

**RETAIL SALES CANNIBALIZATION STUDY
UNIVERSITY NORTH PARK TIF DISTRICT
I-35 AND ROBINSON STREET
NORMAN, OKLAHOMA**

December 2008

CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

**RETAIL SALES CANNIBALIZATION STUDY
UNIVERSITY NORTH PARK TIF DISTRICT
I-35 AND ROBINSON STREET
NORMAN, OKLAHOMA**

December 2008

Prepared for:

The City of Norman
201 West Gray, Bldg. A
Norman, OK 73069

Prepared by:

Canyon Research Southwest, Inc.
651 Delaware Avenue, Suite 139
Buffalo, NY 14202

PR# 08-11-02

651 DELAWARE AVENUE, SUITE 139 / BUFFALO, NY 14202 / (716) 362-1203

CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

December 15, 2008

Steven Lewis, City Manager
The City of Norman
201 West Gray, Bldg. A
Norman, OK 73069

RE: Retail Sales Cannibalization Study
University North Park TIF District; Norman, Oklahoma

Mr. Lewis:

Per our agreement, attached is the final copy of the *Retail Sales Cannibalization Study* prepared for the University North Park TIF District located at the northeast corner of Interstate 35 and Robinson Street in Norman, Oklahoma. As of the date of this report University Town Center, LLC had constructed the initial phase of University Town Center within the University North Park TIF District consisting of 401,345 square feet of retail space anchored by a Super Target, Kohl's and TJ Maxx. The Circuit City store has closed.

Using available public and proprietary data from the City of Norman Finance Department, the Oklahoma Tax Commission and other sources, the report analyzed the retail sales and sales tax impacts of developments within the University North Park TIF District ("UNP TIF") on comparable businesses outside of the UNP TIF, and on the City's overall retail sales tax base.

Upon review of the report, should any questions arise or additional information requested I can be reached at (716) 362-1203.

Respectfully submitted,

CANYON RESEARCH SOUTHWEST, INC.

Eric S. Lander, Principal

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SUMMARY OF MAJOR FINDINGS

The City of Norman, Oklahoma approved the University North Park Tax Increment Financing (“TIF”) District covering approximately 465 acres at the northeast corner of Interstate 35 and Robinson Street. Retail development completed as of the date of this report includes the 401,345 square foot University Town Center anchored by a Super Target, Kohl’s and TJ Maxx. The Circuit City store has closed. The City of Norman is interested in knowing the impact this retail development has had on existing retail businesses operating in the city.

The purpose of the report is to quantify retail sales cannibalization for the University North Park TIF District. The report’s major findings are summarized below.

Competitive Retail Market Conditions

Norman, Oklahoma serves as a major shopping destination for residents of Cleveland County. Out-of-town visitors and University of Oklahoma students, faculty and staff also have a considerable impact on retail sales in Norman. Norman’s retail trade pull factor of 1.38 supports its status as Cleveland County’s principal shopping destination, capturing retail sales at a rate 38 percent above the statewide average. Given Norman’s strong retail draw and the construction of 4.4 million square feet of new retail space over the past decade, from 2000 to 2007 taxable retail sales increased by 44 percent reaching \$1.45 billion for 2007.

Emerging suburban communities similar to Norman typically suffer from retail sales leakage as the population is insufficient to support a diverse retail base. Residents must travel outside of the community to satisfy much of their goods and services needs. Though Norman supports an above average retail pull factor, much of this stems from the large number of out-of-town visitors to the community and the impact of the University of Oklahoma. Retail development patterns for emerging suburban communities generally proceed at a modest level until which time the trade area population is capable of supporting such retail formats as big-box retailers, power centers and lifestyle centers. By 2003, Norman’s population reached the 100,000 residents threshold and became an attractive market for a growing number of national retailers. Since 2003, approximately 2.25 million square feet of retail space has been permitted for construction in Norman. Despite this recent surge in new retail construction Norman’s shopping centers are operating at an above equilibrium occupancy rate of 95.57 percent, suggesting additional retail space is supportable.

The University North Park Project Area is planned for both lifestyle and power centers. A power center is anchored by major tenants and junior anchors. The closest concentration of major and junior anchors that commonly occupy power centers is located eight miles to the north at Interstate 35 and 19th Avenue in Moore, Oklahoma.

Lifestyle centers typically support an expanded retail trade area and generate well above average sales per square foot. The planned lifestyle center has the potential to draw considerable retail sales from outside of Norman, Oklahoma. Therefore, the market viability of developing the planned lifestyle center will be critical in generating TIF revenues sufficient to repay the eligible project costs.

A large number of lifestyle tenants currently operate stores in the City of Norman, the majority of which are located in Sooner Mall. Based on a tenant comparison of similar lifestyle centers, a wide selection of anchor tenants, restaurants, apparel and accessories stores, specialty retailers and entertainment venues were identified as prospective tenants for the lifestyle center planned for the southern portion of the University North University North Park Project Area.

The University North Park Project Area is a suitable site for development of both a power center and lifestyle center. Favorable site characteristics include the necessary parcel size and orientation, excellent access and freeway exposure and favorable trade area demographics. A host of junior anchors, high-end specialty stores, restaurants and entertainment venues are absent within Norman. Norman's strong retail pull and a growing population warrants continued near-term development of the power center component. While the nation's current poor business climate for high-end specialty retailers hampers feasible development of the lifestyle center over the next 2 to 3 years, the developer's anticipated 2012 opening appears reasonable and achievable.

Retail Sales Cannibalization

The issue of possible cannibalization of retail sales by new retailers operating within the University North Park Project Area was addressed using four separate methodologies, including: 1) a comparison of City sales tax revenues before and after activation of the University North Park TIF Plan; 2) quantifying Norman's retail pull factor; 3) providing retail sales opportunity gap analysis for Norman; and 4) estimating supportable retail sales in Norman.

The findings of each of these methodologies support the position that the new retailers operating within the University North Park Project Area haven't cannibalized existing retail sales in Norman. In fact, the contrary is true. The new retailers have served to diversify and strengthen Norman's retail base, improving the city's retail drawing power, creating improved synergy among similar retail categories and generating increased retail sales.

According to the *Oklahoma Trade Pull Factors for Fiscal Year 2004* published by Southwestern Oklahoma State University, Norman's retail pull factor was estimated at 1.38, capturing retail sales at a rate 38 percent above the statewide average. Findings of this report suggest that the Norman's retail trade pull factor has improved considerably since 2004, now estimated at 1.50. The improved retail pull factor is a direct result of Norman's larger and more diverse retail market which includes new retailers now operating in the University North Park TIF District. Norman's well above average retail trade pull factor confirms its status as a shopping destination with the ability to capture considerable retail sales from outside the community.

Since the first retailer opened in October 2006 within the University North Park Project Area retail sales for the City of Norman have actually grown at a faster pace than prior to inception of the TIF. Sales tax receipts excluding any sales tax receipts generated by the TIF have escalated at a rate of 5.28 percent in 2006, 5.28 percent in 2007 and 5.97 percent through August of 2008. Since 2006, retail sales growth has averaged 5.51 percent annually. By contrast, from 2000 through 2005 the City of Norman reported annual increases in sales tax receipts ranging from 3.1 to 8.42 percent, averaging 5.37 percent. The City's continued well above average growth in retail sales is also supported by its retail pull factor of 1.38 in 2004.

Findings of this report suggest Norman’s retail pull factor of 1.38 (equates to sales of 38 percent above the state average) published in 2004 has improved considerably. During 2008 the city is estimated to capture a surplus in retail sales of approximately \$117.6 million, translating to a retail pull factor of 1.50. Norman’s improved retail pull is a direct result of its larger and more diverse retail market created through heightened new retail construction and the introduction of new retailers over the past four years.

Findings of the *RMP Opportunity Gap – Retail Stores Report 2008* suggest that retail sales leakage exists among a sufficient number of retail categories within a 5-, 7- and 10-mile radius of the University North Park Project Area to support additional power center and lifestyle center development without having a notable adverse affect on sales of existing Norman retailers. Those power center retail categories providing the greatest potential for sales growth include home electronics and appliances stores, hardware stores, office supplies stores and sporting goods stores. Prospective lifestyle center tenants include specialty foodservices, department stores, jewelry stores, furniture and home furnishings stores, and clothing and accessories stores.

TIF Revenue Comparison

By City ordinance, on May 23, 2006 the City of Norman, Oklahoma adopted the University North Park Tax Increment Financing Plan to fund eligible project costs associated with necessary infrastructure improvements. The TIF Plan allows for 50 percent of the increased ad valorem taxes generated by the development and 60 percent of sales tax revenues generated within the district to be diverted to the TIF district improvements and other project goals over a period of up to 25 years, with total project costs of \$54,725,000.

The University North Park Project Area is significantly outperforming original TIF revenue forecasts. According to the *Estimated Tax Revenues for University North Park* prepared by Alexander Holmes, Ph.D. in February 2006, from 2006 through 2008 the existing retail properties and businesses operating within the University North Park Project Area were forecast to generate incremental TIF revenues of approximately \$1.64 million, including \$702,318 in property taxes and \$933,462 in sales taxes. By comparison, actual/estimated TIF revenue collections over the same 3-year period amount to approximately \$2.6 million, including \$388,909 in property taxes and \$2,198,504 in sales taxes. The net result is that the actual/estimated TIF revenues exceeded projected revenues by \$951,642.

University North Park Project Area Actual vs. Forecast Total TIF Revenues

Year	Forecast Taxes (2006)	Actual Collections	Difference
2006	\$144,421	\$172,898	\$28,477
2007	\$723,397	\$816,760	\$93,363
2008	\$767,963	\$1,597,765	\$829,802
Totals	\$1,635,781	\$2,587,423	\$951,642

TIF Operating Procedures and Practices

Resolution R-0607-69 dated June 12, 2007 records the procedures and practices that are and will be employed by the City of Norman to implement the Project Plan and administer the UNP TIF District. In addition to the responsibilities delineated in the Project Plan, the Master Operating Agreement (Contract K-0607-44, Section 9.a) required that the City:

1. Establish Ad Volorem Tax Increment operating procedures in cooperation with the Cleveland County Assessor and Treasurer;
2. Establish Sales Tax Increment operating and accounting procedures in cooperation with the Oklahoma Tax Commission;
3. Establish an allocation of Tax Increment revenues to various components of the project consistent with the goals of providing financing of project costs as those costs are incurred and assuring repayment of those costs, with interest, on reasonable market rate terms;
4. Authorize and direct the apportionment of Tax Increments in support of project financing as necessary or appropriate in support of financing agreements and authorization; and
5. Provide monthly reports of Tax Increment revenues to include transfer adjustment information.

The operating procedures and practices being administered for the UNP TIF District appear to be well thought out and are consistent with similar TIF Districts we at Canyon Research Southwest have been involved with over the years. The one exception is the use of a transfer adjustment for retail sales tax revenues generated by new businesses occupying former locations of businesses relocating into the UNP TIF District.

For the purpose of calculating TIF-eligible sales tax revenues, for the UNP TIF District increment sales tax revenues for businesses relocating from an existing Norman location are calculated by subtracting retail sales tax revenue generated the year prior to relocation from retail sales revenue generated by the new store. A transfer adjustment is also granted for new businesses moving into the former business location. The process of subtracting prior year sales tax revenue to businesses transferring locations into a TIF District is universally applied. However, in the future the City of Norman may consider omitting the retail sales tax revenue from new businesses occupying the former business location. The rationale is that the new businesses likely would have located in Norman if another business hadn't relocated into the UNP TIF District. In this case, Hobby Lobby and Mardels would have likely moved into different locations or built new stores hadn't Target moved and opened a new store in the UNP TIF District.

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INTRODUCTION

Study Objective and Organization

The City of Norman, Oklahoma approved the University North Park Tax Increment Financing (“TIF”) District covering approximately 465 acres at the northeast corner of Interstate 35 and Robinson Street. Retail development completed as of the date of this report includes the 401,345 square foot University Town Center anchored by a Super Target, Kohl’s and TJ Maxx. The City of Norman is interested in knowing the impact this retail development has had on existing retail businesses operating in the city.

The purpose of the report is to quantify retail sales cannibalization for the University North Park TIF District. Using available public and proprietary data from the City of Norman Finance Department, the Oklahoma Tax Commission and other sources, the report analyzed the retail sales and sales tax impacts of developments within the University North Park TIF District (“UNP TIF”) on comparable businesses outside of the UNP TIF, and on the City’s overall retail sales tax base. In doing so, the report addressed the following issues:

- Analyzed businesses within the UNP TIF that are directly or indirectly duplicative of previously-existing businesses within the City of Norman and the extent of positive or negative impact of the location of the duplicative business in the UNP TIF on the previously-existing businesses.
- Provided further analysis of areas of retail sales that are underserved within the Norman economy or within the UNP TIF.
- Reviewed the performance of the UNP TIF revenue performance verse those projected, on an actual-to-date and pro forma basis.
- Reviewed and commented on the internal control and monitoring systems established for administering the UNP TIF.

