OKLAHOMA CITY INVESTMENT PROSPECTUS

A Platform for Action

Prepared by
NEW LOCALISM ADVISORS
in collaboration with
OKLAHOMA CITY

Funded by
ACCELERATOR FOR AMERICA
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THE URBAN INVESTMENT PROSPECTUS: PURPOSE

1. Help city market its Opportunity Zones to local, regional and national investors

2. Help city organize its assets to have maximum economic and social impact

3. Help city organize stakeholders around unified vision of inclusive growth
THE URBAN INVESTMENT PROSPECTUS: CONTENT

**GROWTH**
Quantitative and qualitative dive into a city to discover its core growth assets and opportunities

**CAPITAL DEMAND**
A format for identifying investable projects and propositions

**INCLUSION**
Focus on human capital, job connections, and wealth creation

**PLACE MAKING**
Commentary on the essential must do’s to re-knit spatial and social fabric

**INSTITUTIONAL CAPACITY**
Recommendations on institution building options to expedite growth and inclusion
# Geography of Opportunity Zones

<table>
<thead>
<tr>
<th></th>
<th>Population 2010</th>
<th>Population 2016</th>
<th>% Change</th>
<th>SQ. Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSA</td>
<td>1,252,987</td>
<td>1,337,075</td>
<td>7%</td>
<td>6,359</td>
</tr>
<tr>
<td>City</td>
<td>579,999</td>
<td>620,015</td>
<td>7%</td>
<td>620</td>
</tr>
<tr>
<td>Zones</td>
<td>30,554</td>
<td>32,377</td>
<td>6%</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: US Census American Community Survey
OPPORTUNITY ZONE FOCUS

19 O-ZONE TRACTS
195 OKLAHOMA CITY TRACTS
10% OF ALL TRACTS

32,377 O-ZONE POPULATION
620,015 CITY POPULATION
5% OF THE POPULATION

Source: US Census American Community Survey
# SOCIAL AND ECONOMIC OVERVIEW

## Metro, City, Opportunity Zones

<table>
<thead>
<tr>
<th></th>
<th>BLACK</th>
<th>HISPANIC</th>
<th>FOREIGN BORN</th>
<th>POVERTY</th>
<th>MEDIAN HOUSEHOLD INCOME</th>
<th>% ED BA+</th>
<th>% SOME COLLEGE</th>
<th>% NO HS DEGREE</th>
<th>% UNDER 18</th>
<th>% OVER 65</th>
<th>UNEMPLOYMENT (MARCH 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>10%</td>
<td>12%</td>
<td>8%</td>
<td>15%</td>
<td>$52,825</td>
<td>29%</td>
<td>32%</td>
<td>12%</td>
<td>25%</td>
<td>13%</td>
<td>3.5%</td>
</tr>
<tr>
<td>City</td>
<td>14%</td>
<td>19%</td>
<td>12%</td>
<td>18%</td>
<td>$50,070</td>
<td>29%</td>
<td>31%</td>
<td>15%</td>
<td>26%</td>
<td>12%</td>
<td>3.6%</td>
</tr>
<tr>
<td>O-Zones</td>
<td>35%</td>
<td>13%</td>
<td>8%</td>
<td>37%</td>
<td>$34,626</td>
<td>27%</td>
<td>27%</td>
<td>17%</td>
<td>17%</td>
<td>10%</td>
<td>N/A</td>
</tr>
<tr>
<td>State (OK)</td>
<td>7%</td>
<td>10%</td>
<td>6%</td>
<td>17%</td>
<td>$48,038</td>
<td>24%</td>
<td>31%</td>
<td>13%</td>
<td>25%</td>
<td>15%</td>
<td>3.8%</td>
</tr>
<tr>
<td>US</td>
<td>13%</td>
<td>17%</td>
<td>13%</td>
<td>15%</td>
<td>$55,322</td>
<td>30%</td>
<td>29%</td>
<td>13%</td>
<td>23%</td>
<td>15%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Source: US Census American Community Survey
POPULATION GROWTH
Cities with 2010 population 600,000–650,000

