



City of Norman, OK

Municipal Building
Council Chambers
201 West Gray
Norman, OK 73069

Master

File Number: K-1718-92

File ID: K-1718-92 **Type:** Contract **Status:** Consent Item

Version: 2 **Reference:** Item 29 **In Control:** City Council

Department: Legal Department **Cost:** **File Created:** 11/29/2017

File Name: Exchange of land with OU for Norman Forward Projects **Final Action:**

Title: CONTRACT K-1718-92: A CONTRACT BY AND BETWEEN THE CITY OF NORMAN, OKLAHOMA, AND THE UNIVERSITY OF OKLAHOMA (OU) FOR THE LEASE OF LAND SOUTH OF LEXINGTON AVENUE FOR NORMAN FORWARD PROJECTS, AND AN EXCHANGE OF CITY PROPERTY LOCATED ON THE WESTHEIMER RUNWAY FOR OU PROPERTY LOCATED ON THE NORTHEAST CORNER OF ROBINSON STREET AND FLOOD AVENUE FOR THE EXTENSION OF JAMES GARNER AVENUE.

Notes: ACTION NEEDED: Motion to approve or reject Contract K-1718-92 with the University of Oklahoma; and, if approved, authorize the Mayor to sign the exchange agreement contingent upon the City Attorney's approval and further authorize the City Manager to sign any and all documentation related to the execution of the exchange agreement contingent upon the City Attorney's approval.

ACTION TAKEN: _____

Agenda Date: 12/19/2017

Agenda Number: 29

Attachments: Text File OU, Exchange Agreement-OU-Norman (Ver 4) Clean, Ground Lease-OU-Norman-(OU Rev 12 15 17), Norman Forward Projects - Lease Area 3 - 16 Acres (2), OU Robinson & North Flood Property, City Westheimer Runway property

Project Manager: Jeff Bryant, City Attorney

Entered by: jeff.bryant@normanok.gov

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
2	City Council	12/19/2017					

Text of Legislative File K-1718-92

Body

BACKGROUND: NORMAN FORWARD is a citizen-initiated proposal to renovate, expand, construct and fund projects, such as recreational facilities, libraries, parks, athletic venues, public art, trails, swim complexes and other quality of life projects throughout Norman. The initiative came to the City Council from community groups,

stakeholders and Norman residents, who prepared an initial package using analysis and information from recreational planning professionals and research firms.

Beginning in spring 2015, the City Council began a series of Council conferences and public meetings to refine the project scope, financing and funding opportunities for the initiative, which included a number of high priority projects outlined in the 2014 Library Master Plan Update, the 2009 Norman Parks and Recreation Master Plan, and additional projects designed to provide recreational opportunities for residents.

NORMAN FORWARD includes the following projects:

- Library System Improvements-Central Branch and East Branch
- James Garner Avenue Extension
- Indoor Aquatic Facility
- Westwood Pool & Westwood Tennis Center Improvements
- Reaves Park Baseball Complex Improvements
- New Softball and Football Complex
- Griffin Park Soccer Complex Improvements
- Multi-Sport Facility (replace WWII hangar east of YMCA)
- Park Land Acquisition-Griffin, Sutton Wilderness and Cate Parks
- Community Park projects at Ruby Grant, Andrews and Saxon Parks
- Existing and New Neighborhood Park Renovations and Development
- New Trail Development and Canadian River Park
- Senior Center
- Public Art at selected locations

On August 11, 2015, the City Council voted unanimously to approve the NORMAN FORWARD Ordinance O-1516-5 and Resolution R-1516-14 that called for an election to take place on the NORMAN FORWARD project package. On October 13, 2015, Norman citizens passed the Norman Forward Initiative funding a variety projects through a ½% sales tax increase over 15 years (72% approval). On January 1, 2016 the voter authorized sales tax went into effect and in March of 2016 the City of Norman began to receive the proceeds from the NORMAN FORWARD sales tax collections.

In the two years since the citizens approved the NORMAN FORWARD sales tax, many implementation steps have been taken including: constituting the Citizen Financial Oversight Board (CFOB); adoption of an Implementation Plan on June 28, 2016; employing Architectural Design Group (ADG) to assist in program management services; accomplishing two debt financings providing a total of \$74 million for program costs at interest rates of 3% and 2.4%; near completion of the Westwood Family Aquatic Center; well under way with construction of both the East Branch Library and the Central Branch Library; planning and ready to proceed with construction of the Westwood Tennis Facility improvements; adopting a Master Plan for Griffin Soccer Complex; and adopting a Master Plan for Reaves Park Sports Complex; preparing to go to bid soon for the intersection at Acres Street and James Garner; as well as moving forward with Neighborhood Park Renovation Projects.

As noted above, included in the Norman Forward Initiative were a Multi-Sport facility and an Indoor Aquatics facility. These facilities were envisioned to be located on property on or near land currently leased by the YMCA and the Norman Optimist Club ("Optimist") from the University of Oklahoma ("OU"). Specifically, it was considered that perhaps the Indoor Aquatics facility could be located on property leased by the YMCA and constructed in such a way as to connect the current YMCA pool facility with the Indoor Aquatics Facility. In addition, it was contemplated that the Indoor Multi-Sport facility could be located on the site or adjacent to a facility currently utilized by the Optimist Club for basketball leagues, just immediately east of the YMCA facility.