University North University North Park TIF District

Ordinance O-0506-66 was adopted by the Council of the City of Norman on May 23, 2006 approving the University North Park Project Plan, Project Area and Tax Increment Financing Boundaries. The University North Park Project Area was only the second TIF District approved and adopted by the City of Norman, the first being Campus Corner, a commercial district located immediately north of the University of Oklahoma campus.

The purpose of the University North Park Project Plan is to develop approximately 465 acres at the northeast corner of Interstate 35 and Robinson Street into a cohesive development that will create jobs and attract visitors from across the state and the region. The southern portion of the Project Area is envisioned as a unique retail, restaurant and destination lifestyle center. The northern portion of the Project Area is envisioned as a significant economic development component.

The University North Park Project Plan adopted on May 23, 2006 defined the Project Area boundaries as lying generally between U.S. Highway 77 to west of Interstate 35 and from just south of Robinson Street to north of Tecumseh Road. The Project Plan includes three main components:

1. Major retail development within the southern portion of the Project Area;
2. A lifestyle center that includes a large portion of the southern half of the Project Area. The vision of the lifestyle center includes the high-end retail development and key entertainment components, including destination restaurants and boutique shops, a theater, a conference hotel and Legacy Park. Legacy Park is envisioned as an active park with a lake, public art and open spaces surrounded by restaurants and boutique shops; and
3. Major economic development, office and mixed-use development in the northern portion of the Project Area. The economic development activities will focus on attracting new enterprises creating quality employment opportunities, emphasizing high-tech, financial, intellectual property and administrative businesses.

University Towne Center, LLC is developing the southern portion of University North Park Project Area. The preliminary site plan calls for a total of approximately 2.0 million square feet of retail space and an Embassy Suites Hotel & Conference Center. The retail space includes power centers and a lifestyle center. Project components completed as of the date of this report include the 401,345 square foot University Town Center anchored by a Super Target, Kohl's and TJ Maxx. The Circuit City store recently closed. Small shop space totaling 28,950 square feet is now under construction adjacent to Kohl's with leases executed by Shoe Carnival, Dots and Rue 21. On October 21, 2008 the \$50 million, 289-room Embassy Suites Hotel & Conference Center opened. The table on page 3 identifies those retail components completed within the southern portion of University North Park Project Area.

The northern portion of the University North Park Project Area is designed for mixed-use development. The Norman Economic Development Coalition controls a 60-acre parcel with plans for the initial phase of 26 acres to construct six Class "A" office buildings surrounding a man-made lake. Each office building will consist of 60,000 to 65,000 square feet of office space.

University North Park Project Plan Completed Retail Components

Store	Space Sq. Ft.	Date Opened
Major Anchors		
Super Target	173,900	11/3/2006
Kohl's	68,283	10/3/2007
Junior Anchors		
TJ Maxx	25,871	10/21/2007
Office Depot	20,842	3/19/2008
Circuit City - closed	20,692	12/13/2007
Petco	15,412	11/16/2007
Athletic Village	7,016	3/8/2008
Hallmark Gold Crown	7,000	
Dress Barn	6,394	10/26/2007
Rack Room Shoes	6,000	11/6/2007
Maurice's	4,500	11/1/2007
Small Shops		
Vintage Stock	4,188	8/9/2008
AT&T Wireless	3,865	12/7/2007
Pei Wei Asian Diner	3,102	1/7/2008
Metro Shoe Warehouse by Westies	3,100	11/2/2007
Qdobe Mexican Grill	2,988	5/5/2008
T-Mobile	2,400	12/15/2007
Alltel Wireless	2,054	4/14/2008
Motherhood Maternity	1,600	2/28/2008
Sally Beauty Supply	1,548	5/10/2008
Sport Clips	1,540	1/11/2008
Great Clips	1,467	2/1/2008
Wingstop	1,400	10/08
Allure Nail Salon & Spa	1,400	4/4/2008
Citi Financial	1,338	12/14/2007
Vacant Shop Space	6,950	
Out Parcels		
Logan's Roadhouse	6,495	9/08
Total Building Area		401,345

RETAIL MARKET ANALYSIS

The *Retail Market Analysis* evaluates the competitive retail market directly impacting the performance of both the University North Park TIF District as well as the entire City of Norman.

Power and Lifestyle Center Concepts

University Towne Center, LLC is developing University Town Center on the southern portion of the University North Park Project Area. The preliminary site plan call for the construction of both several power centers and a destination lifestyle center. Definitions for both a power center and lifestyle center are provided below as well as a determination of the retail trade area.

Power Center

The initial phase of University Town Center is completed consisting of a 401,345 square foot shopping center housing two major anchors, seven junior anchors, small shops and out parcels. By definition the existing portion of University Town Center is defined as a power center. Power centers generally contain 250,000 to 600,000 square feet of building area anchored by at least one major anchor store of 100,000+ square feet of and at least four smaller “category specific” junior anchor tenants each having 20,000 to 25,000 square feet or more. Power centers also contain a small inventory of in-line shops that constitute no more than 10 to 15 percent of the center’s total building area. The major anchor may be a discount department store, a warehouse club or a home improvement store. The smaller “category specific” junior anchor tenants typically have a narrow merchandising focus but a deep selection in specific merchandise lines, such as consumer electronics, off-price apparel, sporting goods, books, bulk foods, or building materials and home improvement products. Power centers typically gravitate to super regional mall and freeway interchange locations.

Lifestyle Center

The preliminary site plan also calls for a 494,000 square foot lifestyle center along the east side of 24th Avenue. Lifestyle centers represent the latest evolution of the regional mall. During the past several years, the lifestyle center has provided a new type of business locale for fashion department stores, high-end specialty retailers and restaurants that traditionally operated the majority of their stores in regional malls. Lifestyle centers generally occupy 150,000 to 1.0 million square feet of retail space in an outdoor setting. The retail layout and street pattern often reflect a “Main Street” type ambience, allowing parking directly in front of the stores. Components of a lifestyle center include one or more fashion department stores or large specialty retailers and a large number of high-end specialty stores, restaurants and entertainment venues. Lifestyle centers maintain several clusters of similar retail categories such as entertainment (i.e., movie theatre and theme restaurants); home furnishings (i.e., furniture and linens); and fashion (i.e., apparel and cosmetics). Lifestyle centers have increasingly evolved into entertainment destinations, incorporating theme restaurant and nightclub clusters, cinemas, amusement centers, fun places, and entertainment spaces and streets.

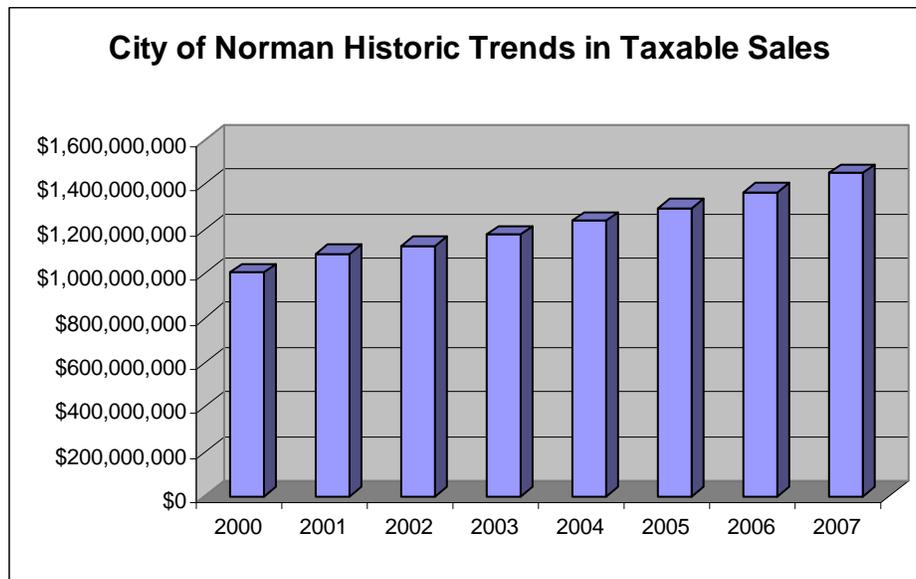
Norman, Oklahoma Retail Market Analysis

This section of the report evaluates the retail market impacting the University North Park Project Area by identifying local trends in retail sales and commercial construction, inventory of big-box retailers and lifestyle retailers, survey of anchor shopping centers in Norman, and identification of the closest competitive retail destination.

Trends in Taxable Retail Sales

Home to Sooner Mall and such major retailers as Wal-Mart, Target and Kohl's, Norman, Oklahoma serves as a major shopping destination for residents of Cleveland County. Out-of-town visitors and University of Oklahoma students, faculty and staff also have a considerable impact on retail sales in Norman.

As reported by the City of Norman, from calendar years 2000 to 2007 taxable retail sales increased by 44 percent, reaching \$1.45 billion by 2007. During this 8-year time period annual gains in retail sales volumes ranged from 3.1 to 8.42 percent, averaging 5.5 percent per year. With escalating new retail construction the growth in retail sales has been particular strong over the past three years, increasing by a healthy 5.58 percent in 2006 and 6.17 percent in 2007. Retail sales reported by the City of Norman from January through September 2008 are up 6.84 percent compared to the same nine month period in 2007.



Trends in New Construction

According to the City of Norman, from 1998 to 2007 a reported 369 building permits were issued totaling approximately \$245.6 million in new retail construction. Over the past ten years a total of 4.4 million square feet of new retail space has been constructed in Norman. New construction peaked in 2007 with 1.14 million square feet of retail space built valued at over \$171.4 million.

University North Park located at I-35 and Robinson Street is the largest retail project constructed in Norman since the 2001 opening of the Parkway Plaza power center on Ed Noble Parkway. To date, a total of 401,345 square feet of retail space has been constructed at University Town Center, including a 173,900 square foot Super Target, 68,283 square foot Kohl's and 25,871 square foot TJ Maxx. The entrance of these major retailers has strengthened Norman's retail market, producing increased local retail sales and improved retail pull factor. The 20,692 square foot Circuit City store has closed.

Trends in New Retail Construction City of Norman, Oklahoma

Year	# of Permits	Space Sq. Ft.	Estimated Value
1998	27	290,637	\$9,411,960
1999	28	467,020	\$20,597,819
2000	19	141,659	\$3,494,842
2001	20	523,424	\$26,346,950
2002	49	731,161	\$42,653,793
2003	11	84,374	\$5,936,000
2004	82	345,915	\$13,146,375
2005	16	84,495	\$5,958,836
2006	42	594,375	\$27,228,001
2007	75	1,143,166	\$90,837,647
Totals	369	4,406,226	\$245,612,223
Annual Average	36.9	440,623	\$24,561,222

Source: City of Norman.

Big-Box Retailers

The University North Park Project Area is occupied by two major anchors and seven junior anchors. The major anchors include a 173,900 square foot Super Target and 68,639 square foot Kohl's. Junior anchors include TJ Maxx, Office Depot and Petco. Given their size, trade area draw and high sales volumes these big-box retailers possess the greatest potential of adversely impacting existing retail businesses in Norman, Oklahoma. Therefore, this section of the report identifies both the closest "sister" stores of the big-box retailers operating within the University North Park Project Area as well as the closest directly competitive big-box retailers. The amount and proximity of big-box retailers will assist in determining the impact the University North Park Project Area has on the cannibalization of retail sales on existing stores in Norman, Oklahoma.

The "sister" stores are located between 6.47 miles to 29.9 miles from the University North Park Project Area. The 5+ mile distance suggests that both the University North Park Project Area stores and "sister" stores enjoy large exclusive trade areas and the potential to capture above average sales.

With the exception of Staples, the primary competitors all operate stores in Norman, Oklahoma. This store location pattern is common among big-box retailers with the close proximity generally creating increased synergy, customer traffic and store sales. Other major shopping destinations in the Oklahoma City area successfully support directly competitive big-box retailers.

