

**Tax Increment District No. 1  
City of Okemah  
Okemah Economic Development Project**

City of Okemah Public Hearing #1

Okemah  
Economic Development Project Plan  
and proposed

Creation of Increment District No. 1

August 12, 2024

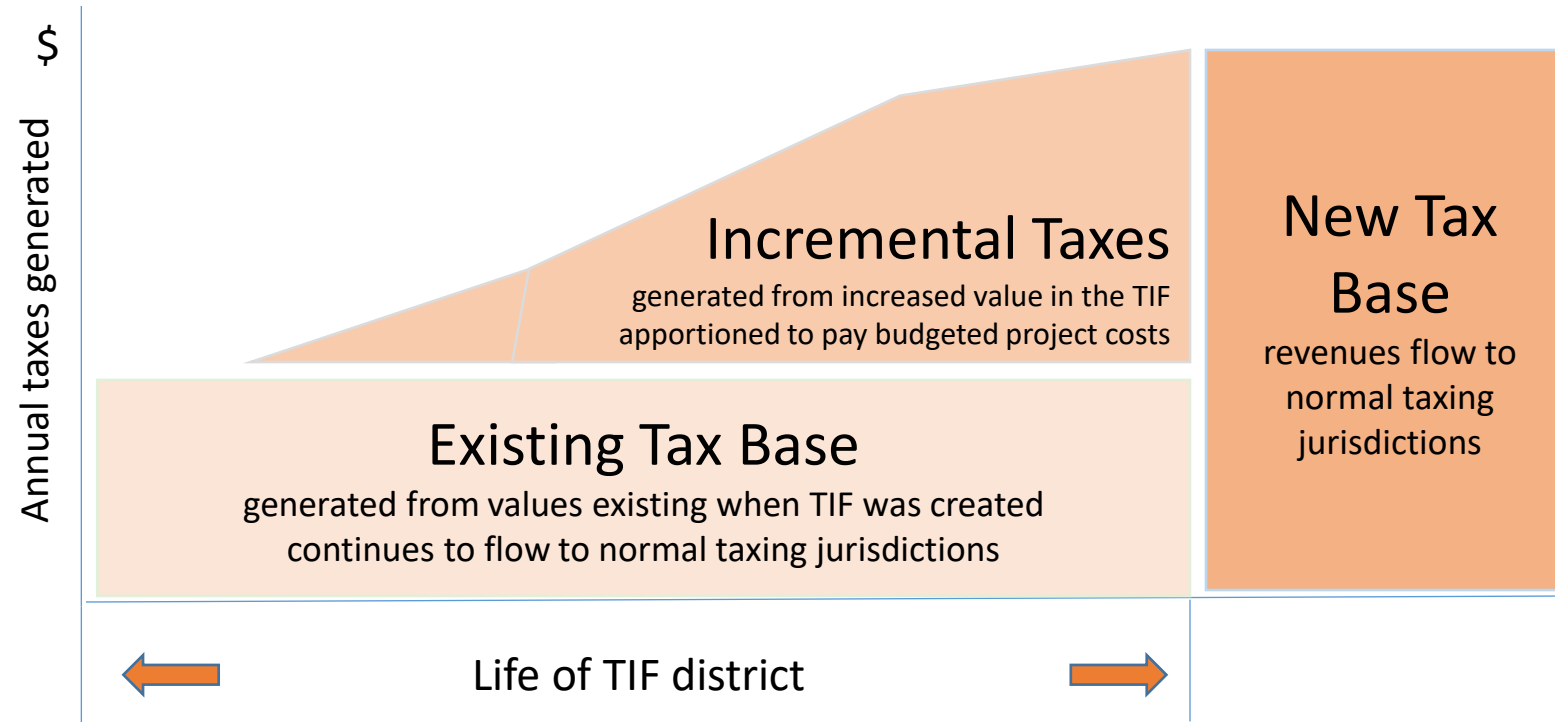
# Tax Increment District No. 1 – Okemah

## What is a TIF?

- Tax Increment District (TIF)
  - Authorized by Article X, Section 6C of Oklahoma Constitution
  - Established pursuant to Local Development Act, Title 62, Oklahoma Statutes, Section 850 *et seq.*
  - Apportions the “increment” of new tax revenue generated within the TIF to finance certain identified project costs
  - Up to 25 full fiscal years
- A TIF is an economic development tool used to incentivize capital investment in undeveloped or underdeveloped property in order to enhance the tax base and create employment opportunities within the City.
- Created by Ordinance after completion of the TIF Process