Discussions with stakeholder groups regarding the Indoor Aquatics Facility and the Multi-Sport Facility began as early as May of 2016. Discussions with OU representatives regarding possible terms for acquisition of land upon where the Optimist facility is located as well as possible terms of utilizing land currently leased by the YMCA as a possible Indoor Aquatics facility site also began in the spring of 2016.

Those discussions have continued and have now culminated in Contract K-1718-92. This Exchange Agreement between the City and OU provides for a long term lease of eleven to fourteen acres of property south of Lexington Avenue for Norman Forward Projects, and an exchange of City property located on the Westheimer runway for OU Property located on the northeast corner of Robinson and Flood Avenue that will be needed for the extension of James Garner Avenue, another Norman Forward Project.

City Council discussed this Exchange Agreement in three Executive Sessions, most recently on December 5th. Following those discussions, the Exchange Agreement language has now been finalized and is being brought to City Council for formal consideration at this time.

DISCUSSION: As noted above, the Exchange Agreement contemplates a long term lease (70 years) of eleven to fourteen acres of property south of Lexington Avenue for Norman Forward Projects, and an exchange of approximately 31.36 acres of City property located on the Westheimer runway for 4.52 acres of OU Property located on the northeast corner of Robinson and Highway 77 that will be needed for the extension of James Garner Avenue, another Norman Forward Project. The properties were appraised by Franklin & Associates at the request of the University. The appraisals reflect a near-even exchange of value for the leased property and the exchanged property.

Leased Property. When the Norman Forward temporary sales tax Ordinance was adopted, it was contemplated that the Indoor Aquatics Facility could possibly be located on property currently leased by the YMCA from OU, adjacent to the current indoor aquatics facility operated by the YMCA. Although both the YMCA and OU were willing to allow the Norman Forward Indoor Aquatics facility to be built on the property leased by the YMCA, that lease currently is a market rate lease, as required by the FAA and only has 26 years remaining on the lease term. It was felt the useful life of the new Indoor Aquatics facility would likely extend beyond the current YMCA lease term, and so an alternative option of increasing the footprint of land to be leased for the Multi-sport facility was explored.

Additionally, when the Norman Forward temporary sales tax Ordinance was adopted, it was contemplated that the Indoor Multi-Sport Facility could possibly be located on property currently leased by Optimist from OU. Discussion of this land for purchase or lease included approximately 5 to 6 acres extending from the eastern property line of the YMCA lease, with a northern property line of Lexington Avenue, and an eastern property line of Newton Drive. This configuration would give some flexibility to allow placement of the Multi-Sport facility in such a way that after the Optimist facility is demolished, parking lots could be shared between the YMCA and the Multi-sport facilities. The Optimist lease with OU currently provides for a payment of \$1 per year in exchange for certain facility improvement and maintenance responsibilities to be performed by the Lessee.

OU is willing to consider a \$1 per year lease arrangement for this parcel as long as, within the Exchange Agreement, a near-equal value could be illustrated through the lease and land exchange components. Consequently, OU ordered appraisals from Franklin & Associates of the land it desired that the City owns in the middle of a Westheimer Airport Runway, and of OU land the City desires to extend James Garner across Robinson Street and of the value of land the City desires to utilize on a long term lease for Norman Forward facilities. Due to difficulties with a market rate lease and remaining term on the YMCA lease, the City asked OU to include in its appraisal not only the land desired for the Multi-Sport facility, but also land it owned extending out to Flood Avenue as a possible location for the Indoor Aquatics facility.

The property to be leased extending from the eastern boundary of the YMCA lease, bordered on the north by Lexington Avenue, and extending to the east to Flood Avenue was identified in the appraisal as 11.44 acres. OU, as an obligation to another tenant, desired to retain .44 acres of that parcel resulting in 11 acres that could be leased as a site for construction of the Norman Forward Multi-Sport and Indoor Aquatics facilities. For a lease term of seventy years (50 year initial term and two ten year renewal options) the value was estimated by Franklin & Associates as of September 5, 2017 at \$1.65 million.

Other key terms of the lease include construction of the extension of Berry Road to the Multi-sport complex site and an upgrade of Lexington Avenue from Flood Avenue to Halley Avenue. The cost estimate for these improvements included in the Norman Forward preliminary budgets is \$1,550,400. Once the roads are

constructed, OU will assume maintenance responsibility for the roadways. In addition, the Norman Forward budget includes a Traffic Signal at Lexington and Flood Avenue at an estimated cost of \$150,000. OU has also requested that it be allowed to have a member appointed to the ad hoc advisory committee so that input can be provided regarding facility design as it relates to other tenants on OU property.

YMCA representatives and Swim Club representatives were consulted regarding the possibility of constructing the Indoor Aquatics facility on the 11 acre lease site, as opposed to connecting the facility to the YMCA's current facility, and both were fine with placement on the 11 acre site.