List of Big-Box "Sister" Stores and Direct Competitors University North Park Project Area

Store	Address	City	Miles from UNP TIF	Drive Time
Sister Stores				
Target	800 SW 44th Street	Oklahoma City	15.42	20
Kohl's	2600 S. Telephone Road	Moore	7.76	10
TJ Maxx	48 SE 33rd Street	Edmond	28.78	32
Circuit City	1409 W. I-240 Service Road	Oklahoma City	14.57	16
Office Depot	2200 S. I-35 Service Road	Moore	6.47	9
Petco	7001 NW Expressway	Oklahoma City	29.90	35
Competitive Stores				
Wal-Mart	333 Interstate Drive	Norman	1.76	3
	601 12th Avenue NE	Norman	3.86	8
Kmart	None			
Old Navy	3367 W. Main Street	Norman	2.09	3
Steinmart	3447 W. Main Street	Norman	2.12	4
Best Buy	400 26th Avenue NW	Norman	1.37	3
Office Max	620 Ed Noble Parkway	Norman	2.75	5
Staples	128 W. I-240 Service Road	Oklahoma City	13.80	16
Petsmart	660 Ed Noble Parkway	Norman	2.81	5

Lifestyle Retailers

The University North Park Project Area is also designed for a 494,000 square foot lifestyle center along the east side of 24th Avenue. Lifestyle centers typically support an expanded retail trade area and generate well above average sales per square foot. The lifestyle center planned for the University North Park Project Area has the potential to draw considerable retail sales from outside of Norman, Oklahoma. Therefore, the market viability of developing the planned lifestyle center will be critical in generating TIF revenues sufficient to repay the eligible project costs.

Lifestyle centers are generally occupied by fashion department stores or large specialty retailers and a large number of high-end specialty stores, restaurants and entertainment venues. Attracting these high-end retailers is critical in facilitating lifestyle center development. In an effort to gauge the number of prospective lifestyle center retailers the tenant rosters of four lifestyle centers operating in the metropolitan Kansas City area were compared to the roster of high-end retailers currently operating in Norman, Oklahoma.

The metropolitan Kansas City area contains four lifestyle centers, including Country Club Plaza, Town Center Plaza, The Legends at Village West and Zona Rosa. Meanwhile, Sooner Mall located approximately two miles south of the University North Park Project Area houses the largest concentration of high-end retailers operating stores in Norman, Oklahoma. The table on the following page provides a comparison of high-end retailers for the Kansas City area lifestyle centers and Norman, Oklahoma. The table provides a comparison of major anchors, restaurants, apparel and accessories stores, specialty retailers and entertainment venues.

A large number of lifestyle tenants currently operate stores in the City of Norman, the majority of which are located in Sooner Mall. A wide selection of anchor tenants, restaurants, apparel and accessories stores, specialty retailers and entertainment venues are prospective tenants for the 494,000 square foot lifestyle center planned for the southern portion of the University North Park Project Area. However, the nation's current business climate for high-end specialty retailers precludes feasible near-term development.

Comparison of Lifestyle Tenants

Retailer	Plaza	Town Center	Zona Rosa	Village West	City of Norman	Prospective Retailers
Major Anchors						
Dillard's			X		X	
Halls	X					
JC Penney				X	X	
Macy's		X				X
Marshalls			X			X
Target				X	X	
Dick's Sporting Goods		X	X			X
Restaurants						
Abuelo's Mexican Food Embassy			X			X
Applebee's				X	X	
Arthur Bryants				X		X
Bo Ling's Chinese Restaurant	X		X			X
Bravo Italiana		X	X			X
Bristol Seafood Grill		X				
Buca di Beppo	X					X
California Pizza Kitchen	X					X
The Capital Grill	X					X
The Cheesecake Factory	X					X
Johnny Carino's				X	X	
Cheeseburger in Paradise				X		X
Chili's				X	X	
Jazz A Louisiana Kitchen				X		X
Granite City			X	X		
Hooters				X		X
Houlihan's		X				
Houston's	X					
Kona Grill	X					
McCormick & Schmick's	X					
Outback Steakhouse				X	X	
Pei Wei					X	
P.F. Chang's China Bistro	X					X
Ruth's Chris Steakhouse	X					
Ted's Montana Grill			X	X		
Apparel & Accessories						
Anthropologie	X					X
Aeropostale		X	X	X	X	
Abercrombie & Fitch			X		X	
American Eagle Outfitters	X	X	X	X	X	
Ann Taylor/ Ann Taylor Loft	X	X	X	X		X
Banana Republic	X	X		X		X
bebe	X					X
Brooks Brothers				X		X

Comparison of Lifestyle Tenants (Continued)

Retailer	Plaza	Town Center	Zona Rosa	Village West	City of Norman	Prospective Retailers
Cache		X	X			X
Charlotte Russe			X		X	
Chico's	X	X			X	
Coldwater Creek		X				X
Express	X	X	X		X	
Forever 21			X	X	X	
Gap	X	X	X	X	X	
H&M						X
Harolds	X	X				X
Hollister & Co.			X			X
J. Crew	X					X
J. Jill	X	X				X
Lucky Brand Jeans	X					X
Lane Bryant			X		X	
Limited		X	X			X
Off Broadway Shoes				X		X
Old Navy			X	X	X	
Eddie Bauer	X				X	
Urban Outfitters	X					X
Talbots	X	X			X	
The Buckle		X	X	X	X	
Victoria's Secret	X	X	X		X	
White House/Black Market	X	X				X
Specialty Retailers						
Book-A-Million				X		X
Barnes & Noble Booksellers	X	X	X		X	
Border's Books					X	
Cold Stone Creamery	X	X	X	X		
Godiva Chocolates	X		X			
Kirkland's					X	
Pottery Barn	X	X				X
Restoration Hardware	X	X				X
Sharper Image	X					
The Children's Place	X	X	X		X	
Williams-Sonoma	X	X				X
Entertainment						
Cinemark Theaters	X					
Majestic Theatres & Comedy Club			X			
AMC Theaters		X				
Legends 14 Theatres				X		
Dave & Busters				X		X
Pin-Up Bowl				X		

Retail Trade Area Defined

The University North Park Project Area is planned for both lifestyle and power centers. Within a shopping center's trade area, customers closest to the site will affect the center most strongly, with customer influence diminishing gradually as the distance increases. Trade areas are usually divided into three categories or zones of influence, each of which is defined below.

Primary Trade Area: A shopping center's primary trade area is the geographical area from which the largest share of repeat sales are derived, as much as 70 to 80 percent. A power center's primary trade area extends in all directions up to 5 to 7 miles in major markets. A lifestyle center generally supports a large primary trade area of up to a 10-mile radius.

Secondary Trade Area: The secondary trade area generates about 15 to 20 percent of a shopping center's total sales. For power centers drive-time limits can be set at 15 to 20 minutes, or 7 to 10 miles in major markets. Lifestyle centers also cater to out-of-town visitors.

Tertiary Trade Area: The tertiary trade area forms the broadest area from which customers are drawn. For power centers drive-time from this area to the site can be set at roughly 25 to 30 minutes, or 10 to 15 miles in major markets. Depending on the level of direct competition a lifestyle center's tertiary trade area can encompass the entire metropolitan area.

A power center is anchored by major and junior anchors. The closest concentration of major and junior anchors to the University North Park Project Area is located eight miles to the north at Interstate 35 and 19th Avenue in Moore, Oklahoma. The primary retail trade area for Project Area's power center component is defined as the geographic area within a 5-mile radius of the site. The secondary trade area encompasses a 7-mile radius and the tertiary extends out in a 10-mile radius.

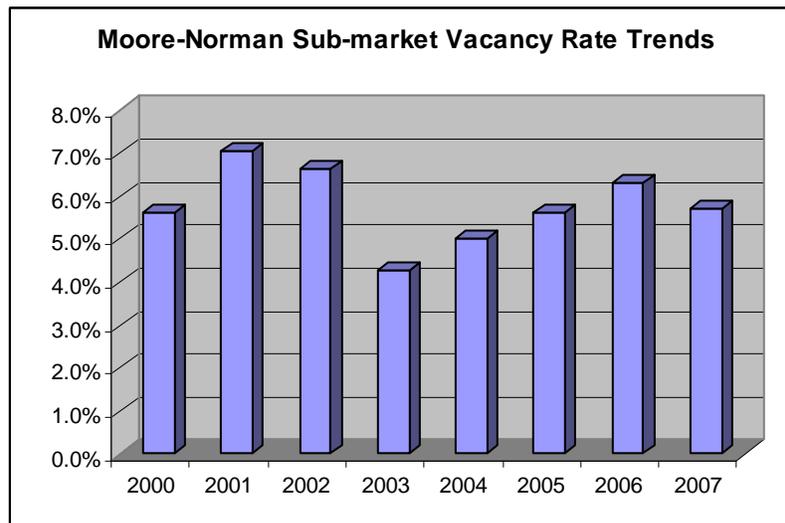
Because of the unique market positioning lifestyle centers create a major retail destination catering to local residents, visitors and tourists. The trade area boundaries of destination lifestyle centers are influenced by a variety of factors, including:

- The size of the center and its tenant mix;
- The number and size of the anchor stores;
- The size and location of the nearest "sister" unit of the anchor store(s);
- The area's transportation system;
- Site accessibility and travel times;
- Size and draw of the local tourism market; and
- The surrounding area's population density and demographic characteristics.

The primary retail trade area for the University North Park Project Area's lifestyle center component is defined as the geographic area within a 7- to 10-mile radius of the site as well as visitors to the Oklahoma City area. The secondary trade area encompasses all of Cleveland County. The tertiary trade area includes the Oklahoma City MSA.

Survey of Retail Space

According to the *Oklahoma City Year-end 2007 Retail Market Summary* published by Price Edwards & Company, the Moore-Norman sub-market maintained 31 shopping centers totaling over 3.1 million square feet operating at a healthy occupancy rate of 94.3 percent. Of the current inventory of space approximately 684,000 square feet is located in Moore with the remaining 2.45 million square feet in Norman. In addition to the shopping center space, at year-end 2007 the Moore-Norman sub-market had 36 freestanding retail stores totaling approximately 1.8 million square feet. Despite aggressive new construction activity, since year-end 2000 the Moore-Norman sub-market has operated at or below a market equilibrium vacancy rate.



By mid-2008 the Moore-Norman retail sub-market supported 32 shopping centers totaling over 3.9 million square feet of space operating at a very healthy occupancy rate of 95.4 percent. The market has been able to absorb the new construction that was mostly preleased to national and regional tenants prior to opening. In addition, 36 freestanding retail stores were surveyed with 1.8 million square feet of space, of which only 10,500 square feet is unoccupied.

Moore is a community of 51,000 residents located along I-35 in the southern portion of the Oklahoma City MSA. Moore is enjoying a significant increase in retail sales and is drawing more shoppers from outside of the city. Norman located immediately south of Moore along I-35 is a community of more than 106,000 residents with strong population growth and good demographics, both of which make it an attractive market for retailers.

The south I-35 corridor has attracted two of the metropolitan area's largest retail developments, including the University Town Center at Robinson Street in Norman and the 19th Street interchange in Moore. The first phase of University Town Center is now complete anchored by a Super Target, Kohl's TJ Maxx and Office Depot. The Circuit City store has closed. At the intersection of I-35 and 19th Street in Moore the Warren Theatre opened and the Harley Davidson building is nearing completion. The Shoppes at Moore at the southeast corner is now home to JC Penney, Ross, Fashion Bug and Office Depot with Best Buy and Bed Bath & Beyond under construction.

Prompted by I-35 access and exposure, West Norman continues to be the city's leading area for new retail construction and growth in retail sales, led by Sooner Mall and Parkway Plaza. The 503,851 square foot Sooner Mall is anchored by Dillard's, JC Penney and Sears while the 375,000 square foot Parkway Plaza houses Home Depot, Barnes & Noble, Bed Bath & Beyond, Michaels, Office Max, Petsmart, Ross and Toys 'R Us.

Central Norman houses two specialty retail districts including the central business district and Campus Corner. In recent years both retail districts have experienced successful revitalization marked by streetscape improvements, building renovations and re-tenanting. Downtown Norman now hosts a variety of art galleries, home furnishings stores, boutiques and restaurants. Campus Corner supports approximately 220,000 square feet of retail space housing such notable businesses as Starbucks Coffee, O'Connell's Irish Pub and OU Authentic Sooners Team Store.

In an effort to quantify competitive retail market conditions in Norman shopping centers of at least 25,000 square feet were surveyed. As summarized in the table on page 14, the competitive survey identified 21 shopping centers totaling over 2.8 million square feet of retail space. The largest concentration of shopping center space is located within the West Main Street corridor highlighted by the 503,851 square foot Sooner Mall and 394,850 square foot University Town Center at Interstate 35 and Robinson Street. A secondary retail hub exists at the intersection of 12th Avenue and Alameda Street. Of the existing inventory of shopping center space an estimated 125,893 square feet is unoccupied, yielding a healthy vacancy rate of 4.43 percent. Lease rates range from \$7.50 to \$25.00 per square foot, averaging \$12.26 per square foot.

Emerging suburban communities similar to Norman typically suffer from retail sales leakage as the population isn't sufficient to support a diverse retail base. Residents must travel outside of the community to satisfy much of their goods and services needs. Though Norman supports an above average retail pull factor, much of this stems from the large number of out-of-town visitors to the community. Retail development patterns for emerging suburban communities generally proceed at a modest level until which time the trade area population is capable of supporting such retail formats as big-box retailers, power centers and lifestyle centers. By 2003, Norman's population reached the 100,000 residents threshold and became a lucrative market for a growing number of national retailers. Since 2003, a reported 2.25 million square feet of retail space has been permitted for construction in Norman. Despite this recent surge in new retail construction Norman's shopping centers are operating at an above equilibrium occupancy rate of 95.57 percent, suggesting additional retail development is supportable.