Source: US Census American Community Survey
## CITY EMPLOYMENT PROFILE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care, Social Assistance &amp; Educational Services</td>
<td>73,654</td>
<td>19.8%</td>
<td>54,555</td>
<td>17.1%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Trade, Transportation and Warehousing</td>
<td>70,211</td>
<td>18.9%</td>
<td>61,288</td>
<td>19.2%</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>60,760</td>
<td>16.3%</td>
<td>53,024</td>
<td>16.6%</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>Construction, Mining &amp; Utilities</td>
<td>37,503</td>
<td>10.1%</td>
<td>21,191</td>
<td>6.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>29,389</td>
<td>7.9%</td>
<td>22,911</td>
<td>7.2%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Public Administration</td>
<td>28,724</td>
<td>7.7%</td>
<td>30,071</td>
<td>9.4%</td>
<td>(1.7%)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>28,159</td>
<td>7.6%</td>
<td>31,271</td>
<td>9.8%</td>
<td>(2.2%)</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>17,016</td>
<td>4.6%</td>
<td>14,679</td>
<td>4.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Information</td>
<td>6,737</td>
<td>1.8%</td>
<td>11,643</td>
<td>3.6%</td>
<td>(1.8%)</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Center for Economic Study. Longitudinal Employer-Household Dynamics
# Largest Non-Government Employers

<table>
<thead>
<tr>
<th>Employer</th>
<th>Type of Business</th>
<th>Approximate Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTEGRIS Health</td>
<td>Health care</td>
<td>6,000</td>
</tr>
<tr>
<td>Hobby Lobby Stores Inc.</td>
<td>Retailer</td>
<td>5,100</td>
</tr>
<tr>
<td>Oklahoma University Health Science Center</td>
<td>Health care</td>
<td>5,000</td>
</tr>
<tr>
<td>Mercy Health Systems of OK</td>
<td>Health care</td>
<td>4,500</td>
</tr>
<tr>
<td>Oklahoma City Gas &amp; Electric</td>
<td>Utility</td>
<td>3,400</td>
</tr>
<tr>
<td>OU Medical Center</td>
<td>Health care</td>
<td>3,300</td>
</tr>
<tr>
<td>SSM Health Care of Oklahoma, Inc.</td>
<td>Health care</td>
<td>3,000</td>
</tr>
<tr>
<td>The Boeing Aerospace Company</td>
<td>Aerospace technology</td>
<td>2,600</td>
</tr>
<tr>
<td>Devon Energy Corporation</td>
<td>Energy</td>
<td>2,500</td>
</tr>
<tr>
<td>Chesapeake Energy Corporation</td>
<td>Energy</td>
<td>1,800</td>
</tr>
</tbody>
</table>

Source: Greater Oklahoma City Chamber (March 8, 2018)
LOCATION OF LARGEST NON-GOVERNMENT EMPLOYERS

1. INTEGRIS Health
2. Hobby Lobby Stores Inc.
3. Oklahoma University Health Science Center
4. Mercy Health Systems of OK
5. Oklahoma City Gas & Electric
6. OU Medical Center
7. SSM Health Care of Oklahoma, Inc.
8. The Boeing Aerospace Company
9. Devon Energy Corporation
10. Chesapeake Energy Corporation
VC-BACKED COMPANIES
PAST TEN YEARS

Source: Pitchbook
VC-BACKED CAPITAL INVESTED BY PRIMARY INDUSTRY SECTOR

Source: Pitchbook
GEOGRAPHY OF EMPLOYMENT

55% of those employed in Oklahoma City live outside the city

31% of those living in Oklahoma City work outside the city

Source: U.S. Census Bureau, Center for Economic Study. Longitudinal Employer-Household Dynamics
EMPLOYMENT GROWTH

% DIFFERENCE IN OKLAHOMA CITY SINCE 2002

Source: U.S. Census Bureau, Center for Economic Study, Longitudinal Employer-Household Dynamics
PUBLIC SCHOOL TALENT PIPELINE

Years 2016–2017

- **TBD**
  Kindergarten-ready
  not available

- **84%**
  3rd Grade
  Reading Proficient/
  Distinguished

- **71%**
  High School Cohort
  Graduation Rate

- **TBD**
  College and
career readiness
  not available
KEY TAKEAWAYS FROM QUANTITATIVE AND QUALITATIVE RESEARCH

Strengths

- The city has strong population growth rate and continues to pull in migrants from other Oklahoma markets including Tulsa
- S&P recently rated the City at “AAA (stable outlook)”; its pension funds and debt levels remain manageable
- While the city’s economy remains vulnerable to changes in the energy market (second highest energy concentration after Houston), it is much more diverse economy than other parts of the state and most metro areas nationally
- An increasingly strong aerospace and medical sectors are driving new employment growth
- OU Health District, along with other nearby medical research institutions, show promise as an innovation center. The GE energy research and innovation office and the location of OU’s graduate business program in the area should help drive change
- Local private developers are pushing downtown and near downtown multi-family and sales housing market with new inventory that is being absorbed
- Industrial real estate vacancies are very low and continue to absorb new inventory
- City has made great use of 1-cent sales tax Metropolitan Area Program (MAPS) for capital improvements to remake the downtown, create new transit options, and refurbish the schools
KEY TAKEAWAYS FROM QUANTITATIVE AND QUALITATIVE RESEARCH

