

**TULSA DEVELOPMENT AUTHORITY BOARD MEETING  
WORK SESSION MEETING OF: JUNE 2, 2016**

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**To:** Commissioners of the Tulsa Development Authority  
**From:** Clay Bird  
**Date:** May 23, 2016  
**Re:** Brady Village TIF Status and Potential Dissolution

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**Background**

The City of Tulsa adopted the Brady Village Tax Increment District Number One Project Plan (“Project Plan”) in 1993, authorizing \$4,564,302.00 in eligible project costs to be funded by tax increments collected from the Brady Village TIF District (“TIF 1”). The Project Plan set specific caps on the amount of increment that could be collected by TIF 1 by source: \$2,846,302.00 from ad valorem tax increments and \$1,718,000.00 from sales tax increments. In 2008, TIF 1’s effective life was extended so that it will terminate in 2018.

**Current Status of TIF 1**

Under Section 861 of the Local Development Act, TIF 1 must end at the earlier of its termination date (2018) or when sufficient increment has been collected to pay off the listed project costs, and any excess increment revenues collected must be distributed to the different taxing jurisdictions pursuant to 62 O.S. § 861(C). As of May 17, 2016, TIF 1 has generated \$2,106,278.24 in ad valorem revenue in excess of the Project Plan’s ad valorem increment cap. Because TIF 1 has over-collected ad valorem increment revenues, TIF 1 ad valorem increment apportionment activity should cease, and excess collected ad valorem increment should be distributed to taxing jurisdictions as prescribed by law.

Unlike its ad valorem collections, TIF 1’s sales tax collections have not yet reached its cap and may still collect \$493,829.59 within its budgetary authorization. Sales tax increment collections have been inconsistent throughout TIF 1’s life, and it is possible that the full budgetary authorization may not be reached during TIF 1’s remaining effective life. During that remaining life, it appears likely that several new developments needing public assistance in order to maximize their potential benefit could be undertaken in the area. With ad valorem apportionment ending for TIF 1, these new projects would present additional revenue sources that would be lost if not included in the new East Downtown TIF.

Additionally, the TIF 1 apportionment fund will still have substantial available cash to spend even after current obligations and excess ad valorem increments are accounted for. The current cash balance in the TIF 1 apportionment fund is \$3,709,351.60. Once current obligations and the distribution of the excess ad valorem increment are accounted for, the TIF 1 apportionment fund will still have an available cash balance of \$1,433,744.72.

### **Staff Recommendation**

Given the short remaining effective life of TIF 1, the potential for continuing ad valorem apportionment through the new East Downtown TIF, and the combined realities that TIF 1's sales tax collections may never reach its budgetary authorization and the significant amount of available cash on hand for continued payment of project costs, senior City staff are recommending that TIF 1 simply be dissolved—including ceasing the collection of sales tax increment—so that a portion of it may be included in the new East Downtown TIF.

### **Course of Action**

With this recommendation in mind, in order to ensure excess increment collections are appropriately distributed to taxing jurisdictions, development counsel has suggested the following course of action toward dissolving and wrapping up TIF 1:

**Step 1.** Ad valorem taxing jurisdictions will be informed of the potential dissolution of TIF 1 and distribution of excess ad valorem increment collections as soon as possible.

**Step 2.** The City Council will consider adopting an ordinance at a future meeting that would dissolve TIF 1 as of a date efficiently aligning with existing tax collection procedures.

**Step 3.** The City will notify the County Assessor and the County Treasurer of the pending dissolution and provide instructions to stop apportioning increments from TIF 1 as of the effective date of the dissolution ordinance adopted by the City Council. The City Finance Department will likewise stop apportioning sales tax increments.

**Step 4.** The City and TDA will remit the excess collected ad valorem increment (including earned interest on that amount) to the County Treasurer to be distributed to taxing entities according to the levies that produced the excess. Total excess ad valorem increment collections and interest earned on that amount are currently estimated to be \$2,157,339.38. It would be helpful if the County Treasurer could provide a report of the amount returned to each taxing entity, with the amount of interest separately identified.