Survey of Norman, Oklahoma Shopping Centers

Center Name Location	Year Built	Space Sq. Ft.	Vacant Space	Rental Rate	Anchor Tenants
555 W. Main Street		47,000	0	\$10.00	Wine Store
Alameda Square	1984	85,420	20,447	\$14.00	Ace Hardware
12th Avenue & Alameda Street					Dollar Tree
Anatole	1985	64,555	14,028	\$7.50	Harbor Freight Tools
12th Avenue & Alameda Street					
Brookhaven Village	1985	154,272	14,904		Chico's
36th Avenue & Robinson Street					Talbots
Campus Corner Shops	1911	220,000	20,763	\$12.50 -	OU Team Shop
Boyd Street & Aps Avenue				\$18.00	
Carriage Plaza	1983	25,500	0		The Webb
2001 W. Main Street					
Colonial Estates	1988	104,051	0	\$10.00	Valu Foods
12th Avenue & Lindsey Street					
Downtown Center	1965	107,000	0	\$7.50	Mardel
700 W. Main Street					
Heisman Square	1999	93,000	2,250	\$15.00 -	Homeland
12th Avenue & Alameda Street				\$15.50	Cato
Hollywood Center	1964	127,600	0		Homeland Food
1600 W. Lindsey Street					Hancock Fabric
Merkle Creek	1985	32,000	1,265	\$13.00 -	Play It Again Sports
2203 W. Main Street				\$14.65	
Normandy Creek	1974	107,366	14,700	\$9.00 -	Hastings Books
2200 W. Main Street				\$10.00	
Park on Main	1982	68,045	0	\$9.00 -	
36th Avenue & W. Main Street				\$15.00	
Parkway Plaza	1996	375,000	16,848	\$12.00	Home Depot
Ed Noble Parkway					Bed Bath & Beyond
Riverwalk Plaza	2000	26,939	0	\$14.00	
192713 Interstate 35					
Robinson Crossing	1986	108,000	1,750	\$12.00	University of Phoenix
1300 N. Interstate Drive					
Sooner Mall	1976	503,851	3,153		Dillard's / JC Penney
I-35 & W. Main Street					Sears
Sooner West Plaza	1981	64,500	0	\$9.00 -	Wright's IGA
5th Street & W. Main Street				\$13.00	
Stubberman Village	1972	28,451	3,235	\$12.00	Ratcliff Bookstore
Lindsey Street & Elm Avenue					
The Main Center	2005	106,307	5,600	\$9.00	Mardel
W. Main Street & Flood Avenue					Hobby Lobby
University Town Center	2006	394,850	6,950	\$18.00 -	Super Target
I-35 & Robinson Street				\$27.00	Kohl's
Totals		2,843,707	125,893	\$12.46	
Vacancy Rate			4.43%		

Source: Price Edwards & Company and Canyon Research Southwest, Inc.

Moore, Oklahoma Retail Node

The closest retail destination outside of Norman, Oklahoma is located approximately eight miles north of the University North Park Project Area at the intersection of I-35 and 19th Street in Moore, Oklahoma. This competitive retail node supports a large number of major anchors and junior anchors, and is considered an alternative shopping destination for residents of Norman. The comparison of big-box retailers operating stores in Moore and Norman suggest both communities support complimentary retail markets and the opportunity exists for Norman to attract additional big-box retailers currently not operating stores in the city.

Comparison of Moore and Norman, Oklahoma Big-Box Retailers

Store	Operates Store		
	Moore	Norman	Neither
JC Penney	X	X	
Dillard's		X	
Sears		X	
Sam's Club		X	
Costco			X
Kmart			X
Target		X	
Wal-Mart	X	X	
Kohl's	X	X	
Old Navy	X	X	
Steinmart	X	X	
Ross	X	X	
TJ Maxx		X	
Dress Barn		X	
Fashion Bug	X		
Men's Wearhouse	X		
Lowe's	X	X	
Home Depot	X	X	
Warren Theatres	X		
Best Buy	X	X	
Circuit City		Store Closed	
Office Depot	X	X	
Office Max	X	X	
Staples			X
Bed Bath & Beyond	X	X	
Petco		X	
Petsmart	X	X	
Dick's Sporting Goods			X
Academy Sports			X
Barnes & Noble		X	
Borders Books		X	
Book-a-Million			X
Michaels		X	
Hobby Lobby		X	

Shopping Center Site Evaluation

The southern portion of the University North Park Project Area was evaluated for the ability to support power center and lifestyle center development based on the following site selection criteria: visibility; accessibility; traffic volumes; parcel size requirements; level of direct competition; and trade area demographics.

Visibility

Visibility and exposure have a significant influence on a shopping center's achievable retail sales volumes. All shopping center types should possess major arterial frontage with both power and lifestyle centers preferring a freeway location. National and regional big-box retailer, restaurant, convenience store and bank chains also require major arterial frontage. The southern portion of the University North Park Project Area offers excellent visibility via Interstate 35, Robinson Road and 24th Avenue, satisfying the site exposure requirement of prospective power center sites.

Accessibility

The larger the shopping center format the larger the serviced trade area. Power and lifestyle centers rely on an efficient regional transportation network that typically includes a mix of major arterials and freeways. The transportation system servicing the University North Park Project Area includes Interstate 35, U.S. 77 and major arterial streets designed in a grid pattern. Two Interstate 35 interchanges directly service the University North Park Project Area, include Robinson Street on the south and Tecumseh Road on the north. The preliminary site plan for the southern portion of the University North Park Project Area provides sufficient site access via 24th Avenue to facilitate power and lifestyle center development. Access to the site will be further improved by the TIF-funded construction of an east/west overpass of I-35 at the Rock Creek Road arterial.

Traffic Counts

The vehicular traffic counts on arterials that flow past the site are important when evaluating a potential power center site. The Oklahoma Department of Transportation and City of Norman reported average daily traffic counts past the University North Park Project Area at 75,500 vehicles on Interstate 35 and 28,600 vehicles on Robinson Street. These traffic volumes provide sufficient exposure for major and junior anchors, out parcels and both power and lifestyle center sites.

Parcel Size and Dimensions

According to the International Council of Shopping Centers, power centers and lifestyle centers both typically require a 30- to 80-acre site. Each retail development format also requires a rectangular shape and an orientation towards the most prominent adjacent arterial. The southern portion of the University North Park Project Area possesses the necessary land area (225 net acres), site dimensions and major arterial orientation to facilitate both power center and lifestyle center development.

Trade Area Demographics

The University North Park Project Area is designed to accommodate the development of both a power center and lifestyle center. The primary trade area is defined as a 5- to 7-mile radius for the power center and a 7- to 10-mile radius for the lifestyle center. Current demographic characteristics within a 5-, 7- and 10-mile radius of the University North Park Project Area provided by Claritas, Inc. are summarized in the table on page 18.

The trade area's large adolescent and young adult population is sufficient for supporting the sales of apparel and accessories; groceries; sporting goods; music; home electronics; eating and drinking places; and general merchandise. The large population ages 25 to 44 are in their principal consumer years, favors hardware; furniture and home furnishings; home electronics; department stores; and eating and drinking places. The large number of households earning \$35,000 to \$74,999 per year favors big-box retailers while the large number of households earning \$75,000 to \$149,999 per year favors high-end retailers. These retail consumption patterns and demographic characteristics are favorable for the University North Park Project Area to support feasible power center and lifestyle center development.

Direct Competition

Power centers are anchored by discount department stores, home improvement centers, warehouse clubs, and movie theatres. Category-specific junior anchors accompany the major anchor retailers. The University Town Center constructed on the south side of the University North Park Project Area is anchored by Super Target, Kohl's and TJ Maxx. The Circuit City store has closed. As outlined by the table on page 15, several junior anchors currently are absent from the Norman retail market, including Dick's Sporting Goods, Academy Sports, Staples, Book-a-Million and Fashion Bug.

Lifestyle centers are generally occupied by fashion department stores or large specialty retailers and a large number of high-end specialty stores, restaurants and entertainment venues. As identified by the table on pages 9 and 10, a wide selection of anchor tenants, restaurants, apparel and accessories stores, specialty retailers and entertainment venues are prospective tenants for the 494,000 square foot lifestyle center planned for the southern portion of the University North Park Project Area.

This report concludes that the southern 225 acres of the University North Park Project Area in Norman, Oklahoma is suitable for development of both a power center and lifestyle center featuring a mix of major anchors, junior anchors, shop space and out parcels. Favorable site characteristics include the necessary parcel size and orientation, excellent freeway access and exposure, and favorable trade area demographics. Based on the absence of a host of junior anchors, high-end specialty stores, restaurants and entertainment venues within the primary trade area, the Project Area is a suitable location for both power center and lifestyle development. Norman's strong retail pull and a growing population warrants continued near-term development of the power center component. While the nation's current poor business climate for high-end specialty retailers hampers feasible development of the lifestyle center over the next 2 to 3 years, the developer's anticipated 2012 opening appears reasonable and achievable.

5-, 7- and 10-Mile Radius Trade Area Demographics – 2008

Demographic Characteristic	5-Mile Radius	7-Mile Radius	10-Mile Radius
2008 Population Estimate	89,693	123,987	200,497
2013 Population Projection	93,579	133,063	215,970
Population by Age - 2008			
0-9	9,920	14,747	24,328
10-17	7,711	11,747	20,387
18-24	17,281	21,039	28,987
25-34	15,187	20,781	31,338
35-44	11,618	16,883	27,188
45-54	10,979	15,865	27,873
55-64	8,405	11,856	21,120
65+	8,594	11,070	19,276
Median Age	31.54	31.96	33.47
Average Age	35.04	34.80	35.64
Household Income			
Less than \$15,000	18.56%	16.00%	12.95%
\$15,000 - \$24,999	12.10%	11.34%	10.63%
\$25,000 - \$34,999	10.53%	10.65%	10.77%
\$35,000 - \$49,999	14.98%	15.88%	15.95%
\$50,000 - \$74,999	17.55%	19.87%	21.04%
\$75,000 - \$99,999	10.21%	11.06%	12.36%
\$100,000 - \$149,999	10.36%	10.15%	11.30%
\$150,000 - \$249,999	4.08%	3.71%	3.64%
\$250,000 - \$499,999	1.14%	0.94%	0.93%
\$500,000+	0.48%	0.39%	0.42%
Average Household Income	\$60,331	\$60,341	\$63,294
Median Household Income	\$43,813	\$46,337	\$49,717
Per Capita Income	\$25,717	\$24,939	\$25,374

Source: Claritas, Inc.

Conclusions

Norman, Oklahoma serves as a major shopping destination for residents of Cleveland County. Out-of-town visitors and University of Oklahoma students, faculty and staff also have a considerable impact on retail sales in Norman. Norman's retail trade pull factor of 1.38 supports its status as Cleveland County's principal shopping destination, capturing retail sales at a rate 38 percent above the statewide average. Given Norman's strong retail draw and the construction of 4.4 million square feet of new retail space over the past decade, from 2000 to 2007 taxable retail sales increased by 44 percent reaching \$1.45 billion for 2007.

Emerging suburban communities similar to Norman typically suffer from retail sales leakage as the population is insufficient to support a diverse retail base. Residents must travel outside of the community to satisfy much of their goods and services needs. Though Norman supports an above average retail pull factor, much of this stems from the large number of out-of-town visitors to the community and the impact of the University of Oklahoma. Retail development patterns for emerging suburban communities generally proceed at a modest level until which time the trade area population is capable of supporting such retail formats as big-box retailers, power centers and lifestyle centers. By 2003, Norman's population reached the 100,000 residents threshold and became an attractive market for a growing number of national retailers. Since 2003, approximately 2.25 million square feet of retail space has been permitted for construction in Norman. Despite this recent surge in new retail construction Norman's shopping centers are operating at an above equilibrium occupancy rate of 95.57 percent, suggesting additional retail space is supportable.

The University North Park Project Area is planned for both lifestyle and power centers. A power center is anchored by major tenants and junior anchors. The closest concentration of major and junior anchors that commonly occupy power centers is located eight miles to the north at Interstate 35 and 19th Street in Moore, Oklahoma.

Lifestyle centers typically support an expanded retail trade area and generate well above average sales per square foot. The planned lifestyle center has the potential to draw considerable retail sales from outside of Norman. Therefore, the viability of developing the planned lifestyle center will be critical in generating TIF revenues sufficient to repay the eligible project costs.

