



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 06/27/2023

REQUESTER: Kathryn Walker

PRESENTER: Kathryn Walker, City Attorney

ITEM TITLE: CONSIDERATION OF APPROVAL, REJECTION, AMENDMENT AND/OR POSTPONEMENT OF CONTRACT K-2223-175: A CONTRACT BY AND BETWEEN THE CITY OF NORMAN AND NORMAN REGIONAL HOSPITAL AUTHORITY FOR THE PURPOSE OF CREATING A CONTRACTUAL RELATIONSHIP RELATED TO CONSTRUCTION FUNDING AND SEPARATE OPERATION OF THE SPORTS AND HUMAN PERFORMANCE CENTER TO BE LOCATED WITHIN THE YOUNG FAMILY ATHLETIC CENTER.

BACKGROUND:

The original Norman Forward sales tax package approved by the voters in 2015 included a number of quality of life projects, including a multi-sport facility, envisioned to accommodate indoor sports including, but not limited to, basketball and volleyball, and an indoor aquatics facility. A total of \$22.5 million in Norman Forward sales tax was allocated to these projects. After exploring a number of locations for these facilities, City Council approved an agreement in November 2019 to locate these facilities in University North Park.

An ad hoc committee was appointed in June 2019 by Council for the Indoor Aquatic/Multi-Sport projects which worked closely with the project architect to develop plans for the facility. Like several other Norman Forward projects, the funding provided by the dedicated sales tax was insufficient to complete the facilities as envisioned by the Ad Hoc Committee.

Contract K-1920-82 and the 2019 Amended University North Park Tax Increment Finance District (TIF) Project Plan (adopted by Ordinance O-1920-24) called for the Indoor Aquatic/Multi-Sport projects (the "Recreation Facility") to be located in University North Park and set forth the purchase price for up to 12 acres of land for the projects. It also allocated TIF funds for the purchase of the property and \$2.7 million for supplemental construction funds for the Recreation Facility project. Contract K-1920-82 set out timelines for site identification, purchase and construction based on the best information available at the time.

In the fall of 2019, Staff was approached by Rayford Young, the father of National Basketball Association Atlanta Hawks player and Norman native Trae Young. Mr. Young expressed interest in partnering with the City to ensure the planned Multi-Sport facility would achieve the original vision of being an appropriate venue for both local league play, competitive league play,

and as a tournament host. Trae Young grew up in Norman, playing in City leagues, and later, more competitive leagues in the metro area. He and his family are committed to giving back to the community and to furthering youth sports in Norman. Council approved Contract K-1920-139, a Memorandum of Understanding that established a long-term relationship with the Trae Young Foundation (“Young”) related to the Multi-Sport facility including certain financial contributions over multiple years, totaling \$4 million.

The Purchase and Sale Agreement for the future site of the Indoor Aquatic/Multi-Sport project was approved on December 1, 2020. (Contract K-2021-65). Approval of this Agreement enabled the City to move forward with purchase of the property, platting, final design and ultimately bidding and construction of the project.

During the discussions about this facility, Norman Regional Health System (“NRHS”) expressed an interest in participating in the facility by funding and operating a Sports and Human Performance Center (the “Center”) within the facility. NRHS has engaged architects, who have been in communication with the City’s architects for this project, to include the design of the Center within the Facility. Council approved Contract K-2021-99, a MOU setting forth certain obligations related to construction funding and separate operation of the Center within the Facility, on February 9, 2021. The MOU has guided the parties throughout the negotiations of a final agreement.

DISCUSSION:

Contract K-2223-175 is an Agreement between the City and NRHS setting forth construction funding obligations as well as lease terms for the space in the Young Family Athletic Center (“YFAC”), in which NRHS intends to operate its Sports and Human Performance Center. Article 2 of the Agreement covers the construction funding and lease payments. NRHS is responsible for architecture and construction costs related to its portion of the building. Because it is 100% responsible for construction, a nominal rent is charged during the forty (40) year term of the Agreement. Construction costs have been split over three payments, the first two of which have already been remitted to the City. The final payment will include the remaining balance, less 10% retainage. Retainage and any other costs will be paid within 30 days of the Operational Date, defined as the date on which construction has been substantially completed and a certificate of occupancy has been issued.

NRHS will be responsible for paying its own separately-metered utilities as well as its proportionate share of any costs and expenses imposed on the property under covenants. NRHS has the right to alter its premises and make improvements as long as it doesn’t interfere with the development or use of the Facility primarily as an indoor aquatic and multi-sport facility. NRHS is also obligated to maintain the Leased Premises and is responsible for maintenance of the elevator leading to its space.

NRHS will be the exclusive healthcare partner of the Facility and Section 5.5(a) of the Agreement sets out of the marketing and promotion rights that NRHS has as the exclusive healthcare partner. NRHS is required to provide certain types of insurance in Article 6, and is required to pay a pro-rata share of the property insurance. In the event the facility is damaged, the City will undertake to repair it but if repairs cannot be completed within 365 days, NRHS has the option to terminate the Lease.

The remainder of the agreement addresses default and remedies, as well as standard representations, warranties, and special covenants.

RECOMMENDATION:

Staff recommends approval of Contract K-2223-175.