



City of Norman, OK

Municipal Building
Council Chambers
201 West Gray
Norman, OK 73069

Master

File Number: K-1718-109

File ID: K-1718-109

Type: Contract

Status: Consent Item

Version: 1

Reference: Item 20

In Control: City Council

Department: Legal Department

Cost: \$1,058,000.00

File Created: 02/16/2018

File Name: Contract with NEDC to purchase property located at 710 Asp Avenue

Final Action:

Title: CONTRACT K-1718-109: A CONTRACT BY AND BETWEEN THE NORMAN MUNICIPAL AUTHORITY AND NORMAN ECONOMIC DEVELOPMENT COALITION IN THE AMOUNT OF \$1,058,000, PAYABLE \$62,000 AT CLOSING, \$62,000 AFTER TWELVE MONTHS, AND FINAL PAYMENT OF \$934,000 PLUS INTEREST COSTS SUBJECT TO RIGHT OF REVERSION, FOR THE PURCHASE OF PROPERTY LOCATED AT 710 ASP AVENUE TO BE USED FOR THE CONSTRUCTION OF A PLANNED PARKING LOT; AND BUDGET APPROPRIATION FROM THE CAPITAL FUND BALANCE.

Notes: ACTION NEEDED: Acting as the Norman Municipal Authority, motion to approve or reject Contract K-1718-109 with Norman Economic Development Coalition in the amount of \$1,058,000 with \$62,000 payable at closing, \$62,000 payable after twelve (12) months and a final payment of \$934,000 subject to right of reversion; and, if approved, authorize the execution thereof and appropriate \$203,607 from the Capital Fund Balance (050-0000-253.20-00) to Project BG0072, 710 Asp Avenue Parking Project, Land (050-9365-419.60-01).

ACTION TAKEN: _____

Agenda Date: 03/13/2018

Agenda Number: 20

Attachments: NEDC - NMA E-Tec lot purchase agreement with reversionary clause 2018-03-02

Project Manager: Jeff H. Bryant, City Attorney

Entered by: sencinias@normanok.gov

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File K-1718-109

Body

BACKGROUND: The Norman Economic Development Coalition (NEDC) owns property located at 710 Asp Avenue on Campus Corner, which is the former location of the E-Tec building where NEDC offices and business incubator were located. The property suffered a fire in October 2016 and was considered a total loss. This required NEDC to temporarily relocate to a property at 128 East Main Street with LWPT Architects. Since then, NEDC has received interest from private purchasers for this property but NEDC has held off selling it until the City had an opportunity to consider future use of the property in relation to Center City development plan. Council discussed

potential acquisition of this property in its Executive Session held on February 13, 2018. In accordance with that discussion, Contract K-1718-109 is now being presented to Council for consideration, acting as Trustees of the Norman Municipal Authority (NMA).

DISCUSSION: On May 12, 2017, the property as a vacant lot was appraised by Artman Appraisal Company at \$1,058,000 in "as is" condition including an allowance of \$35,000 for demolition cost of the structure. NEDC has already demolished the structure, cleared the site and sodded the area that was formerly the footprint of the building, at a cost well exceeding \$35,000.

When City Council adopted the Center City Form-Based Code (CCFBC) in May 2017, the Campus Corner area was excluded from the CCFBC until a parking solution was identified for the commercial district. Public parking solutions for the Campus Corner Commercial District have been a long-term concern of the City Council. On January 28, 2003, the Council contracted with Carter-Burgess Engineering (Contract K-0203-100) to do a study of parking in the Downtown and Campus Corner areas. The Council, Cleveland County, Campus Corner Merchants, and the Downtowners contracted with Jacobs Engineering on June 23, 2015 (contract K-1415-145) to do an update to the Carter-Burgess Parking Study, considering then-current market conditions and parking demand in the area. The Jacobs Parking Study identified the former E-TEC location, along with additional property to the south, as one potential site for a public parking structure (CC-02b). On June 27, 2017, the Council partnered in a contract between Cleveland County and Kimley-Horn and Associates (Contract K-1617-140) for a study of parking solutions in the area of downtown Norman, including Campus Corner to further study the issue as well as consider a governance structure for a potential future multi-jurisdictional Parking Authority. The ongoing Kimley-Horn Parking Study is also considering the NEDC property and is anticipated to be presented in May of this year.