**Step 5.** TDA will continue to implement and administer the Project Plan with the remaining available funds, including providing for the continued payment of project costs that have not yet been incurred—currently estimated to be approximately \$118,267.50 in previous funding obligations and up to \$1,433,744.72 for future projects.



## MEMORANDUM

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**To:** Clay Bird  
**From:** Leslie V. Batchelor  
**Date:** May 20, 2016  
**Re:** Brady Village TIF Dissolution

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The City of Tulsa adopted the Brady Village Tax Increment District Number One Project Plan (“Project Plan”) in 1993, authorizing \$4,564,302 in eligible project costs to be funded by tax increments collected from the Brady Village TIF District (“TIF 1”): \$2,846,302 from ad valorem tax increments and \$1,718.00 from sales tax increments. In 2008, TIF 1’s effective life was extended so that it will terminate in 2018. However, under Section 861 of the Local Development Act, TIF 1 must end when sufficient increment has been collected to pay off the listed project costs. Excess increment revenues collected must be distributed to taxing jurisdictions pursuant to 62 O.S. § 861(C). TIF 1 has collected more increment revenues than are required to pay off the Project Plan’s listed project costs, and accordingly must be dissolved. However, in separating TIF 1 increment collections by their sources, only ad valorem tax increments have been over collected. As of May 17, 2016, TIF 1 had collected \$2,106,278.24 more ad valorem increment than it had budgeted. TIF 1 may still collect \$493,829.59 in sales tax increments within its budget authorization.

In order to ensure excess increment collections are appropriately distributed to taxing jurisdictions, project counsel recommends the following course of action:

**Step 1.** The Tulsa Downtown Coordinating Council is currently in the process of surveying stakeholders regarding anticipated projects in order to determine whether available TIF 1 funds, after disbursement of excess ad valorem revenues to the ad valorem taxing jurisdictions and after accounting for encumbered funds, are sufficient to cover those eligible projects which are appropriate and desirable.

**Step 2.** Based on the outcome of Step 1:

**a)** If available TIF 1 funds are sufficient to cover deserving projects, the City Council will consider adopting an ordinance at a future meeting that would dissolve TIF 1 as of a date that aligns efficiently with existing tax collection procedures. If/when adopted, the City will notify the County Assessor, County Treasurer, and City Finance Department of the pending dissolution and will provide instructions to stop apportioning increments from TIF 1 as of the adopted effective date.

b) If available TIF 1 funds are insufficient to cover desirable projects, City or TDA staff shall send a notice directing the County Assessor and County Treasurer to discontinue ad valorem tax apportionment actions relating to TIF 1 and shall arrange for the County Treasurer to distribute excess ad valorem increment to the relevant taxing jurisdiction in proportion to the levies that produced them, but shall direct the City Finance Department to continue collecting sales tax increments until the full authorized budget has been collected. At that point, the City shall take any steps necessary (as described in Step 2.a) to dissolve TIF 1 completely.

This should be determined before TDA's June 2 meeting.

**Step 3.** If the outcome of Step 2 is that TIF 1 will be dissolved immediately, TDA should ensure sufficient funds are available from the apportionment fund to pay remaining project costs that have not yet been incurred—currently estimated to be approximately \$1.8 million, including both previously approved and future projects under the Project Plan. If the outcome of Step 2 is that TIF 1 shall continue to collect sales tax increment, TDA should continue implementing and administering TIF 1 until the earlier of its 2018 termination date or the date sufficient sales tax increments have been collected according to the authorized Project Plan budget.