A large number of lifestyle tenants currently operate stores in the City of Norman, the majority of which are located in Sooner Mall. Based on a tenant comparison of similar lifestyle centers, a wide selection of anchor tenants, restaurants, apparel and accessories stores, specialty retailers and entertainment venues were identified as prospective tenants for the lifestyle center planned for the southern portion of the University North Park Project Area.

The University North Park Project Area is a suitable site for development of both a power center and lifestyle center. Favorable site characteristics include the necessary parcel size and orientation, excellent access, freeway exposure and favorable trade area demographics. A host of junior anchors, high-end specialty stores, restaurants and entertainment venues are absent within Norman. Norman's strong retail pull and a growing population warrants continued near-term development of the power center component. While the nation's current poor business climate for high-end specialty retailers hampers feasible development of the lifestyle center over the next 2 to 3 years, the developer's anticipated 2012 opening appears reasonable and achievable.

RETAIL SALES CANNIBALIZATION ANALYSIS

This section of the report addresses the issue of the possible cannibalization of retail sales by new retailers operating within the University North Park Project Area. The issue of cannibalization will be addressed using four separate methodologies, including: 1) a comparison of City sales tax revenues before and after activation of the University North Park TIF Plan; 2) quantifying Norman's retail pull factor; 3) providing a retail sales opportunity gap analysis for Norman; and 4) estimating supportable retail sales in Norman.

City Sales Tax Comparison

As a means to quantify the University North Park Project Area's possible cannibalization of retail sales from existing businesses in Norman the historical growth trends in the City's sales tax collections prior to commencement of the TIF proceeds were compared to the post-TIF growth rates.

Super Target was the first tenant to open for business within the University North Park Project Area, opening on October 3, 2006. The City of Norman provided sales tax contributions generated by the Project Area from October 2006 through August 2008. The table on page 21 compares monthly retail sales tax collections before and after the TIF Plan began generating tax revenues. The City's sales tax proceeds exclusive of the TIF were calculated by subtracting the City's 40 percent allocation (actual collections) to the General Fund generated by the University North Park Project Area from the City's total sales tax receipts. This provides growth rate trends in City sales tax collections omitting the impact of the University North Park Project Area.

From 2000 through 2005 the City of Norman reported annual increases in sales tax receipts ranging from 3.1 to 8.42 percent, averaging 5.37 percent. By comparison, during this 6-year period the CPI Index increased at annual rates from 1.6 to 3.4 percent, averaging 2.7 percent. Norman's above average rate of sales tax growth can be attributed to a rising population and improving retail pull.

Since the University North Park Project Area commenced generating TIF revenue in 2006 the City of Norman has continued to experience strong sales tax growth. Sales tax receipts excluding any sales tax receipts generated by the TIF have escalated at a rate of 5.28 percent in 2006, 5.28 percent in 2007 and 5.97 percent through August 2008. These growth rates are well in excess of the CPI index.

City of Norman Trends in Net Sales Tax Collections From Activation of University North Park TIF Plan

Month	Gross City	Gross City	Less:	Net Sales	%	Gross City	Less:	Net Sales	%	Gross City	Less:	Net Sales	%
	Sales Tax	Sales Tax	UNP TIF	Tax to City		Sales Tax	UNP TIF	Tax to City		Sales Tax	UNP TIF	Tax to City	
	2005	2006	Capture	2006	Change	2007	Capture	2007	Change	2008	Capture	2008	Change
January	\$3,267,560	\$3,595,698		\$3,595,698	10.04%	\$3,797,786	\$34,463	\$3,763,323	4.66%	\$4,264,540	\$53,465	\$4,211,075	11.90%
February	\$3,687,856	\$3,885,113		\$3,885,113	5.35%	\$4,028,195	\$25,172	\$4,003,023	3.03%	\$4,084,146	\$58,134	\$4,026,012	0.57%
March	\$2,944,916	\$3,524,624		\$3,524,624	19.69%	\$3,286,355	\$36,143	\$3,250,212	-7.79%	\$3,677,589	\$76,306	\$3,601,283	10.80%
April	\$2,958,778	\$2,872,210		\$2,872,210	-2.93%	\$3,501,986	\$23,585	\$3,478,401	21.11%	\$3,632,678	\$63,341	\$3,569,337	2.61%
May	\$3,277,723	\$3,497,532		\$3,497,532	6.71%	\$3,701,121	\$30,733	\$3,670,388	4.94%	\$3,771,636	\$75,308	\$3,696,328	0.71%
June	\$3,330,294	\$3,280,417		\$3,280,417	-1.50%	\$3,524,136	\$35,076	\$3,489,060	6.36%	\$3,883,795	\$78,782	\$3,805,013	9.06%
July	\$3,318,403	\$3,555,035		\$3,555,035	7.13%	\$3,608,431	\$32,396	\$3,576,035	0.59%	\$3,845,832	\$70,011	\$3,775,821	5.59%
August	\$3,199,785	\$3,386,087		\$3,386,087	5.82%	\$3,363,566	\$32,746	\$3,330,820	-1.63%	\$3,660,210	\$79,685	\$3,580,525	7.50%
September	\$3,167,637	\$3,268,515		\$3,268,515	3.18%	\$3,485,049	\$53,964	\$3,431,085	4.97%				
October	\$3,482,642	\$3,632,351	\$41,760	\$3,590,591	3.10%	\$4,055,084	\$40,956	\$4,014,128	11.80%				
November	\$3,107,672	\$3,339,358	\$33,570	\$3,305,788	6.38%	\$3,590,570	\$63,850	\$3,526,720	6.68%				
December	\$3,121,158	\$3,196,077	\$39,935	\$3,156,142	1.12%	\$3,620,418	\$77,231	\$3,543,187	12.26%				
Totals	\$38,864,424	\$41,033,017	\$115,265	\$40,917,752	5.28%	\$43,562,697	\$486,315	\$43,076,382	5.28%	\$30,820,426	\$555,032	\$30,265,394	5.97%

Source: City of Norman.

The table below provides a comparison of the City of Norman's pre- and post-TIF annual growth rates in net sales tax receipts with the CPI index. The trends in sales tax receipts suggest that the new businesses operating within University North Park Project Area are having little or no effect on sales of existing businesses in Norman. In fact, retail sales since opening of the first retailer within the University North Park Project Area have actually grown at a faster pace than prior to inception of the TIF. This can be partly explained by the Norman retail market's increased critical mass and customer draw, attracting increasing retail sales into the community. The City's continued well above average growth in retail sales is also supported by Norman's improved retail pull factor from 1.38 in 2004 to an estimated 1.50 in 2008.

**Comparison of Pre- and Post-TIF
City of Norman Sales Tax Growth Rates**

Year	Growth in	Growth in	
	City's Net Sales Tax	CPI Index	Difference
Before TIF			
2000	6.25%	3.40%	2.85%
2001	8.42%	2.80%	5.62%
2002	3.10%	1.60%	1.50%
2003	4.37%	2.30%	2.07%
2004	5.39%	2.70%	2.69%
2005	4.76%	3.40%	1.36%
Post-TIF			
2006	5.28%	3.20%	2.08%
2007	5.28%	2.80%	2.48%
YTD August 2008	5.97%	2.60%	3.37%

Source: Canyon Research Southwest, Inc.

Retail Pull Factor

The *Oklahoma Trade Pull Factors for Fiscal Year 2004* published in March 2006 by Southwestern Oklahoma State University evaluated the retail draw of Oklahoma counties and cities. A pull factor is a measure of retail capture minus leakage, with a measure of 1.0 representing a perfect balance. The Oklahoma City MSA is comprised of Oklahoma and Cleveland Counties (Norman is located in Cleveland County). Oklahoma County serves as a regional trade center supporting a pull factor of 1.59 for fiscal year 2004. Oklahoma County's retail market pulls from such neighboring rural counties as Logan (0.35), Lincoln (0.38), Canadian (0.70) and Pottowattomie (0.80). Oklahoma County also draws customer and retail expenditures from Cleveland County which suffers from a below average pull factor of 0.86.

Norman is located in Cleveland County. Norman's FY 2004 pull factor of 1.38 confirms its status as Cleveland County's principal shopping destination, capturing retail sales at a rate 38 percent above the statewide average. Compared to fiscal year 2002, Norman's pull factor increased slightly from 1.36, stemming from the growing population and number of big-box national retailers that draw from a regional trade area. The University of Oklahoma's academics, sporting events and cultural venues attract a large number of visitors to Norman each year.

Though not as strong a retail destination as Norman, the neighboring community of Moore to the north also supports an above average pull factor, reported at 1.04 during fiscal year 2004. Moore's retail trade benefits from its I-35 location and large concentration of big-box retailers. Moore is considered Norman's closest alternative shopping destination.

Retail Trade Pull Factors – FY 2004

County/City	Pull Factor		
	2004	2002	1999
Oklahoma	1.00	1.00	1.00
Oklahoma County	1.59	1.60	1.61
Cleveland County	0.86	0.84	0.80
Oklahoma City	1.57	1.59	
City of Moore	1.04	1.00	
City of Norman	1.38	1.36	

Source: Southwestern Oklahoma State University.

These retail pull factor statistics suggest that the city of Norman can support continued escalating retail sales volumes by diversifying its retail mix and capturing additional visitor activity and retail sales leakage by county residents. Since October 2006 the opening of such major retailers as Super Target, Kohl's, TJ Maxx, Petco and Dress Barn within the University North Park Project Area has improved the Norman retail market's diversity, competitiveness and customer draw as well as stimulated additional retail sales. The opening of several major retailers in Moore since 2004 has also likely improved Moore's pull factor, although analytical data from SWOSU is not yet available.

Retail Sales Opportunity Gap Analysis

The *RMP Opportunity Gap – Retail Stores Report 2008* published by Claritas, Inc. attempts to identify opportunities for additional retail store types in Norman, Oklahoma. The report data is derived from two major sources. The demand data is derived from the Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics while the supply data is provided by the Census of Retail trade. The difference between demand and supply represents the opportunity gap or surplus available for each retail category in the specified reporting geography. When the demand is greater than the supply there is an opportunity gap for that retail category. A positive value signifies an opportunity gap, while a negative value signifies a surplus.

The *RMP Opportunity Gap – Retail Stores Report 2008* forecasts total retail sales, exclusive of automobile sales, in 2008 for the City of Norman at \$1.52 billion. Meanwhile, based on the city's population and income levels, during 2008 an estimated \$1.4 billion in retail sales is supportable, yielding a surplus in retail sales of \$120.2 million. For 2007, the City of Norman reported actual taxable retail sales of \$1.45 billion. This surplus in retail sales supports Norman's retail trade pull factor of 1.38 published by the *Oklahoma Trade Pull Factors for Fiscal Year 2004*.

As outlined in the table below, despite a forecast surplus retail sales for Norman, those categories providing the greatest opportunity for capturing additional retail sales include supermarkets, convenience stores, building materials, pharmacies and drug stores, appliance and home electronics stores and department stores. Types of under-serviced retail categories suitable for operating within the University North Park Project Area include department stores, furniture and home furnishings, lawn and garden and sporting goods. While slightly over-serviced, independent full-service restaurants are suitable tenants for the University North Park Project Area.

RMP Opportunity Gap by Retail Category – Norman, Oklahoma

Retail Categories	Demand – Supportable Consumer Expenditures	Supply – Actual Retail Sales	Opportunity Gap / (Surplus)
Supermarkets	\$174,167,907	\$119,520,835	\$54,647,072
Convenience Stores with Gasoline	\$147,308,546	\$115,590,052	\$31,718,494
Building Materials	\$161,620,984	\$141,913,378	\$19,707,606
Pharmacies & Drug Stores	\$77,641,575	\$59,302,546	\$18,339,029
Appliances and Home Electronics	\$30,845,612	\$14,839,031	\$16,006,581
Department Stores	\$100,027,407	\$84,261,251	\$15,766,156
Specialty Foodservices	\$14,436,686	\$5,074,700	\$9,361,986
Furniture and Home Furnishings	\$41,621,904	\$32,742,686	\$8,879,218
Drinking Places	\$8,900,405	\$889,763	\$8,010,642
Lawn and Garden	\$14,319,693	\$6,867,063	\$7,452,630
Jewelry Stores	\$10,878,849	\$5,631,270	\$5,247,579
Sporting Goods Stores	\$12,344,850	\$8,003,332	\$4,341,518
Women's Clothing Stores	\$15,684,831	\$11,479,737	\$4,205,094

Source: Claritas, Inc.

The University North Park Project Area is designed to support both a power center and lifestyle center. As discussed earlier in the report, the power center's primary retail trade area is defined as the geographic area within a 5-mile radius of the site, increasing to a 7-mile radius for the secondary trade area and a 10-mile radius for the tertiary trade area. The primary retail trade area for the lifestyle center encompasses a 7- to 10-mile radius from the site.