NEDC has offered to sell the property to the City through the Norman Municipal Authority (NMA), with a Right of Reversion. The selling price would be as appraised with the transfer of the property closing within sixty (60) days of approval of the purchase agreement. The NEDC currently has a loan with a mortgage against the property, making any property transfer subject to approval by the NEDC lender. The NEDC lender has consented to the transfer of the property subject its mortgage remaining in place until the outstanding loan balance is fully paid. The terms of payment, as outlined in the purchase agreement, would require a \$62,000 payment on the date of closing, a subsequent \$62,000 payment twelve (12) months thereafter, and a lump sum payment of \$934,000 at the end of the 30th month after the closing date (fall of 2020) plus interest costs incurred by NEDC for carrying the mortgage. The interested cost is estimated to be \$71,550. If the NMA decides not to make the lump sum payment in the 30th month, then the property would revert back to NEDC. The NMA would not receive a refund of the two (2) \$62,000 payments because NEDC will have borne carrying cost pending the lump sum payment. This arrangement will allow the City, acting as the NMA, to move forward with parking lot improvements on the property should that be the desire of the NMA.

Current parking improvements on the property provide for thirty-five (35) parking spaces. With additional improvements to the property, it is anticipated an additional sixty-five (65) parking spaces could be provided resulting in a total of 100 parking spaces. The preliminary estimate of improvement costs for the additional parking space is \$141,607, if the project can be done using personnel from the Public Works Department, Street Maintenance Division.

Initial payment at closing, plus capital investment to construct the parking lot improvement this fiscal year, would be \$203,607, and this amount would need to be appropriated from the Capital Fund balance in order to move forward with this contract. Once the additional parking spaces are constructed, along with the installation of parking meters similar to those already installed in the Campus Corner area, anticipated revenues from operations could replenish some of the initial capital investment and cover operating costs.

An additional appropriation of \$62,000 for fiscal year 2018-2019 (FYE 19) would be anticipated to be paid in April 2019 and then the lump sum ("balloon") payment of \$934,000 would be due thirty (30) months after closing, or October 30, 2020, which would be an appropriation in FYE 2021. If Council opts not to appropriate the final payment, then the reversionary clause would take effect and the property would be returned to NEDC in "as is" condition with no credit to the NMA/City for improvements left on the property.

NEDC's willingness to offer this property on these terms, although less than other offers to purchase from other potential buyers, gives the City an opportunity to test-market the parking demand in the Campus Corner retail area to explore whether a parking structure is feasible in this area, perhaps in cooperation with a multi-jurisdictional parking authority with Cleveland County that is currently being studied by Kimley-Horn. Should the multi-jurisdictional parking authority not come to pass or should a multi-level parking structure not be determined to be feasible at this site, preliminary projections indicate that the City/NMA's \$1,271,1577 capital investment in the surface parking lot could be recovered from additional parking revenues generated in the surface parking lot over seven (7) years, should the City decide to complete the purchase of the property at the end of the 30th month following closing.

RECOMMENDATION: As noted, the Purchase Agreement was discussed by Council, acting as Trustees of the Norman Municipal Authority, in Executive Session on February 13th. Based on the Council's discussion, the proposed Purchase Agreement as set out in Contract K-1718-109 is being presented to Council for formal consideration. For the reasons outlined above, it is believed the Contract is fair, reasonable and in the best interest of the City and NMA. It is recommended the Contract be approved and that \$203,607 be appropriated from the Capital Fund Balance (account 050-0000-253.20-00) into the 710 Asp Avenue Parking Project, Land (account Number 050-9365-419.60-01; project BG0072).