

Alva Arena Economic Development Project Plan

FINANCIAL IMPACTS REPORT

PREPARED BY:

THE CITY OF ALVA
WOODS COUNTY

IN COOPERATION WITH:

ALVA ARENA AUTHORITY
WOODS COUNTY ECONOMIC DEVELOPMENT COMMITTEE

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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 (in ad valorem increment districts) and existing sales tax generation (in sales tax increment districts) are determined upon approval of the project plan. These figures become the base assessed value of all taxable property within the increment district (ad valorem increment districts) and the base sales tax amount (sales tax increment districts), respectively. Ad valorem tax revenue generated from this base assessed value of property within the increment district and the base sales tax amount are distributed to the taxing jurisdictions according to each jurisdiction's ad valorem or sales tax levies. Throughout the life of the project, these base revenues will continue to flow to the taxing jurisdictions. In the event of a general reassessment of property values within an ad valorem 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. Similarly, as development occurs within an increment district, the development may generate increased sales taxable transactions. Increased sales taxable transactions attributable to the development is also apportioned to the apportionment fund to pay eligible project costs. These apportionments of ad valorem and sales 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 and the increased sales taxes will be distributed to the taxing entity establishing the sales tax levy.

II. THE PROPOSED PROJECT

The City Council of the City of Alva and the Board of County Commissioners of Woods County seek to promote the development of the Alva Regional Multi-Purpose Facility ("Arena") to enhance and recruit business and tourism to the region. The proposed Arena will be designed to host a wide array of shows, events, exhibitions, sporting events, concerts, and meetings, and will consist of an 85,000-sq. ft. arena for main events, a 31,000-sq. ft. exhibition hall, a 35,000-sq. ft. exposition/livestock building, an additional 52,000-sq. ft. covered arena, and a 50,000-sq. ft. stall barn and connector. The goals of the Arena will be to comfortably achieve a permanent seating capacity of 1,100 people along with an additional 900 in potential portable seating and up to 2,500 seating potential on the arena floor.

With a population of approximately 9,000 people, Woods County and its seat, the City of Alva, is located in northwestern Oklahoma adjacent to the Kansas border. No facilities similar to the proposed Arena exist within a close proximity to the Alva. A study commissioned by the City of Alva ("City") and conducted by

Oklahoma State University's Spears School of Business has shown a high likelihood of a facility like the Arena drawing attendees for certain events from upwards of 100 miles and have significant economic impacts on the community. A key component of ensuring the Arena's potential success includes fostering ancillary, complementary development nearby and relationships with existing businesses to capitalize on the tourism potential—especially lodging establishments and restaurants. With this project, Woods County ("County") and the City will be able to ensure the Arena is constructed and that the infrastructure and market capacity needs are adequate to support the Arena's operations.

The Project Plan anticipates private investment in the Project Area of approximately \$30 million over a period of 25 years. Development would consist of a range of commercial development, the combination of which will result in annual ad valorem and sales tax increment revenues of approximately \$148,000 in the near term and \$500,000 over the long term. The projections are based on the impacts of \$30 million in private taxable investment (spread over the life of Joint Increment District No. 1, City of Alva and Woods County ("Increment District")), \$20 million in public investment (mostly the proposed Arena), and the multiplied impact of the Arena on sales taxable transactions throughout the City limits.

The Project Plan and Increment Districts described in it are estimated to provide funding through a combination of apportioned tax increments, City and County funding, procurement of private contributions and grants, and other funding for major redevelopment efforts estimates close to \$20 million in public streetscape, park improvements, and public facilities construction over the life of the project, with approximately \$11.5 million coming from Increment District revenue sources involved with the Arena.

The Project Plan is also aspirational as there are many unknowns related to exactly how the land within the Increment District surrounding the Arena and other sites will develop, or precisely how much business the Arena will generate. However, through committed adherence to this Plan and related efforts, continual progress towards a more livable and desirable community may be achievable.

III. BOUNDARIES OF PROJECT AREA AND INCREMENT DISTRICTS

The Project Area is the area where project costs may be expended, and can be generally described as the area extending roughly 1 mile north and 0.5 mile south of U.S. Highway 64 from Noble Street to about 0.5 mile west of County Road 470, as well as all four quarter sections bordering the intersection of County Road 430 and Harper Road, just to the west/northwest of the Alva Municipal Airport. The Project Area's legal description is included in Exhibit A to the Project Plan. Joint Increment District No. 1, City of Alva and Woods County Districts ("Increment District") is the area in which the increment will be generated, and its legal description is included in Exhibit B of the Project Plan. The Increment District can be generally described as the area extending roughly 1 mile north and 0.5 mile south of U.S. Highway 64 from Noble Street to County Road 470. Both the Project Area and Increment District are illustrated in the maps included in the Exhibit C of the Project Plan.

IV. IMPACTS AND EFFECTS ON TAXING JURISDICTIONS

A. Overall Financial Impacts on Affected Taxing Jurisdictions

Under the Project Plan, all incremental ad valorem and sales tax revenues will be apportioned to the apportionment fund for use by the Alva Arena Authority, the City, the County, or another public entity designated by the City or County, to pay for authorized project costs. Once the

Increment District terminates, the increment shall be distributed pursuant to ad valorem and sales tax 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.