Because the University North Park Project Area's retail trade area extends outside the city limits the *RMP Opportunity Gap – Retail Stores Report 2008* was also consulted to identify opportunities for additional retail store types within a 5-, 7- and 10-mile radius. Exclusive of automobile sales, surplus retail sales in 2008 within a 5-mile radius of the University North Park Project Area are estimated at \$279.8 million. The surplus in retail sales decreases to \$80.5 million within a 7-mile radius. An opportunity gap of \$200.3 million is estimated within a 10-mile radius.

For the University North Park Project Area those retail categories providing the greatest opportunity to occupy the power center component include home electronics and appliances stores, hardware stores, office supplies stores and sporting goods stores. Prospective lifestyle center retailers include specialty foodservices, department stores, jewelry stores, furniture and home furnishings stores, department stores and clothing and accessories stores. Findings of the *RMP Opportunity Gap – Retail Stores Report 2008* suggest that retail sales leakage exists among a sufficient number of retail categories within the primary, secondary and tertiary trade areas to support additional power center and lifestyle center development without having a notable adverse affect on sales of existing trade area retailers.

RMP Opportunity Gap by Retail Category 5-, 7- and 10-Mile Radius from Project Area

Retail Category	Total Opportunity Gap		
	5-Mile Radius	7-Mile Radius	10-Mile Radius
Total Opportunity Gap/(Surplus)	(\$279,792,915)	(\$80,461,258)	\$200,342,831
Supermarkets	\$30,812,961	\$85,524,587	\$145,221,216
Convenience Store with Gasoline	\$25,593,277	\$50,600,447	\$94,555,881
Home Electronics and Appliances	\$13,755,061	\$19,826,759	\$42,901,660
Pharmacies and Drug Stores	\$10,948,571	\$17,814,676	(\$7,807,263)
Specialty Foodservices	\$7,504,065	\$11,394,657	\$15,036,028
Drinking Places	\$6,941,553	\$9,486,395	\$15,509,975
Lawn and Garden Equipment	\$5,967,801	\$7,398,293	\$6,179,511
Hardware Stores	\$5,620,846	\$10,262,651	\$19,346,241
Office Supplies and Stationery Stores	\$5,584,879	(\$5,203,916)	\$101,372
Sporting Goods Store	\$4,467,400	\$6,492,132	\$13,774,491
Beer, Wine and Liquor Stores	\$4,003,401	\$6,993,698	\$13,641,770
Jewelry Stores	\$3,877,621	\$1,976,051	\$8,539,144
Furniture and Home Furnishings Stores	\$2,870,620	\$14,134,703	\$28,034,173
Department Stores	\$1,091,473	(\$13,981,489)	\$48,375,139
Clothing and Accessories Stores	(\$34,546,300)	(\$15,952,536)	\$37,736,052

Source: RMP Opportunity Gap - Retail Stores 2008; Claritas, Inc.

Estimated Supportable Retail Sales

Supportable retail sales are a function of consumer population and income levels. According to the Oklahoma Department of Commerce Norman’s July 2007 population was estimated 106,707 residents. Based on Norman’s historical population growth since 2000, the city’s 2008 population is estimated at 108,120 residents. Norman’s current per capita income of \$25,554 as reported by Claritas, Inc. yields total personal income estimated at approximately \$2.76 billion. At a statewide rate of retail spending equivalent to 35 percent of total personal income as reported by the *Oklahoma Trade Pull Factors for Fiscal Year 2004* published by Southwestern Oklahoma State University, in 2008 supportable retail sales were estimated at \$967 million.

Out-of-town retail sales were measured by quantifying the retail pull factor of Norman, Oklahoma. The *Oklahoma Trade Pull Factors for Fiscal Year 2004* published in March 2006 by Southwestern Oklahoma State University estimated the Norman retail pull factor at 1.38, yielding additional potential non-automotive sales by visitors of \$367.5 million in 2008.

Given Norman’s population and income levels, statewide retail sales as a percentage of income and a retail pull factor of 1.38 reported in 2004, total supportable retail sales in 2008 for Norman are estimated at \$1.33 billion. Based on the City of Norman reported actual retail sales for 2007 of \$1.45 billion, for 2008 Norman is estimated to capture additional sales of \$117.6 million. This compares to the retail sales surplus (excluding automobile sales) forecast by Claritas, Inc. at \$120.2 million for 2008. What this means is that since 2004 the City of Norman’s retail trade pull factor of 1.38 has improved considerably, now estimated at 1.50. The improved retail pull factor is a direct result of Norman’s larger and more diverse retail market which includes new retailers now operating in the University North Park TIF District. Norman’s well above average retail trade pull factor confirms its status as a shopping destination with the ability to capture considerable retail sales from outside the community.

Estimated Supportable Retail Sales; Norman, Oklahoma

Retail Sales Formula	Supportable Sales - 2008
Resident Population	108,120
Per Capita Income	\$25,554
Total Personal Income	\$2,762,898,480
% Income Spent on Goods & Services	35.0%
Supportable Retail Sales - Norman Oklahoma Residents	\$967,014,468
Retail Pull Factor - Norman, Oklahoma (2004)	1.38
Estimated Retail Sales - Visitors to Norman, Oklahoma	\$367,465,498
Total Estimated Retail Sales - Norman, Oklahoma	\$1,334,479,966
Actual 2007 Retail Sales for Norman, Oklahoma	\$1,452,089,900
Estimated Additional Retail Sales Captured	\$117,609,934
Estimated Retail Pull Factor – Norman, Oklahoma (2008)	1.50

Source: Canyon Research Southwest, Inc.

Conclusions

The issue of possible cannibalization of retail sales by new retailers operating within the University North Park Project Area was addressed using four separate methodologies, including: 1) a comparison of City sales tax revenues before and after activation of the University North Park TIF Plan; 2) quantifying Norman's retail pull factor; 3) providing retail sales opportunity gap analysis for Norman; and 4) estimating supportable retail sales in Norman.

The findings of each of these methodologies support the position that the new retailers operating within the University North Park Project Area haven't cannibalized existing retail sales in Norman. In fact, the contrary is true. The new retailers have served to diversify and strengthen Norman's retail base, improving the city's retail drawing power, creating improved synergy among similar retail categories and generating increased retail sales.

Since the first retailer opened in October 2006 within the University North Park Project Area retail sales within the City of Norman have actually grown at a faster pace than prior to inception of the TIF. Sales tax receipts excluding any sales tax receipts generated by the TIF have escalated at a rate of 5.28 percent in 2006, 5.28 percent in 2007 and 5.97 percent through August of 2008. Since 2006, retail sales growth has averaged 5.51 percent annually. By contrast, from 2000 through 2005 the City of Norman report annual increases in sales tax receipts ranging from 3.1 to 8.42 percent, averaging 5.37 percent.

According to the *Oklahoma Trade Pull Factors for Fiscal Year 2004* published in March 2006 by Southwestern Oklahoma State University, Norman's retail pull factor was estimated at 1.38, capturing retail sales at a rate 38 percent above the statewide average. The findings of the study confirmed Norman's status as Cleveland County's principal shopping destination. However, Cleveland County continues to suffer from considerable retail sales leakage to Oklahoma County as measured by a retail pull factor of 0.86. Norman can further strengthen its retail pull factor by capturing retail sales by Cleveland County residents now escaping to Oklahoma County.

Findings of this report suggest Norman's retail pull factor of 1.38 published in 2004 has improved considerably. During 2008 the city is estimated to capture a surplus in retail sales of approximately \$117.6 million, translating to a retail pull factor of 1.50. Norman's improved retail pull is a direct result of its larger and more diverse retail market created through heightened new retail construction and the introduction of new retailers over the past four years.

Findings of the *RMP Opportunity Gap – Retail Stores Report 2008* suggest that retail sales leakage exists among a sufficient number of retail categories within a 5-, 7- and 10-mile radius of the University North Park Project Area to support additional power center and lifestyle center development without having a notable adverse affect on sales of existing Norman retailers. Those power center retail categories providing the greatest potential for sales growth include home electronics and appliances stores, hardware stores, office supplies stores and sporting goods stores. Prospective lifestyle center tenants include specialty foodservices, department stores, jewelry stores, furniture and home furnishings stores, and clothing and accessories stores.

TIF REVENUE ANALYSIS

Tax Increment Financing (TIF) funded eligible project costs within the University North Park Project Area. This report compares both actual TIF revenue collections for the University North Park Project Area as reported by the City of Norman with the revenue estimates prepared in February 2006 by Alexander Holmes, Ph.D. in the report titled *Estimated Tax Revenues for University North University North Park*.

Methodology for Forecasting TIF Revenues

The Oklahoma Tax Increment Financing Act (“TIF”) permits cities to establish Redevelopment Districts and carry out redevelopment projects within such districts. Section 850 et seq. of the Oklahoma Statute authorizes development tools for cities to use in cooperation with other local taxing jurisdictions to spur revitalization and economic development in targeted areas of the city. This is accomplished primarily by encouraging private investment by making public improvements that are funded through TIF generated revenues. Within an established TIF district, a “base” level of annual tax revenue received in the district is established at the time the TIF is approved, and in future years, tax revenues received above the base amount is diverted from the taxing agency (school district, city, county, etc.) to the TIF district to pay for public capital improvements within the district. Taxes are still collected in the TIF district; however, instead of the taxes being used for the general purposes of the taxing agencies, they are used to pay for public improvements to benefit the TIF district.

By City ordinance, on May 23, 2006 the City of Norman, Oklahoma adopted the University North Park Tax Increment Financing Plan to fund eligible project costs associated with necessary infrastructure improvements. The TIF Plan allows for 50 percent of the increased ad valorem taxes generated by the development and 60 percent of sales tax revenues generated within the district to be diverted to the TIF district improvements and other project goals over a period of up to 25 years, with total project costs of \$54,725,000.

Comparison of Actual vs. Forecast TIF Revenues

This section of the report compares both actual TIF revenue collections for the University North Park Project Area as reported by the City of Norman with the revenue estimates prepared in February 2006 by Alexander Holmes, Ph.D. in the report titled *Estimated Tax Revenues for University North University North Park*.

With the opening of Super Target in October 2006 the University North Park Project Area began generating TIF revenues in the form of retail sales taxes and real property taxes. The City of Norman, Oklahoma provided actual retail sales and ad valorem tax collections attributed to the University North Park Project Area from October 2006 through August 2008.

Project components completed as of the date of this report include the 401,345 square foot University Town Center anchored by a Super Target, Kohl's and TJ Maxx. Small shop space totaling 28,950 square feet is now under construction adjacent to Kohl's with leases executed by Shoe Carnival, Dots and Rue 21. On October 21, 2008 the \$50 million, 289-room Embassy Suites Hotel & Conference Center opened.

Original TIF Revenue Projections

As part of the original TIF application Alexander Holmes, Ph.D. prepared TIF revenue projections for the University North Park Project Area, also referred to as the Norman Increment District No. 2. The report estimated TIF revenues over a 25-year period commencing on January 1, 2006 on relevant jurisdictions that receive property and sales tax revenues from the project area. Specifically, estimates were provided of property tax revenues that would be newly generated by the project area and would ultimately accrue to the benefit of Independent School District No. 29 of Cleveland County, Cleveland County, Cleveland County Health Department, Pioneer Multi-County Library System, Moore-Norman Technology Center and the City of Norman. Further, an estimate was provided of projected sales tax revenue to the City of Norman that would be generated by the project area.

The University North Park Project Area's retail space was projected to include five projects over the 25-year life of the TIF. The study assumed that actual retail shopping space will cover 20 percent of the total land area for each project with the exception of the projects built in 2006 and 2007. The actual coverage percentages of those projects were used.

Property Tax Estimates

The University North Park development is on land that has historically been tax-exempt. Therefore, all property tax revenues that accrue to the property will be incremental. The property tax estimates assumed the current assessment ratio of 12 percent and millage levy of 105.65 mills remain constant throughout the 25-year duration of the TIF Plan. The project area's retail component was valued at \$4.00 per square foot for the land and \$100 per square foot for the improvements. All assessed values were assumed to increase at 3.0 percent per year. Property tax revenues generated by the hotel development were excluded from the revenue estimates. Based on these assumptions, throughout the 25-year life of the TIF Plan, the

University North Park Project Area was forecast to generate \$121,475,876 in incremental property tax revenues.

Sales Tax Estimates

Sales taxes are collected by the state, and in Oklahoma can be levied by counties and cities. Sales tax revenues are the most significant part of any city budget in Oklahoma because, unlike most other states, Oklahoma cities can only access property taxes to fund general obligation bond debt. The City of Norman levies a sales tax both for general fund use and for projects earmarked for taxpayers in the election that created the levy. University North Park will generate direct new sales tax revenues through new retail development that is part of the overall project area. The report assumed a City of Norman sales tax rate of 3.0 percent throughout the 25-year life of the TIF Plan.