BRADY VILLAGE TIF  
 Life-To-Date Spending By Project  
 May 17, 2016

Project	Appropriations	Life-To-Date Expenditures	Encumbered	Available Balance
<b>Active Projects:</b>				
Streetscaping - Gates Building	\$ 106,000.00	\$ -	\$ -	\$ 106,000.00
TIF Consulting - Mike Thedford	25,602.80	13,335.30	-	12,267.50
<b>Completed Projects:</b>				
UD RE TIF Administration	176,182.53	176,182.53	-	-
Grant #6 - Baird Mfg	139,558.00	139,558.00	-	-
Grant#5 - GKFF/Guthrie Green	300,000.00	300,000.00	-	-
Grant #3 - Brady Hotel	96,527.00	96,527.00	-	-
Grant #2 - Griffin Media	286,645.00	286,645.00	-	-
Grant #1 - Metro Brady	75,000.00	75,000.00	-	-
Contingency	13,300.00	13,300.00	-	-
N Main Sidewalk Streetscaping	687,081.51	687,081.51	-	-
Brady Village Locater Light System	207,007.53	207,007.53	-	-
Grant #4 - GKFF Streetscaping	743,923.00	743,923.00	-	-
Pocket Park Bench Removal	8,602.70	8,602.70	-	-
Grant #7 - John Hope Franklin Memorial Park	9,382.80	9,382.80	-	-
<b>Total</b>	<b>\$ 2,874,812.87</b>	<b>\$ 2,756,545.37</b>		<b>\$ 118,267.50</b>

**Available Cash Balance 05-17-2016:**

Cash Balance	\$ 3,709,351.60
Less:	
Obligated cash	<u>(118,267.50)</u>
Unobligated Cash	\$ 3,591,084.10
Less:	
Excess Ad Valorem Tax Collections plus interest	<u>(2,157,339.38)</u>
Cash Available to Spend	<u>\$ 1,433,744.72</u>

Project Budget	Original Plan	Life-To-Date Expenditures	Remaining Available To Spend
Ad Valorem Tax	\$ 2,846,302.00	\$ 2,756,545.37	\$ 89,756.63
Sales Tax	1,718,000.00	-	1,718,000.00
Total	<u>\$ 4,564,302.00</u>	<u>\$ 2,756,545.37</u>	<u>\$ 1,807,756.63</u>

Brady Village Arts District

	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	YTD FY16	Total	Original Budget	Ecess Collections
Ad Valorem Tax Revenue	-	-	-	-	-	-	-	21,135.00	102,622.00	113,644.03	144,386.83	167,382.37	118,183.94	116,822.52	157,933.70	228,213.93	289,950.08	332,612.38	368,394.66	389,842.24	468,140.58	437,155.12	758,030.53	738,130.33	4,952,580.24	2,846,302.00	2,106,278.24
Investment Income	-	-	-	-	-	-	-	924.50	4,110.52	9,550.76	11,088.32	19,969.57	11,243.73	13,878.28	17,867.03	17,855.21	17,280.39	18,910.31	20,651.61	24,512.81	22,372.86	18,401.09	18,090.25	27,897.23	274,604.47	-	274,604.47
Sales Tax Revenue	-	-	-	-	-	-	-	-	46,403.44	-	-	13,653.00	-	-	17,825.00	37,097.00	34,163.00	93,470.00	(65,606.24)	48,797.02	123,822.08	147,609.57	335,084.71	391,851.83	1,224,170.41	1,718,000.00	(493,829.59)
<b>Total</b>	<b>-</b>	<b>22,059.50</b>	<b>153,135.96</b>	<b>123,194.79</b>	<b>155,475.15</b>	<b>201,004.94</b>	<b>129,427.67</b>	<b>130,700.80</b>	<b>193,625.73</b>	<b>283,166.14</b>	<b>341,393.47</b>	<b>444,992.69</b>	<b>323,440.03</b>	<b>463,152.07</b>	<b>614,335.52</b>	<b>603,165.78</b>	<b>1,111,205.49</b>	<b>1,157,879.39</b>	<b>6,451,355.12</b>	<b>4,564,302.00</b>	<b>1,887,053.12</b>						

Cash Balance Available as of 05/17/2016:

Cash 3,709,351.60

Less Commitments:  
Project List (118,267.50)

Uncommitted cash 3,591,084.10

Excess:					
Ad Valorem	172,962.26	437,155.12	758,030.53	738,130.33	2,106,278.24
Interest	6,537.00	13,756.18	12,544.85	18,223.11	51,061.14
<b>Total</b>	<b>179,499.26</b>	<b>450,911.30</b>	<b>770,575.38</b>	<b>756,353.44</b>	<b>2,157,339.38</b>