The Increment District at present contains a number of agricultural parcels that generate very little or no ad valorem or 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 ad valorem tax revenue to the taxing jurisdictions during the full 25-year life of Increment District. Since funding rates for bonded indebtedness are calculated using the base assessed value within the Increment Districts, repayment of bonded indebtedness will not be affected. The sales tax increment's being the City sales taxes generated specifically by the Arena—as determined based on reasonable calculation of the Arena's general economic impacts in the City—will not affect other taxing jurisdictions and will be construed so as to include only the increased sales taxes attributable to the Arena.

The construction and operation of the Arena, along with concentrated and continuous stimulation of the development of the surrounding area, as contemplated by the Project Plan, will result in a greatly-enhanced ad valorem and sales 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.

B. Specific Effects from the \$30 Million in Private Growth

1. Alva Public Schools

Alva Public Schools will experience little to no measurable negative impact as a result of the project because much of the development will be directly funded or stimulated by public assistance and investment in the area (e.g., the construction and development of the Arena, new adjacent public or private infrastructure, and the provision of development financing assistance as prescribed in the Project Plan). Should the development surrounding the Arena or spurred by growth generated by the Arena cause an increase in local residents, over time, a small increase in demand for services from Alva Public Schools may occur.

Alva Public Schools currently receives approximately \$413,000 in operational ad valorem revenue (i.e., not including sinking fund revenue) from property within the proposed Increment District annually. Alva Public Schools will experience a positive fiscal impact from the project. During the term of the Increment District, Alva Public Schools should receive approximately \$470 per year in the near term and up to \$45,000 annually in the longer term from the specific revenue source allocation authorized by Section VIII.B. of the Project Plan. Additionally, upon termination of the Increment District after its full 25-year effective life, Alva Public Schools should experience an increase in operational ad valorem revenue of approximately \$220,000 annually, generated by the increased development due to the project, based on current millage rates.

2. Woods County

No specific measurable demand for increased services upon the County is anticipated to result from this project, and the public infrastructure Project Cost category includes in its calculation a \$1,500,000 allocation for public improvements, some of which may be used by the County to offset any new costs for the Project. The County also has pledged a portion of its revenues for purposes of funding the Arena.

Woods County currently receives approximately \$95,000 in operational ad valorem revenue from property within the proposed Increment District annually. During the term of the Increment District, Woods County should receive approximately \$110 per year in the near term and up to \$10,000 annually in the longer term from the specific revenue source allocation authorized by Section VIII.B. of the Project Plan. Additionally, the County should anticipate an increase of approximately \$50,000 per year in operational ad valorem revenue beginning in 25 years when the Increment District terminates.

3. Woods County Health Department

The Woods County Health Department is positively affected by new employment that the project will generate. The Health Department currently receives approximately \$12,000 in operational ad valorem revenue from property within the proposed Increment District annually. During the term of the Increment District, the Woods County Health Department should receive approximately \$15 per year in the near term and up to \$1,400 annually in the longer term from the specific revenue source allocation authorized by Section VIII.B. of the Project Plan. When the Increment District terminates in 25 years, the Health Department is anticipated to experience a \$6,500 annual increase in ad valorem revenue.

4. Northwest Technology Center

Northwest Technology Center has a branch in Alva, which is adjacent to (but not within) the Project Area. Therefore, the development should have minimal impact on demand for services, although complementary job training opportunities, including, but not limited to, construction trades, agricultural, and industrial programs, may be utilized. Northwest currently receives approximately \$123,000 in operational ad valorem revenue from property within the proposed Increment District annually. During the term of the Increment District, Northwest Technology Center should receive approximately \$140 per year in the near term and up to \$13,500 annually in the longer term from the specific revenue source allocation authorized by Section VIII.B. of the Project Plan. Northwest should anticipate receiving an estimated \$66,000 additional annual revenue when the Increment District terminates in 25 years.

5. City of Alva

The construction of the Arena within the Increment District will generate over \$297,000 in new, undedicated sales tax revenue throughout the City, a portion of which will be collected and apportioned as sales tax increment. The Arena is not expected to pull sales away from existing retailers within the City, and any development adjacent to the Arena will likely occupy a different position within the marketplace. The City of Alva has committed to providing tourism tax revenue toward construction and operations of the Arena, in addition to the sales tax increment anticipated.

V. IMPACTS ON BUSINESS ACTIVITIES

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 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. The following analysis is based on a projected private investment of \$30 million and public investment of \$20 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-used developments.

	<u>Projected Development</u>	<u>Temporary Jobs Supported¹</u>	<u>Temporary Payroll Supported²</u>
<i>Commercial</i>	\$30,000,000	450	\$15,750,000
<i>Public</i>	\$20,000,000	300	\$10,500,000
TOTALS	\$50,000,000	750	\$26,250,000

The increased presence of out-of-town guests and participants at the Arena will further stimulate demand for development and increase the opportunity of potential customers for new and existing businesses in the Project Area.

VI. CONCLUSION

The projected project will have an overall positive long-term financial benefit for the Alva and Woods County community, affected taxing jurisdictions, and business activities. Correspondingly, the appreciable adverse impact is likely to result from the continued operations of the Arena. 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.

¹ 100 FTEs / \$10 million; 1.5 Impact Multiplier.

² Average wage of supported job: \$35,000.