The study concluded that in excess of \$287 million in incremental sales taxes will be generated during the 25-year life of the TIF Plan by new retail development within the project area. At a 60 percent allocation, an estimated \$172.5 million in incremental sales tax revenue would be allocated to the TIF. The report also assumed that the project area's retail space will generate annual sales of \$150 per square foot (in 2004 dollars), escalated at an average annual rate of 3.0 percent.

Conclusions

The table on page 31 summarizes incremental TIF revenues generated by the University North Park Project Area over the 25-year projection period. Incremental revenues are allocated to the TIF at a rate of 50 percent of property taxes and 60 percent of sales taxes. The original TIF revenue projections assumed that 50 percent of the incremental sales tax revenue would be allocated to the TIF and the \$19.5 million in project costs would be repaid by the end of 2013, with all ensuing property and sales taxes reverted to the City of Norman. For the purpose of this report incremental sales taxes were allocated at a rate of 60 percent and the total incremental TIF revenues were allocated to the TIF Plan throughout the 25-year projection period. As the calculations illustrate, throughout the 25-year life of the University North Park TIF Plan the Project Area was originally projected to generate total incremental property and sales tax revenues of approximately \$236.1 million.

**Original TIF Revenue Projections
University North Park Project Area**

Year	Incremental		Incremental		Total TIF Revenues
	Property Taxes	50% TIF Allocation	Sales Taxes	60% TIF Allocation	
2006	\$288,842	\$144,421	\$0	\$0	\$144,421
2007	\$818,898	\$409,449	\$2,280,139	\$1,368,083	\$1,777,532
2008	\$843,466	\$421,733	\$2,348,543	\$1,409,126	\$1,830,859
2009	\$868,770	\$434,385	\$2,418,999	\$1,451,399	\$1,885,784
2010	\$1,621,408	\$810,704	\$4,983,138	\$2,989,883	\$3,800,587
2011	\$1,670,050	\$835,025	\$5,132,633	\$3,079,580	\$3,914,605
2012	\$2,094,420	\$1,047,210	\$5,286,612	\$3,171,967	\$4,219,177
2013	\$2,951,200	\$1,475,600	\$8,167,815	\$4,900,689	\$6,376,289
2014	\$3,509,324	\$1,754,662	\$8,412,849	\$5,047,709	\$6,802,371
2015	\$3,614,604	\$1,807,302	\$8,665,235	\$5,199,141	\$7,006,443
2016	\$4,144,284	\$2,072,142	\$11,900,256	\$7,140,154	\$9,212,296
2017	\$4,347,865	\$2,173,933	\$12,257,263	\$7,354,358	\$9,528,290
2018	\$5,468,071	\$2,734,036	\$12,624,981	\$7,574,989	\$10,309,024
2019	\$5,632,113	\$2,816,057	\$13,003,731	\$7,802,239	\$10,618,295
2020	\$5,952,463	\$2,976,232	\$13,393,843	\$8,036,306	\$11,012,537
2021	\$6,131,037	\$3,065,519	\$13,795,658	\$8,277,395	\$11,342,913
2022	\$6,314,968	\$3,157,484	\$14,209,528	\$8,525,717	\$11,683,201
2023	\$6,669,840	\$3,334,920	\$14,635,814	\$8,781,488	\$12,116,408
2024	\$6,869,936	\$3,434,968	\$15,074,888	\$9,044,933	\$12,479,901
2025	\$7,176,429	\$3,588,215	\$15,527,135	\$9,316,281	\$12,904,496
2026	\$7,740,143	\$3,870,072	\$15,992,949	\$9,595,769	\$13,465,841
2027	\$7,972,347	\$3,986,174	\$16,472,737	\$9,883,642	\$13,869,816
2028	\$8,211,518	\$4,105,759	\$16,966,919	\$10,180,151	\$14,285,910
2029	\$8,457,863	\$4,228,932	\$17,475,927	\$10,485,556	\$14,714,488
2030	\$8,711,599	\$4,355,800	\$18,000,205	\$10,800,123	\$15,155,923
2031	\$8,972,947	\$4,486,474	\$18,540,211	\$11,124,127	\$15,610,600
Totals	\$127,054,405	\$63,527,203	\$287,568,008	\$172,540,805	\$236,068,007

Source: Estimated Tax Revenues for University North Park; February 2006.

Original TIF Revenue Projections – Completed Retail Space

The original TIF revenue projections assumed the 173,900 square foot Super Target would be built and completed in 2006 with an additional 463,700 square feet constructed in 2007. Actual retail construction included the opening of the 173,900 square foot Super Target store in October 2006 followed by a 68,283 square foot Kohl's store and 152,667 square feet of junior anchors and small shops in 2007 and a 6,475 square foot freestanding Logan's Roadhouse in 2008. In total, 401,345 square feet of retail space has been constructed within the University North Park Project Area. Five bays totaling 6,950 square feet of small shop space remains unoccupied.

In an effort to provide a direct comparison between the original projections and actual tax collections, this report attempted to extract TIF revenue projections for only those retail components completed as of the date of this report. TIF revenues were projected for the years 2006 through 2008.

The original TIF revenue projections estimated the Super Target store to generate property taxes of \$288,842 in 2006, increasing by 3.0 percent in both 2007 and 2008. For 2007, the 463,700 square feet of new retail space was forecast to generate \$521,392 in property taxes. With only 220,950 square feet of new retail space actually built in 2007, the property tax projections were adjusted to \$248,440 in 2007 and \$255,893 in 2008. Completion in 2008 of the 6,475 square foot Logan's Roadhouse yields estimated property taxes of \$7,522. As illustrated in the table below, for those retail project components completed to date, incremental property tax revenues are projected at \$288,842 in 2006, \$545,947 in 2007 and \$569,847 in 2008. The TIF allocation amounts to 50 percent of the incremental property tax revenues, yielding an estimated \$702,318 in property tax proceeds from 2006 through 2008.

Original Property Tax Revenue Projections Completed Retail Components

Year	Target Store	Junior Anchors and Shops	Logan's Roadhouse	Incremental Property Taxes	50% TIF Allocation
2006	\$288,842	\$0	\$0	\$288,842	\$144,421
2007	\$297,507	\$248,440	\$0	\$545,947	\$272,974
2008	\$306,432	\$255,893	\$7,522	\$569,847	\$284,924
Totals	\$892,781	\$504,333	\$7,522	\$1,404,636	\$702,318

The original TIF revenue projections estimated first-year sales of the Target store at approximately \$159 per square foot, or \$27,673,577. However, because the Target was relocating from an existing location in Norman the study omitted the forecast sales from the incremental calculations. Meanwhile, the 463,700 square feet of retail space to be constructed in 2007 was projected to generate first-year retail sales of approximately \$164 per square foot, or \$76,004,625. Based on this assumption, the 152,667 square feet of junior anchors and small shops actually constructed in 2007 is estimated to generate sales of approximately \$25.0 million in 2007 and \$25.8 million in 2008. Completion in 2008 of the 6,475 square foot Logan's Roadhouse yields estimated retail sales of \$1.1 million.

As illustrated in the table below, for those retail project components completed to date, incremental sales tax revenues are projected at \$0 in 2006, \$450,423 in 2007 and \$483,039 in 2008. The TIF allocation amounts to 60 percent of the incremental sales tax revenues, yielding an estimated \$702,318 in sales tax proceeds from 2006 through 2008.

Forecast Retail Sales Tax Revenues Completed Retail Components

Year	Retail Sales			Incremental Retail Sales	Sales Taxes 3.00%	60% TIF Allocation
	Target Store	Junior Anchors and Shops	Logan's Roadhouse			
2006	\$0	\$0	\$0	\$0	\$0	\$0
2007	\$0	\$25,023,502	\$0	\$25,023,502	\$750,705	\$450,423
2008	\$0	\$25,774,208	\$1,061,311	\$26,835,519	\$805,066	\$483,039
Totals	\$0	\$50,797,710	\$1,061,311	\$51,859,021	\$1,555,771	\$933,462

In summary, based on the original TIF revenue projections prepared in 2006, the retail space completed within the University North Park Project Area as of the date of this report is forecast to generate total incremental TIF revenues of approximately \$1.64 million, including \$702,318 in property taxes and \$933,462 in sales taxes.

Actual TIF Revenue Collections

By 2006, the University North Park Project Area began generating incremental property and sales tax revenues for allocation to the TIF Fund. As depicted by the table below, according to the City of Norman through August 2008 a reported \$1,822,205 in incremental TIF revenues were collected, including \$1,734,919 in sales tax revenue and \$87,286 in property tax revenues.

Property taxes of \$301,623 levied for 2008 have yet to be collected. For the purpose of the TIF revenue comparison provided later in this report, the property taxes levied in 2008 and scheduled for collection in early 2009 are included in the total TIF revenue collected and deposited through year-end 2008.

University North Park Project Area Reported Actual TIF Revenue Collections

Month Collected by Vendor	Property Tax Collections	Sales Tax Collections	Total TIF Revenue
October-06		\$62,639.40	\$62,639.40
November-06		\$50,355.60	\$50,355.60
December-06		\$59,902.80	\$59,902.80
Total TIF Revenue		\$172,897.80	\$172,897.80
January-07		\$51,694.80	\$51,694.80
February-07		\$37,757.40	\$37,757.40
March-07		\$54,214.20	\$54,214.20
April-07		\$35,377.20	\$35,377.20
May-07		\$46,100.40	\$46,100.40
June-07		\$52,614.00	\$52,614.00
July-07		\$48,593.40	\$48,593.40
August-07		\$49,120.00	\$49,120.00
September-07		\$80,947.00	\$80,947.00
October-07		\$61,434.00	\$61,434.00
November-07		\$95,775.00	\$95,775.00
December-07		\$115,846.80	\$115,846.80
Total TIF Revenue		\$729,474.20	\$729,474.20
January-08		\$80,197.80	\$80,197.80
February-08	\$34,118.61	\$87,200.40	\$121,319.01
March-08		\$114,458.40	\$114,458.40
April-08	\$53,167.03	\$95,011.80	\$148,178.83
May-08		\$112,961.40	\$112,961.40
June-08		\$118,173.00	\$118,173.00
July-08		\$105,016.20	\$105,016.20
August-08		\$119,527.80	\$119,527.80
Total TIF Revenue	\$87,285.64	\$832,546.80	\$919,832.44
Grand Totals	\$87,285.64	\$1,734,918.80	\$1,822,204.44

Source: City of Norman.

TIF Revenue Comparison

Through August 2008 the University North Park Project Area generated \$1,822,205 in incremental TIF revenues, including \$1,734,919 in sales tax revenue and \$87,286 in property tax revenues. For the purpose of comparison with the original TIF revenue forecasts prepared in February 2006, this report estimates total TIF revenue collections through December 31, 2008.

For purpose of comparison, the \$87,286 in actual property taxes collected in 2008 from the University North Park Project Area were levied in 2007 and assumed to be generated in 2007. Property taxes of \$301,623 levied on developed retail properties for 2008 have yet to be collected. This report assumes the property taxes levied in 2008 and scheduled for collection in early 2009 are included in the total TIF revenue collected and deposited through year-end 2008. Therefore, total property taxes levied and collected from 2006 through 2008 are estimated at \$388,909. By comparison, the incremental property tax revenues projected by the February 2006 study totaled \$702,318 from 2006 through 2008. The primary discrepancies include: 1) the January 2006 study assumed the Target store would generate property taxes for 2006 which it didn't because the store wasn't opened until October 2006 and 2) the January 2006 study assumed at total of 637,600 square feet of retail space would be built by year-end 2007 when in reality only 401,345 square feet was built.

From January through August 2008 the University North Park Project Area generated a reported \$832,547 in incremental sales taxes. Logan's Roadhouse and Wingstop opened during the last four months of 2008 and collectively are forecast to generate \$850,000 in sales and incremental TIF revenue of \$15,300. Based on seasonal sales fluctuations and historical actual sales trends, an estimated 35 percent of the Project Area's sales by existing retailers will occur from September through December 2008, bringing the total incremental sales taxes generated for 2008 to \$1,296,142. Actual/estimated incremental sales tax revenues from 2006 through 2008 amount to \$1,597,765. By comparison, the incremental sales tax revenues projected by the February 2006 study totaled \$933,462 from 2006 through 2008.

The TIF Revenue Study prepared in February 2006 forecast total TIF revenues from 2006 through 2008 at approximately \$1.64 million, including \$702,318 in property taxes and \$933,462 in sales taxes. By comparison, actual/estimated TIF revenue collections amount to \$2.6 million, including \$388,909 in property taxes and \$2,198,504 in sales taxes. The net result is that the actual/estimated TIF revenues exceeded projected revenues by \$951,642.