# Tax Increment District No. 1 – Okemah

## What is a TIF?



Basic TIF Model – Value Generation and Capture

# Tax Increment District No. 1 – Okemah

## What is the TIF Process?

- Determination of Eligibility
  - Enterprise Area; Historic Preservation Area; Reinvestment Area
- Development of Project Plan
  - Duration (up to 25 full fiscal years from Commencement Date)
  - Capture of TIF Revenues (up to 100% of local tax revenues – ad valorem tax, sales tax, hotel tax, etc.)
  - Boundaries
    - Increment District – area where new tax revenues are captured
    - Project Area – area where project related activities may occur
  - Proposed Project and related Infrastructure Improvements
  - Proposed Allocation of TIF Revenues
- Statutory TIF Review Committee
  - Comprised of representatives of City Council, City Planning Commission, affected taxing jurisdictions and other at-large community members

# Tax Increment District No. 1 – City of Okemah

## What is the TIF Process?

- Affected ad valorem taxing jurisdictions represented on TIF Review Committee
  - Independent School District No. 26 of Okfuskee County (Okemah Public Schools)
  - Wes Watkins Technology Center Vo Tech District No. 25
  - Okfuskee County
  - Okfuskee County Health Department
- Project Plan Reviewed by TIF Review Committee
  - Make findings of eligibility and financial impacts on taxing jurisdictions and business activities
  - Make recommendation to City regarding approval of Project Plan
- Project Plan Reviewed by City's Planning Commission
  - Make recommendation to City regarding approval of Project Plan
- Hold two Public Hearings
- City Council considers an Ordinance approving Project Plan and creating TIF

# Tax Increment District No. 1 – City of Okemah

## What is the TIF Process?

- Reasons to Create a TIF District
  - Attract Major Investment to the Area
  - Serve as a Catalyst for creating new jobs and retain existing jobs
  - Promote economic development to increase tax revenues, raise property values and improve economic stability
  - Make possible investment and economic development and growth which would otherwise be difficult or impossible without the assistance provided by the TIF
  - The “But For” Test – a litmus test for creating the TIF is whether the development would occur, to the same degree, in the same manner, without the creation of the TIF district

# Tax Increment District No. 1 – City of Okemah

## What is the TIF Process?

- Other Considerations
  - Structure the Project Plan to share some of the incremental revenues with the other taxing jurisdictions, especially the school district
  - Carefully develop the increment area to make sure it includes properties that will increase in value
  - Project Area (where TIF Revenues can be spent) can be larger than the increment area
  - The Project Plan can include more than one Increment Area. Each increment area can be initiated at different dates but must be activated within 10 years of adoption of the Project Plan
  - Include incremental sales tax and hotel tax revenues to take advantage of Leverage Act
    - Oklahoma Local Development and Enterprise Zone Incentive Leverage Act (Title 62, Oklahoma Statutes, Section 850 *et seq.*)
    - Allows cities to capture a portion of the state sales tax to support a project (can only be used in a TIF District)
    - Project must prove a benefit to the state in increased taxes

# Increment District No. 1, City of Okemah

## What are the proposed new TIF details?

- Creation of a new Tax Increment District:
  - Increment District No. 1 – Okemah Economic Development Project Plan
- Original Term of approximately 25 years (expiring June 30, 2050)
- Capture a portion of new “incremental” ad valorem, sales, and hotel tax revenues
  - Existing “baseline” taxes unaffected
  - Capture 100% of new “incremental” ad valorem tax revenues
    - 50% of ad valorem tax apportioned to Project Costs; 50% apportioned to taxing entities
  - Capture 50% of new “incremental” City sales tax revenues
    - Represents 1.75% of total 3.5% City sales tax
    - Excludes businesses that relocate from elsewhere in Okemah
  - Capture 50% of new “incremental” City hotel tax revenues
    - Represents 2.5% of total 5.0% City hotel tax
  - 100% of any Oklahoma Local Development and Enterprise Zone Incentive Leverage Act incentive payments received from State of Oklahoma



# Proposed Increment District No. 1

## What is the Okemah TIF Project?

- Encourage commercial development along Interstate 40 at the S. Woody Guthrie St. exit
- Preliminary estimate of potential Capital Investment in excess of \$28.3 million
- Preliminary estimate of potential annual retail sales of \$579.9 million over 25 years