Finally, as the 11 acre lease site was being explored, OU was approached about potentially reserving additional land south of the 11 acre site to give the Council some additional flexibility to explore placement of another Norman Forward Project, the Senior Center, at this location. Although prior Senior Center configurations at other proposed locations have ranged from sites that were 2 to 2.5 acres, the City requested up to three additional acres to allow flexibility for site design if the City were to pursue all three Norman Forward facilities on land leased from OU for 70 years at the North Base location just east of the YMCA facility. OU has agreed to the request for the additional reservation of land for all three Norman Forward facilities. An additional stipulation in this regard was added to require the leasing of only the amount of land necessary for the projects, and to require a decision regarding the additional land reserved as a possible Senior Center site to be made within the next five (5) years or the land reservation would lapse and be released at that time.

Exchanged Property.

James Garner extension. In addition to the long term lease of the 11 to 14 acres for the Norman Forward facility construction projects, OU has also offered to give to the City land it owns north of Robinson Street and east of Flood Avenue. This triangular parcel is approximately 4.52 acres and has been previously identified by the City as land that would be needed for the James Garner Avenue extension across Robinson Street parallel to the BNSF overpass and then continuing north to a point intersecting with Flood Avenue. OU also had this property appraised by Franklin & Associates on October 10, 2017. The Market value "as is" for an "in fee" transfer was estimated to be \$790,000.

Westheimer Runway Property. The City owns approximately 31.36 acres of land within the path of one of the Max Westheimer runways. The City has previously exchanged approximately 40 acres of land within the runway in the early 1990s for land also on North Base upon which the City's current vehicle maintenance facility is located off of DaVinci Street. Also included in that exchange was land the City owned on South Jenkins where a prior City sanitation vehicle maintenance facility was located. At that time, there was concern expressed that the City should retain a portion of the runway acreage to ensure a certain portion of City control over airport operations, to preclude closing of the airport, and to preclude runway reconfiguration allowing larger planes to be serviced at the airport.

City Staff has been advised that, in today's regulatory environment, airport operations are very heavily regulated by the Federal Aviation Administration (FAA) and the City has very little control, if any, over airport operations. Continued operation of the airport by OU is governed substantially by federal grant obligations that will prevent airport closure for years to come. In addition, the size of planes allowed to be serviced by the airport is restricted by FAA required safety zones at the end of the current runway, whose length is dictated by the existence of Robinson Street as a major thoroughfare, and the location of a municipal recreational facility across Robinson Street. Runway reconfiguration or increasing plane size that can be regularly serviced at the airport is not practical in the current regulatory environment.

To be able to illustrate near equal value in the land Exchange Agreement, OU has requested that the City convey, in fee, the remaining land owned by the City located in the Westheimer runway. This land was also appraised by Franklin & Associates who estimate a value of \$2.352 million for the 31.36 acres as of September 15, 2017. To help alleviate fears that conveyance of the runway property may result in a closure of the airport or reconfiguration of the runway, OU is willing to accept the conveyance by Special Warranty Deed that will include a provision that essentially will provide that for the next 30 years after the conveyance the runways will be maintained as currently configured.

To summarize, the land Exchange Agreement will be structured as follows:

- Long term (70 year) lease at a nominal rent
- Initial term 50 years; 2 additional 10 year terms = total of 70 years
- 11 acres that includes the current North base Optimist Club location
- OU will allow an additional contiguous 2 - 3 acres south for NF facilities at no additional cost
- City can use 13-14 acres for Multi-sport / Aquatics / or Senior Center at City's discretion
- City will transfer land (31.36 acres) currently used as a runway to OU
- OU will accept restriction of use of land for airport purposes for at least 30 years and not reconfigure runways
- OU will transfer the triangle of property at the NE corner of Flood and Robinson (4.52 acres) to the City for the eventual James Garner extension.

Value to City	11 acres (long term lease)	\$1.65 million
	2-3 acres added	\$0.3 to \$0.45 million
	4.52 acres (fee)	<u>\$0.79</u> million
	Total value	\$2.89 million

Value to OU 31.36 acres (fee) \$2.352 million

The appraisals are meant to provide an illustration of a reasonable assessment of a near equal exchange under the proposed Exchange Agreement. If the Exchange Agreement is approved, then the Lease Agreement will begin with a due diligence period in which the City can more specifically investigate the suitability and feasibility of utilizing the 11 to 14 acre site for one, two or three of the Norman Forward facility projects: Indoor Aquatics Facility; Multi-sport Facility; and/or Senior Center. Council has discussed the proposal in three Executive Sessions in September, November, and most recently on December 5, 2017. This item is now being brought forward for formal Council consideration.

RECOMMENDATION. Based on the above information and input from Council members received in prior Executive Sessions, it is recommended that the Exchange Agreement be approved, and that the due diligence period under the Ancillary Lease Agreement begin to allow a more in depth analysis of whether the lease site will be suitable for City use for one or more Norman Forward facilities.