Challenges

- CBD office space has elevated vacancies due to new inventory
- While there is new retail development in the African American northeast section of the city, the proximate housing stock is poorly maintained with high levels of foreclosure: there is great need for increased civic capacity
- State policy makes K-12 school funding and teacher retention challenging and school district leadership has been extremely unstable over the past decade
- In contrast to the strong mature company profile of the OKC economy, the entrepreneurial ecosystem is underdeveloped
- OKC has modest institutional philanthropy compared to neighboring Tulsa
- The historical impact of urban renewal and automobile-centric planning have made it difficult to establish dense, pedestrian friendly places for collaboration and exchange, something that many downtown real estate developers and entrepreneurs want to see
OPPORTUNITY ZONES IN OKLAHOMA CITY
TYPOLOGY OF OPPORTUNITY ZONE BY CENSUS TRACTS (Methodology)

Methodology

• Utilized Longitudinal Employer-Household Dynamics (LEHD) data aggregated to the census tract level

• Calculated the ratio of jobs in the census tract to residents in the census tract

• Calculated the % of jobs in each tract that are construction, manufacturing, transportation and warehouse. Tracts >25% are flagged as industrial.

• Utilized national dataset of hospitals and colleges/universities. Flagged tracts with hospitals with 300+ beds and/or universities/colleges with 5,000+ students as anchor tracts.

Typologies

LEVEL 1

• Tier 1 Job Centers: Tracts with jobs to residents ratio >10

• Tier 2 Job Centers: Tracts with Jobs to residents ratio 2-10

• Mixed Jobs/Residential: Tracts with jobs to residents ratio .8 – 2

• Residential: Tracts with jobs to residents ratio <.8

LEVEL 2

• Anchor Presence: hospitals with 300+ beds and/or universities/colleges with 5,000+ students as anchor tracts.

• Industrial Presence: Tracts where 20% of the jobs are classified as construction, manufacturing, transportation and warehouse with at least 1,000 jobs.
TYPOLOGY VISUALIZATION
BY CENSUS TRACTS

- Mixed
- Residential
- Tier 2 Job Center
- Tier 1 Job Center
- Anchor Presence
- Industrial Presence

[Map showing typology visualization by census tracts]
FROM CENSUS TRACTS TO USE, LOCATION AND DEMOGRAPHY (Market Mental Map)

Each of these opportunity zones has a distinct competitive position which will naturally drive investments in certain products.

Adventure District
NE 23rd St Corridor
Medical District
Central Business District
• Bricktown
• Arts District
• Film Row
• Deep Deuce
• Boathouse District
• Automobile Alley
ZONE STRATEGY

The selection of the zones in Oklahoma City provides an opportunity to:

1. Accelerate residential growth in the Central Business District

2. Build a stronger entrepreneurial ecosystem within the medical/innovation district

3. Create a stronger environment for development in the NE 23rd Street Corridor, the city’s historical African American community
THREE ILLUSTRATIVE INVESTMENT OPPORTUNITIES
CENTRAL BUSINESS DISTRICT

Facts

- OKC is seeing a dramatic revitalization of the urban core, building on 25 years of smart public investments via Metropolitan Areas Projects (MAPS) referenda

- Current projects underway include construction of a 6.9-mile streetcar system, a new 70-acre Scissortail Park linking the downtown to the Oklahoma River (i.e., “Core to Shore”) and a new convention center.

- Public-sector investments have fueled a burst of private and civic activity in and around the downtown; about 8,500 people, mostly renters, now call downtown home. The demographics of downtown residents skew young and educated: 60% are ages 25-34 and 87% have a college degree.

- Distinctive districts have emerged in Bricktown, Deep Deuce, Midtown, Automobile Alley and Film Row

- Nationally significant projects, including the adaptive reuse of a former Ford Model T assembly plant as a 21c Museum Hotel, have been completed in recent years

- A group of strong private developers with niche understanding of the downtown submarkets are driving the growth
CENTRAL BUSINESS DISTRICT

Strategy

- Continue to promote private investment in transformative projects continue (e.g., renovation of the 1931 First National Bank Building, the new Oklahoma Contemporary Arts Center in Automobile Alley; a 600 room Omni Hotel directly south of Chesapeake Energy Arena)

- Increase the pipeline of residential development with additional for sales housing.