University North Park Project Area Actual vs. Forecast Total TIF Revenues

Year	Forecast Taxes (2006)	Actual Collections	Difference
2006	\$144,421	\$172,898	\$28,477
2007	\$723,397	\$816,760	\$93,363
2008	\$767,963	\$1,597,765	\$829,802
Totals	\$1,635,781	\$2,587,423	\$951,642

STUDY CONCLUSIONS

The City of Norman, Oklahoma approved the University North Park Tax Increment Financing (“TIF”) District covering approximately 465 acres at the northeast corner of Interstate 35 and Robinson Street. Retail development completed as of the date of this report includes the 401,345 square foot University Town Center anchored by a Super Target, Kohl’s and TJ Maxx. The City of Norman is interested in knowing the impact this retail development has had on existing retail businesses operating in the city. The report’s major findings are summarized below.

Marketability of Shopping Center Development

Norman, Oklahoma serves as a major shopping destination for residents of Cleveland County. Out-of-town visitors and University of Oklahoma students, faculty and staff also have a considerable impact on retail sales in Norman. Norman’s retail trade pull factor of 1.38 supports its status as Cleveland County’s principal shopping destination, capturing retail sales at a rate 38 percent above the statewide average. Given Norman’s strong retail draw and the construction of 4.4 million square feet of new retail space over the past decade, from fiscal year 2000 to 2007 taxable retail sales increased by 44 percent reaching \$1.45 billion for fiscal year 2007.

Emerging suburban communities similar to Norman typically suffer from retail sales leakage as the population is insufficient to support a diverse retail base. Residents must travel outside of the community to satisfy much of their goods and services needs. Though Norman supports an above average retail pull factor, much of this stems from the large number of out-of-town visitors to the community and the impact of the University of Oklahoma. Retail development patterns for emerging suburban communities generally proceed at a modest level until which time the trade area population is capable of supporting such retail formats as big-box retailers, power centers and lifestyle centers. By 2003, Norman’s population reached the 100,000 residents threshold and became an attractive market for a growing number of national retailers. Since 2003, approximately 2.25 million square feet of retail space has been permitted for construction in Norman. Despite this recent surge in new retail construction Norman’s shopping centers are operating at an above equilibrium occupancy rate of 95.57 percent, suggesting additional retail space is supportable.

The University North Park Project Area is a suitable site for development of both a power center and lifestyle center. Favorable site characteristics include the necessary parcel size and orientation, excellent access, freeway exposure and favorable trade area demographics. A host of junior anchors, high-end specialty stores, restaurants and entertainment venues are absent within Norman. Norman’s strong retail pull and a growing population warrants continued near-term development of the power center component. While the nation’s current poor business climate for high-end specialty retailers hampers feasible development of the lifestyle center over the next 2 to 3 years, the developer’s anticipated 2012 opening appears reasonable and achievable.

Retail Sales Cannibalization

The issue of possible cannibalization of retail sales by new retailers operating within the University North Park Project Area was addressed using four separate methodologies, including: 1) a comparison of City sales tax revenues before and after activation of the University North Park TIF Plan; 2) quantifying Norman's retail pull factor; 3) providing retail sales opportunity gap analysis for Norman; and 4) estimating supportable retail sales in Norman.

The findings of each of these methodologies support the position that the new retailers operating within the University North Park Project Area haven't cannibalized existing retail sales in Norman. In fact, the contrary is true. The new retailers have served to diversify and strengthen Norman's retail base, improving the city's retail drawing power, creating improved synergy among similar retail categories and generating increased retail sales.

Since the first retailer opened in October 2006 within the University North Park Project Area retail sales within the City of Norman have actually grown at a faster pace than prior to inception of the TIF. Sales tax receipts net of the 40 percent TIF contribution have escalated at a rate of 5.28 percent in 2006, 5.28 percent in 2007 and 5.97 percent through August of 2008. Since 2006, retail sales growth has averaged 5.51 percent annually. By contrast, from 2000 through 2005 the City of Norman report annual increases in sales tax receipts ranging from 3.1 to 8.42 percent, averaging 5.37 percent.

According to the *Oklahoma Trade Pull Factors for Fiscal Year 2004* published in March 2006 by Southwestern Oklahoma State University, Norman's retail pull factor was estimated at 1.38, capturing retail sales at a rate 38 percent above the statewide average. The findings of the study confirmed Norman's status as Cleveland County's principal shopping destination. However, Cleveland County continues to suffer from considerable retail sales leakage to Oklahoma City County as measured by a retail pull factor of 0.86. Norman can further strengthen its retail pull factor by capturing retail sales by Cleveland County residents now escaping to Oklahoma City County.

As evidence that Norman's retail pull factor has improved considerably since 2004, during 2008 the city is estimated to capture a surplus in retail sales of approximately \$117.6 million. This compares to the retail sales surplus (excluding automobile sales) forecast by Claritas, Inc. at \$120.2 million for 2008. Norman's improved retail pull is a direct result of its larger and more diverse retail market created through heightened new retail construction and the introduction of new retailers over the past four years.

Findings of the *RMP Opportunity Gap – Retail Stores Report 2008* suggest that retail sales leakage exists among a sufficient number of retail categories within a 5-, 7- and 10-mile radius of the University North Park Project Area to support additional power center and lifestyle center development without having a notable adverse affect on sales of existing Norman retailers. Those power center retail categories providing the greatest potential for sales growth include home electronics and appliances stores, hardware stores, office supplies stores and sporting goods stores. Prospective lifestyle center tenants include specialty foodservices, department stores, jewelry stores, furniture and home furnishings stores, and clothing and accessories stores.

TIF Revenue Comparison

By City ordinance, on May 23, 2006 the City of Norman, Oklahoma adopted the University North Park Tax Increment Financing Plan to fund eligible project costs associated with necessary infrastructure improvements. The TIF Plan allows for 50 percent of the increased ad valorem taxes generated by the development and 60 percent of sales tax revenues generated within the district to be diverted to the TIF district improvements and other project goals over a period of up to 25 years, with total project costs of \$54,725,000.

Based on the findings of this study the University North Park Project Area is significantly outperforming original TIF revenue forecasts. According to the *Estimated Tax Revenues for University North Park* prepared by Alexander Holmes, Ph.D. in February 2006, from 2006 through 2008 the existing retail properties and businesses operating within the University North Park Project Area were forecast to generate incremental TIF revenues of approximately \$1.64 million, including \$702,318 in property taxes and \$933,462 in sales taxes. By comparison, actual/estimated TIF revenue collections over the same 3-year period amount to approximately \$2.6 million, including \$388,909 in property taxes and \$2,198,504 in sales taxes. The net result is that the actual/estimated TIF revenues exceeded projected revenues by \$951,642.

University North Park Project Area Actual vs. Forecast Total TIF Revenues

	Forecast	Actual	
Year	Taxes (2006)	Collections	Difference
2006	\$144,421	\$172,898	\$28,477
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TIF Operating Procedures and Practices

Resolution R-0607-69 dated June 12, 2007 records the procedures and practices that are and will be employed by the City of Norman to implement the Project Plan and administer the UNP TIF District. In addition to the responsibilities delineated in the Project Plan, the Master Operating Agreement (Contract K-0607-44, Section 9.a) required that the City:

6. Establish Ad Volorem Tax Increment operating procedures in cooperation with the Cleveland County Assessor and Treasurer;
7. Establish Sales Tax Increment operating and accounting procedures in cooperation with the Oklahoma Tax Commission;
8. Establish an allocation of Tax Increment revenues to various components of the project consistent with the goals of providing financing of project costs as those costs are incurred and assuring repayment of those costs, with interest, on reasonable market rate terms;
9. Authorize and direct the apportionment of Tax Increments in support of project financing as necessary or appropriate in support of financing agreements and authorization; and
10. Provide monthly reports of Tax Increment revenues to include transfer adjustment information.

Sales Tax Increment Apportionment Procedures

At the time that the Project Plan was approved by the Norman City Council, no retail sales were being generated in the UNP TIF District. Therefore, the Base Retail Sales Tax is \$0. Transfer Adjustments apply to any business that vacates an existing Norman location and moves into the UNP TIF District. The retail sales tax generated by the business in the UNP TIF District will be reduced by the amount of retail sales tax generated by the business in the corresponding month in the last year of its operation in the former location in Norman, less any retail sales generated in the current month by newly established businesses in the former location. For example, Target moved from an existing store in Norman into the UNP TIF District. Retail sales taxes generated from the prior location are subtracted from the new UNP TIF District location sales. Hobby Lobby and Mardels moved into the former Target location and their sales tax revenues are applied as a credit to the UNP TIF District.

The process of subtracting prior sales tax revenue to stores transferring locations into a TIF District is universally applied. However, in the future the City of Norman may consider omitting the retail sales tax revenue from businesses occupying the former store location. The rationale is that the new stores likely would have located in Norman if Target hadn't relocated into the UNP TIF District.

Ad Valorem Tax Increment Apportionment Procedures

Cleveland County is responsible for the assessment of property values within the University North Park Tax Increment Financing District and the apportionment of ad valorem tax payments from property owners within the UNP TIF District to the various ad valorem taxing jurisdictions. The procedures to be followed by the Cleveland County Assessor to establish property tax values and the procedures to be followed by the Cleveland County Treasurer to apportion ad valorem taxes to the UNP TIF District are as follows:

1. The County Assessor will establish real and personal property values within the UNP TIF District as of January 1st of each year, based on appraisals, building permit values, visual inspection, property sale prices and aggregate re-assessment values.
2. Notice of increases in assessed values will be forwarded by the County Assessor to all property owners within the UNP TIF District.
3. Aggregated value of assessed property within the UNP TIF District for the year will be forwarded by the County Assessor to the County Treasurer and to the City of Norman in August.
4. Cleveland County Treasurer will prepare property tax bills for property owners within the UNP TIF District during November of each year, with payment for half of the
5. Tax due on December 31st and half due on the next March 31st.
6. Cleveland County Treasurer will monitor payment of real and personal property tax payments collected from property owners within the UNP TIF District. One hundred percent (100%) of the collections will be apportioned, on a semi-annual basis, to the various tax jurisdictions based on the approved millage rates for each jurisdiction until collections reach an amount equal to the property tax generated by the base assessment (\$905,128).
7. At the point that property tax collections from property owners within the UNP TIF District reach the base assessment, the County Treasurer will apportion, on a semi-monthly basis, 50 percent of any additional collections to the City of Norman for benefit of the UNP TIF District, and the County Treasurer will apportion the other 50 percent of property tax collections from the UNP TIF District to the various taxing jurisdictions in proportion to the allocation that taxing entities would ordinarily receive from the increased assessed values, in the absence of an increment district, excluding sinking fund levies.
8. All settlements of property assessment or property tax payment disputes made to Cleveland County will be accepted by the UNP TIF District, except where those settlements are disputed by the City of Norman for the City's own purposes.

The methods for assessed valuation, receipt and allocation of TIF revenues for the UNP TIF District are all deemed appropriate, universally applied and necessary.

Revenue Receipting and Expenditure Processes

The City of Norman has established the University North Park Tax Increment Financing Fund (Fund 57) within the City's general ledger of accounts. This Fund is a capital projects fund, as defined by Oklahoma Statutes. The establishment of a separate TIF Fund is standard for administering TIF Districts.

The City has also established the Norman Tax Increment Financing Authority, primarily for the purpose of issuing indebtedness to be repaid from UNP TIF District revenues. The creation of such an entity to issue indebtedness is standard procedure for TIF Districts.

The methods for receiving, recording and expending TIF revenues for the UNP TIF District are all deemed appropriate and necessary.

Periodic Reporting Requirements

Subsequent to the remittance of the sales tax payment to the City of Norman, the Tax Commission provides a report to the City that discloses the gross sales and sales tax payments reported by the business to the Tax Commission. Each business within the UNP TIF District can be identified on this report by their State sales tax permit number. The City's Finance Department will use this report or similar Tax Commission reports to generate information on gross sales within the UNP TIF District. This reporting procedure is standard for TIF Districts.

The City of Norman's annual Budget document will include discussion of the activities, revenues and expenditures of the UNP TIF District. In addition, the City of Norman's Comprehensive Annual Financial Report will include fund-level statements of the financial status and activities of the UNP TIF District. These reporting procedures are standard for cities administering TIF Districts.

Fund Auditing Processes

As a part of the annual audit of the City of Norman's financial statements, the UNP TIF Fund and internal controls established for the Fund will be audited. The City Council or City Manager may direct more detailed audits of the UNP TIF Fund as desired or required. Annual financial audits by either the City or independent accountant are standard for administering TIF Plans and are critical in assessing the financial status of the TIF Fund.

Alterations/Update of Procedures

These procedures can be altered or amended upon the approval of the City Manager, provided the amendment or alteration is consistent with the Project Plan, the Master Operating Agreement and development agreements contemplated thereby that are in effect at the time of the proposed amendment or alteration. Given the long-term nature of the UNP TIF Plan this provision is a good safe guard to changing economic conditions and unforeseen events that may adversely affect the TIF revenue stream.