



## CITY OF NORMAN, OK STAFF REPORT

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**MEETING DATE:** April 12, 2022

**REQUESTER:** Jason Olsen, Director of Parks and Recreation

**PRESENTER:** Kathryn Walker, City Attorney

**ITEM TITLE:** CONSIDERATION OF APPROVAL, REJECTION, AMENDMENT OR POSTPONEMENT OF CONTRACT K-2122-120: A CONTRACT BY AND BETWEEN THE CITY OF NORMAN, OKLAHOMA, AND EQUITY COMMERCIAL REALTY, L.L.C., FOR PROPERTY LOCATED AT 1901 RESEARCH PARK BOULEVARD FOR A PERIOD OF FIVE YEARS SUBJECT TO ANNUAL APPROPRIATION OF FUNDS.

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### **BACKGROUND:**

The City purchased the three adjoining buildings located at 101, 113, and 115 W. Gray Street in 2011 “for municipal purposes” with funds obtained through a financing pledging capital fund revenues for \$1,650,000. At the time, potential uses for the space were identified, including relocation of the Facilities Maintenance Division, Municipal Court, central location for Development Services, storage, and expansion of municipal and public parking. Ultimately, the space was used to house the Facility Maintenance Division and for storage of old records and surplus furniture.

The City was approached in the Spring of 2021 by Factory Obscura about the creation of a large scale immersive art museum experience in Downtown Norman; this site was identified as a possible location. Council first discussed the project at its meeting on April 13, 2021 and discussed it most recently at its meeting on November 2, 2021, where the consensus was to pursue a contractual agreement for the sale or lease of this property to Factory Obscura. Since then, Staff has worked to identify an alternative location for the Facilities Maintenance Division.

### **DISCUSSION:**

Staff identified a potential location for the Facilities Maintenance Division at 1910 Research Park Blvd. and approached the property owner, Equity Commercial Realty, LLC, about a possible lease. These discussions have been ongoing and Equity was able to construct a building that would meet the City’s specific needs. A lease (K-2122-20) was presented for the City Manager’s signature, contingent on Council approval by April 30, 2022.

The term of the lease is for 5 years, estimated to begin on July 1, 2022 but, in any event, no later than 10 days after the City issues a Certificate or Temporary Certificate of Occupancy for the space. The lease can be cancelled on an annual basis with 4 months’ advance notice in the

event sufficient funding is not appropriated or available to fund the lease rate, or in the event the City opts to fund construction of a suitable facility to house the Facilities Maintenance Division. Should the City terminate the lease prior to the conclusion of the five-year term, it will owe Equity an amount equal to the unamortized tenant improvements and remaining broker commission. The amortization table is attached to the lease as Exhibit B-2. Tenant improvements included the supply and installation of an 8' chain link fence and a free standing single slope shed building. Due to constitutional debt limitations, the City must appropriate the funding for the amortized tenant improvements in the amount of \$27,700. A portion of the funding for tenant improvements can be allocated to other projects each completed lease year in accordance with the amortization table.

The annual base rent is \$97,125 plus a common area maintenance charge, inclusive of maintenance of common use areas, taxes and insurance, of \$1,741.25 per month for the first year, and adjusted annually to represent actual costs each year thereafter.

The City will be required to maintain its premises and make any repairs to fixtures, appurtenances and equipment therein. Equity will make all repairs and replacements, structural and otherwise, to maintain the exterior of the premises, the roof, common areas and the parking area.

**RECOMMENDATION:**

Staff recommends approval of Contract K-2122-120. The FYE23 budget will include sufficient funding for the lease and the amortized tenant improvements. An appropriation item will be brought forward should Equity receive its Certificate of Occupancy prior to July 1, 2022, allowing the City to inhabit the facility earlier.