- Utilize the urban renewal office’s land holdings to extend development.
CENTRAL BUSINESS DISTRICT

- **Major Employers**
  1. SSM Health Care of OK
  2. Oklahoma Gas & Electric
  3. Devon Energy Corp
  4. OU Medical Center

- **VC-Backed Companies**

Source: Pitchbook
DOWNTOWN NEIGHBORHOODS
MEDICAL/INNOVATION DISTRICT

Facts

- Cluster of medical and research institutions attracts ¾ of the project dollars the state receives from the National Institutes of Health. Over 18,000 people work in the area, almost 5 percent of the city’s total.

- University Research Park, a 23-acre, $100 million site, is currently home to 38 science-based companies.

- Location of a major GE research facility focusing on oil and gas exploration raises the potential that Oklahoma City could emerge as a premier global destination for innovation at the intersection of energy and health care. GE Research has created a novel incubation program with an early stage fund and high quality GE R&D support.

- A small but energetic entrepreneurial ecosystem is emerging, around these and other sectors including a new accelerator promoted by the Oklahoma Thunder.
MEDICAL/INNOVATION DISTRICT

Strategy

• Business and philanthropic community commissioned Brookings Institution to conduct a thorough assessment of Innovation District called “Positioned for Growth: Advancing the Oklahoma City Innovation District” in April, 2017

• The presence of new leaders in key positions — Mayor, OU President, OU College of Medicine Dean, ultimately a new Governor — could help tackle central innovation challenge of historically medical-centric area, i.e., the need to strengthen the critical mass and diversity of institutions, firms, startup companies and innovation spaces.

• The hiring of Perkins + Will, a well-respected Chicago firm, to create a master plan for the District could help address place challenges: the district’s car-centric physical layout and lack of gathering spaces hinder companies and workers from taking advantage of their proximity to interact, exchange ideas and build collaborative networks.

• Opportunity Zone incentives will be used by a fund created by GE research facility and additional funds like the GE one should be considered.
MEDICAL/INNOVATION DISTRICT

- **Major Employers**
  1. OU Medical Center
  2. GE Global Research
  3. Oklahoma University Health Science Center

- **VC-Backed Companies**
NE 23RD STREET CORRIDOR

Facts

- Traditionally a commercial and cultural hub for OKC’s African American community, cemented by the 1975 opening of the Ralph Ellison Library at the intersection of 23rd Street and Martin Luther King Boulevard.
- In 2014, the city government declared the area as “blighted” and pushed forward a redevelopment plan that included the establishment of a Tax Increment Finance District. Since that time there has been limited development.
- Pivot Project, a respected local firm that redeveloped the Tower Theatre in Uptown, has engaged in a highly collaborative effort along the 1700 block of NE 23rd to provide unique retail and restaurants, along with health services, that are lacking in this underserved area. It is the first major development on NE 23rd Street in 38 years and could be a catalyst for additional projects. The Pivot Project required external guarantees to make up for the lack of comps acceptable to bank underwriting.
- Residential units in the area show high levels of deterioration, foreclosures, and are increasingly rental; most interviewees agreed that the level of civic organization in the area was limited.
NE 23RD STREET CORRIDOR

Strategy

- The successful completion of the second stage of Pivot’s retail project should make retail financing more feasible and this could be a focus for Opportunity Zone funds around the acquisition and development of retail property including a quality grocer.

- There should be an exploration of whether a MAPS 4 program neighborhoods campaign could bring new public investment in long neglected areas over the next several years.

- A neighborhood based community organizing strategy that will help define a housing code-enforcement, credit counseling, and rehabilitation program has to be organized to support the new retail investments and potential new MAPS funding.
NEW RETAIL AT NE 23RD STREET CORRIDOR
TRANSFORMATIVE CAPITAL INVESTMENTS

Philanthropy

• $250,000 — community organizing and housing program in northeast corridor
• $250,000 — high risk rehab pool for basic systems repair in northeast corridor

Business Investments

• $50 million — Early stage financing
• $100 million — Growth Fund

Real Estate Investments

• $15 million high risk acquisition and rehabilitation financing in support of new retail and residential units in North East 23rd Street Corridor
• $5 million side car fund or subordinate tranche to take a 30% subordinate position on NE 23rd Street projects
• $50 million acquisition and rehabilitation financing in support of new retail and residential units in CBD and Medical District projects
NEXT STEPS

- Secure resources to develop housing and community organizing strategy for Northeast 23rd Corridor
- Specify actual and projected deal flow for market rate retail and residential units for CBD neighborhoods and Medical/Innovation District
- Work with GE, i2E, Thunder Launch Pad and others to create the demand based investment strategy for early stage and growth fund business planning
- Market business plans to local and national investors
- Engage University of Oklahoma’s new leadership on ways to further integrate their capacity within OKC (e.g. engineering school)
- Convene an Opportunity Zone group of key leaders to oversee the development and marketing of zone products