



## Legislation Text

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**File #:** K-1718-136 Amd #1, **Version:** 1

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**AMENDMENT NO. ONE TO CONTRACT K-1718-136:** A MEMORANDUM OF UNDERSTANDING BY AND BETWEEN NORMAN MUNICIPAL AUTHORITY AND THE OKLAHOMA DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES ("ODMHSAS"), REGARDING THE LEASING AND RIGHT OF FIRST REFUSAL TO PURCHASE REAL PROPERTY, NAMELY 160 ACRES, MORE OR LESS, LOCATED AT THE NORTHWEST CORNER OF 12TH AVENUE N.E. AND EAST ROBINSON STREET.

**BACKGROUND:** On August 11, 2015, the Norman City Council voted unanimously to approve the NORMAN FORWARD Project Package ("NORMAN FORWARD"), through its approval of Ordinance O-1516-5 and Resolution R-1516-14. On October 13, 2015 72% of Norman voters approved a temporary one half percent (1/2%) sales tax to fund NORMAN FORWARD effective January 1, 2016. O-1516-5 included the following among its "Tax Fund Projects": "to acquire certain land utilized by the City of Norman and known as Griffin Park," "to construct and equip sports complex at Griffin Park for soccer fields and facilities." NORMAN FORWARD's project plan allocated approximately \$10 million in funds as a placeholder toward the acquisition of certain City park properties located on land owned by the Oklahoma Department of Mental Health Substance Abuse Services (ODMHSAS), namely Sutton Wilderness, Griffin Park, and Cate Park.

Since NORMAN FORWARD and its accompanying sales tax measure's approval by City Council and Norman voters, the City and the Norman Municipal Authority (NMA) has engaged in discussions with the ODMHSAS regarding acquisition of properties to fulfill these project objectives, namely for: (1) the acquisition of the 160 acres on the northwest corner of east Robinson Avenue and 12<sup>th</sup> Avenue NE for the purposes of constructing and/or maintaining soccer and other sports facilities (hereafter "Griffin Park"); and (2) the acquisition of the 40 acres located on the southeast corner of east Robinson Street and 24<sup>th</sup> Avenue NE for the purposes of constructing and maintaining adult softball and other sports facilities (hereafter the "Softball Acreage"); and (3) acquisition or relocation of Cate Park through implementation of the Urban Land Institute's work in creating a Master Plan for development of ODMHSAS land south of Robinson Street and west of 12<sup>th</sup> Avenue NE and north of Alameda Street and east of Reed Avenue.

The goal of the ODMHSAS has been to collaborate with the City of Norman to utilize their property as a primary funding source to provide appropriate mental health facilities to provide services for their clientele. While the City of Norman has never contemplated purchasing all of the ODMHSAS property, there has been a significant amount of collaborative work between the City, ULI, ODMHSAS to explore how to maximize the value of their property while also addressing the City's needs to acquire currently City utilized public park facilities in such a way that was consistent with NORMAN FORWARD objectives. While efforts to assist ODMHSAS with maximizing development of land south of Robinson has stalled, progress has been made to acquire, through a lease purchase structure, land currently being utilized by the City as Griffin Park. The item coming before City Council, sitting as Trustees of the Norman Municipal Authority (NMA), is an amendment to an Memorandum of Understanding (MOU) proposed by the ODMHSAS that was previously approved by the NMA in June that provides a structure to finalize a lease/purchase document for the acquisition of Griffin Park land.

The amendments to the MOU proposed by ODMHSAS were discussed with City Council/ NMA Trustees in Executive Session on November 20, 2018. This item now comes before City Council for formal consideration.

**DISCUSSION:** In June of 2018, the NMA and ODMHSAS explored an option for the NMA to enter into a long-term lease for Griffin Park and the Softball Acreage, with an option to purchase, right of first refusal, and ability for NMA to apply all rental funds paid during the life of the lease towards any future price to purchase the properties. NMA and ODMHSAS discussed a lease arrangement with an initial term of fifteen (15) years and a renewal term, at NMA's option, for an additional fifteen (15) years, would best meet the needs of NMA to implement NORMAN FORWARD's objectives, as well as accommodate ODMHSAS's desire to explore options to continue and expand its presence in Norman, including ODMHSAS's provision of employment opportunities and quality mental health treatment facilities for Norman and Oklahoma residents. On June 26, 2018, the City Council approved a Memorandum of Understanding (K-1718-136), which addressed both Griffin Park and the Softball Acreage.

Following further internal evaluation by ODMHSAS, further discussions between NMA and ODMHSAS occurred and K-1718-136 was amended by ODMHSAS in certain ways, including: (1) removal of the Softball Acreage, subject to potential future discussions of acquisition; (2) refinement of language regarding how the right of first refusal will be exercised; and (3) updating of the parties' respective and/or mutual deadlines for accomplishing a timely execution of a lease agreement based upon the MOU terms subject to further due diligence and formalization. The MOU (K-1718-136), as amended by ODMHSAS, was approved by the ODMHSAS Real Property Trust Board at its meeting on November 16, 2018.

It is felt the MOU, as amended by ODMHSAS, is substantially similar to the version of the MOU approved by NMA in June of this year. To conform the NMA approved MOU to the ODMHSAS' proposed language changes, the item coming before the NMA is Amendment No. 1 to K-1718-136. The MOU still provides for 15-year initial and renewal terms (for a total of 30 years), a market value annual lease rate of \$80,000 for Griffin Park (for a total anticipated lease investment of \$1,200,000.00 during the initial term and \$2,400,000.00 over the entire 30 years). The lease rental payments would still be applied in their entirety toward any future purchase of the properties by the NMA from ODMHSAS. Finally, the MOU stills allows the NMA a "right of first refusal," whereby the NMA would have the first right to purchase in the event third-party offers or Requests for Proposals have been received by ODMSAS for the purchase of any portion of the properties, and sets parameters and timelines for the parties in the case that the City elects to exercise its right of first refusal.

Because the MOU is fully executed by ODMHSAS, NMA's approval of Amendment No. 1 to K-1718-136, conforms the approved MOU's to identical language which would then allow the parties to begin the work to formalizing a lease agreement in conformance with the MOU terms. The MOU provides that the parties wish to have a final lease agreement by December 14, 2018, if possible; however the MOU will remain effective through as long as January 9, 2018 (subject to potential extension where necessary) in the case that the parties require additional time to finalize a lease agreement.

**RECOMMENDATION:** As described above, the MOU between the NMA and ODMHSAS sets forth the parameters for securing acquisition of Griffin Park property, via a long-term lease with option to purchase. In the event of a purchase, the lease payments will be applied to the purchase price. The ODMHSAS proposed Amendments to the MOU (K-1718-136) were discussed with the City Council/ NMA Trustees in Executive Session on November 20, 2018. The proposed Amendments to the MOU language are reasonable and as amended, proposes language that is substantially similar to the MOU language approved by the NMA last June. Work on the lease document will begin immediately, consistent with the parameters outlined in the MOU, with the goal of having the lease document executed by the City Manager by the end of this calendar year. City Staff recommends approval of Amendment No. 1 to K-1718-136.