# Increment District No. 1, City of Okemah

## What are the Identified TIF Project Costs?

- Estimated Infrastructure Costs totaling \$6,500,000
  - West Coplin Street (\$938,512)
  - NS 3760 Road (\$110,298)
  - EX 1100 Road (\$212,380)
  - East Coplin Street (\$2,000,000)
  - Intersection Improvements/Signalization of Coplin and Woody Guthrie (\$400,000)
  - 17<sup>th</sup> Street Lift Station (\$1,236,960)
  - Contingency (\$1,501,850)
- Estimated Incentive Costs totaling \$3,000,000
  - Pursuant to an agreement approved by City
- Additional potential TIF Costs
  - Organizational Costs (\$100,000)
  - Administration Costs (\$250,000)
  - Financing Costs (\$11.24 million)

# Increment District No. 1, City of Okemah

## What are the projected TIF revenues?

- Estimated \$5.428 million aggregate projected Ad Valorem TIF Revenues
  - \$2.714 million allocated to TIF Project Costs
  - \$ 2.714 million allocated to taxing entities, including \$2.03 million to Okemah Public Schools
- Estimated \$57.9 million aggregate projected Sales Tax Revenues (State, County, and City)
  - TIF Revenues: \$10.13 million allocated to TIF Project Costs
  - \$10.13 million allocated to City (half of 3.5% City Sales Tax)
  - \$11.58 allocated to Okfuskee County (2.0% County Sales Tax)
  - \$26.05 million allocated to State of Oklahoma (4.5% State Sales Tax)
- Estimated \$2.34 million aggregate projected Hotel Tax TIF Revenues
  - \$1.17 million allocated to TIF Project Costs
  - \$1.17 million allocated to City (half of 5.0% City Hotel Tax)
- **Total Projected TIF Revenues: \$14.02 million (estimate; not including Leverage Act payments or allocations to taxing entities)**



# Increment District No. 1, City of Okemah

## What is the oversight of the TIF revenues?

- City will apportion TIF revenues pursuant to the respective Project Plan
  - City Manager listed as person in charge of implementation
  - City will approve public agreements with developers as appropriate
  - City will disburse 50% of Ad Valorem TIF Revenues to affected taxing entities
- Assistance in Development Financing for Developers
  - Direct Incentive representing reimbursement of public infrastructure costs incurred by developer(s) on behalf of City
  - Pursuant to a public development agreement approved by City and/or public trust on behalf of City
- Infrastructure Projects undertaken by City
  - Public construction contracts (subject to competitive bidding), approved by City, subject to City annual auditing

# Increment District No. 1, City of Okemah

## What are the expected impacts of the Projects?

- Impacts on Taxing Entities
  - Increase in population and associated needs (capital infrastructure and service demands)
  - Taxing Entity Revenue allocation (50%) to affected taxing entities provides enhanced funding (estimated \$2.714 million)
    - \$2,036,800 to Okemah Public Schools
    - \$304,600 to Okfuskee County
    - \$76,200 to Okfuskee County Health Department
    - \$296,800 to Wes Watkins Tech Center
  - Retail opportunities will attract increased visitors to the City, and help retain local sales tax dollars
    - These retail opportunities result in new spending within the City that will enhance sales and hotel tax collections benefiting City's ability to fund other public improvements
  - Ancillary development outside of TIF District may generate additional revenue for taxing entities

# Increment District No. 1, City of Okemah

## What are the expected impacts of the Projects?

- Impacts on Business Activities
  - New business inside Increment District areas will create short-term and long-term employment opportunities
    - Short-term and long-term payroll will likely result in increased spending within the City benefitting local businesses
  - Retail opportunities will attract increased visitors to the City, and help retain local sales tax dollars
    - These retail opportunities result in new spending within the City that will enhance opportunities for local merchants to provide additional goods and services

# Increment District No. 1, City of Okemah

## Remaining Steps

- July 19 – TIF Review Committee Meeting (COMPLETE – RECOMMENDED APPROVAL)
- July 22 – Planning Commission Meeting (COMPLETE – RECOMMENDED APPROVAL)
- August 12 (M) – Public Hearing #1 at 6:00pm
  - Held during the Okemah City Council, 502 W. Broadway, Okemah, OK 74859
- August 26 (M) – Public Hearing #2 at 6:00pm
  - To be held during the Okemah City Council Regular Meeting, 502 W. Broadway, Okemah, OK 74859
- August 26 (M) – Okemah City Council Regular Meeting to consider adoption of TIF Ordinance (creation of Increment District No. 1)
- TBD – Approval of economic development agreement(s)