the tax base or in which fifty percent (50%) or more of the structures in the area have an age of thirty-five (35) years or more. Such an area is detrimental to the public health, safety, morals or welfare. Such an area may become a blighted area because of any one or more of the following factors: dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; and lack of community planning. A blighted area, as defined in Section 38-101 of Title 11 of the Oklahoma Statutes, at the time of approval of the project plan, may also be determined to be a reinvestment area.

The Project Area and Increment District qualify as a reinvestment area because they are in an area requiring public improvements to serve as a catalyst for expanding employment, to attract major investment in the area, and to enhance the tax base. Approximately $90 million in new infrastructure would be required to repair aged and deteriorated pillar infrastructures in the areas. Further, over 50% of the structures in the Project Area and Increment District were built more than 35 years ago. The powers of the Oklahoma Local Development Act may be used to reverse stagnation and decline. It is not necessary, however, that the stagnation reach a condition of overall “blight.”

In conclusion, the Project Area and Increment District qualify both as an enterprise area and a reinvestment area. Therefore, consistent with the Local Development Act’s requirements, the Project Area and Increment District are eligible for the establishment of a tax increment district.

VII. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS

A. Overall Financial Impacts upon the Affected Taxing Jurisdictions. Under the Project Plan, twelve percent (12%) of ad valorem incremental revenues will be apportioned to the affiliated taxing jurisdictions. The balance will be apportioned to the apportionment fund for use by the Stillwater Economic Development Authority, or another public entity designated by the City, to pay for authorized project costs. Once the Increment District terminates, all increments shall be distributed pursuant to ad valorem and sales tax statutes.

The Increment District at present contains a number of vacant, underdeveloped, or tax-exempt parcels that generate very little or no ad valorem tax and sales tax revenues. The current assessed value within the Increment District at the time of project approval will continue as the basis for allocating the tax revenue to the taxing jurisdictions during the life of the project. Since funding rates (i.e. levies) for bonded indebtedness are calculated using the base assessed value within the Increment District, repayment of bonded indebtedness will not be affected.

Concentrated and continuous stimulation of the development within the Project Area, as contemplated by the Project Plan, will result in a greatly-enhanced ad valorem tax base in surrounding areas, 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 accelerated generation of sales taxes in the Project and surrounding areas will benefit the City.

The benefits of projected development under the Project Plan 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 below.

B. Specific Effects from the Projected Private Investment. Within an increment district, revenues generated by existing values must be distributed to all taxing jurisdictions as if no increment district was in place. Taxing jurisdictions must be made whole on bonded indebtedness. Thus, the “base assessed value” is used each year as a part of the total taxable value of the taxing jurisdiction when debt levies are calculated for any taxing jurisdiction. This assures that the levies are sufficient to make debt payments. That is, all taxing jurisdictions must be held harmless with respect to bonded debt.

1. Stillwater Public Schools. Successful implementation of the Project Plan will generate more investment value growth outside of the proposed Increment District than within it. Under the strategy of the proposed Project Plan, more than 98% of the school district area and more than 90% of its taxable value would lie outside of the proposed Increment District.

Since the value growth created with the Increment District is to be used for financing the public project, that growth cannot be used to increase the debt limitation. In the case of school districts, the limitation is 10% of taxable value of all taxable property with the taxing jurisdiction.

Over the last 7 years, the average annual growth in taxable real property values for the affected taxing jurisdictions is reflected in the following table:

| Net Assessed Value of Real Property: Stillwater, Stillwater Schools, Meridian, and Payne County: 2010-2017 |
|---|---|---|---|---|---|
| Stillwater | % Change | Stillwater Schools | % Change | Meridian | % Change | Payne County | % Change |
| 2010 | $233,859,844 | 1.44% | $275,742,691 | 1.91% | $315,369,728 | 2.22% | $374,509,658 |
| 2011 | $237,228,105 | 1.44% | $281,010,268 | 1.91% | $322,355,294 | 2.22% | $383,342,653 |
| 2012 | $242,749,051 | 1.44% | $288,178,531 | 1.91% | $330,879,579 | 2.22% | $392,012,732 |
| 2013 | $252,162,847 | 1.44% | $299,053,511 | 1.91% | $343,426,363 | 2.22% | $407,144,353 |
| 2014 | $261,643,570 | 1.44% | $311,813,378 | 1.91% | $358,435,169 | 2.22% | $424,685,744 |
| 2015 | $271,523,849 | 1.44% | $323,533,391 | 1.91% | $371,966,338 | 2.22% | $441,445,225 |
| 2016 | $286,207,367 | 1.44% | $339,770,164 | 1.91% | $390,619,974 | 2.22% | $463,570,550 |
| 2017 | $304,725,087 | 1.44% | $361,821,060 | 1.91% | $415,868,480 | 2.22% | $492,016,535 |

Source: Payne County Assessor
As illustrated, the average growth in the Stillwater Public School District has been 3.97%, just 0.10% greater than the City of Stillwater. Recent growth of the Stillwater Public School District and the City are primarily attributable to new student housing development. Single use developments, however, will not encourage further investment or stimulate long-term economic growth.

The risk is minimal to the Stillwater Public School District – assuming an even distribution of growth and no beneficial induced growth from reinvestment in the core of the City, the school district growth would still be 2.97%.

Below is an illustration of how the Stillwater Public Schools would benefit more with development occurring under the Project Plan than without it.

**STILLWATER PUBLIC SCHOOL EXAMPLE**

$1,000,000.00 New Market Value Investment  
114,000.00 Assessed Value  
114,000.00 x 45.3 mills Operating Levies (Sinking Fund excluded)  
$5,164.20 Gross Operating Levies  
-4,389.57 State School Aid Offset  
$774.63 Net Financial Benefit (Net Beneficial Effective Levy – 6.77 mills)

**PROPOSED ALLOCATION UNDER DRAFT PROJECT PLAN**  
(based on 2017 levies)

$114,000.00 Assessed Value  
114,000.00 x 101.02 mills (2017 levy)  
$11,516.28 Total New Tax Revenues  
114,000.00 x 12% Allocation proposed (prorated share of 12%)  
$856.53 Stillwater Public School Allocation (Not subject to State School Aid Offset)

The result is 110.57% compared to same growth but without the Project Plan, or 10.56% greater net revenue than if the same development would occur without the Project Plan.

Stillwater Public Schools will experience little to no measurable negative impact as a result of the Project Plan because much of the development to be stimulated by public assistance and investment in the Project 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) is non-residential.

The residential portion of development may generate, over time, an increase in demand for services from Stillwater Public Schools, although the type of residential development will likely
be more in demand by households without children. Residential development in a mixed-use, medium density environment often appeals to a younger and near-retirement demographic.

In summary, Stillwater Public Schools will experience a positive fiscal impact from the Project Plan, and by direct apportionment of a prorated share of 12% of the increment to provide direct financial support to the schools by the developments implemented under the Project Plan which will induce benefits throughout the community. An induced growth throughout the community of only two tenths of one percent (.2%) will offset the theoretical loss of assumed growth revenues from within the district.

In addition, the Stillwater Economic Development Authority will capitalize and fund a portion of the apportioned increment to provide $2,850,000 in capitalized funds available to the Stillwater Public for purchases of equipment, facilities, and land. An additional $2,850,000 in school facilities funding is authorized as of January 1, 2028, subject to reduction in an amount equal to the result of a calculation, but only if said result is above zero, as follows: (1) the taxable assessed value of the Stillwater Public School District (excluding the Increment District) as of January 1, 2028, minus (2) a projected taxable assessed value of the Stillwater Public School District (excluding the Increment District) based on 5.17% percent average annual growth from the date of implementation to January 1, 2028, multiplied by (3) 27 mills, or 0.027.

2. **Payne County.** No specific measurable demand for increased services upon Payne County is anticipated to result from development under the Project Plan.

3. **Payne County Health Department.** No specific measurable demand for increased services on the Payne County Health Department is anticipated to result from development under the Project Plan. The promotion of the Project Area as a highly walkable, mixed-use district will support public health initiatives of the Payne County Health Department.

4. **Meridian Technology Center.** The mission of Meridian Technology Center is complementary to, and its job training services are supportive of, the proposed project objectives. The Meridian Technology Center is located in Stillwater, and provides vital services to the community. Based on the character of the anticipated projects under the Project Plan, such development should have minimal impact on demand for services.

5. **City of Stillwater.** The creation of mixed-use development in the Increment District will generate new sales taxes for the City. The anticipated developments will encourage significant investment in underserved and underdeveloped locations within the City, thus having additional desired and positive impacts on the City.

New development in the core of Stillwater will stimulate the rate of value growth in the City. In Stillwater, most of the growth, and increased in assessed value, is occurring outside the urban core. Studies have confirmed that new development in the core saves cities on upfront costs for new construction of roads, sewers, water lines, and other infrastructure, reduces public costs in ambulance, fire, and police services, and produces more tax revenue than conventional suburban development.
As illustrated below, between 2003 and 2014 growth in the Project Area has been significantly behind that of the remainder of the City. Only recently has significant growth in the Project Area occurred. This growth is expected to accelerate as additional development and investment occurs under the Project Plan.

In the event changes in state law or regulations affect the net benefit of distributions to any affected taxing jurisdiction, the City Council shall re-evaluate the distribution authorization under this Project Plan.

VIII. INDUCED IMPACTS OUTSIDE INCREMENT DISTRICT

Due to the economic development activity supported by the Project and Increment District, the affected taxing jurisdictions should realize induced growth outside of the Increment District.

Using The City of Oklahoma City’s Tax Increment District Number 2 as an example, the chart and table below show the growth of assessed value of all real property within TIF 2 between 2000 and 2017, with corresponding growth in assessed value of all real property within the boundaries of the affected taxing jurisdictions. As evidenced by the charts, a 12% growth in property assessed value generated in the Increment District was accompanied by more than 4% growth property assessed value in the public-school district, career tech district, and county.
Given that the boundaries of all affected taxing jurisdictions encompass the City limits, property values within the City of Stillwater sourced from the Payne County Assessor are shown in the table below as an illustration that one-tenth of one percent of induced growth outside of the Increment District will result in a measurable increase in ad valorem tax revenue back to the affected taxing jurisdictions.
IX. IMPACTS ON BUSINESS ACTIVITIES

Isolating the specific impacts of the Increment District on the greater community is difficult, but through correlation of demands for residential and commercial space within the Increment District, 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.

As public and private development occurs, construction will result in temporary jobs and completion of development projects will result in permanent jobs, particularly in non-retail commercial, and mixed-used developments. 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 increased presence of individuals will increase the opportunity of potential customers for new and existing businesses in the Project Area.

X. CONCLUSION

Development contemplated under the Project Plan will have a positive long-term financial benefit for the Stillwater community, affected taxing jurisdictions, and business activities. Correspondingly, no appreciable adverse impact is likely to result from the project on 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 components in the Project Plan, which addresses public costs associated with the project and minimizes the burden of providing additional government services.
Stillwater Enterprise Zone

EXHIBIT B: Stillwater Enterprise Zone