



City of Broken Arrow

Request for Action

File #: 17-2509, Version: 1

Broken Arrow Downtown Advisory Board

Meeting of: 09-12-2017

To: Chairperson and Board Members

From: Office of the City Manager

Title: Presentation and discussion concerning a certain Economic Development Agreement by and among the Broken Arrow Economic Development authority, the City of Broken Arrow, Oklahoma, and Milestone Capital, L.L.C.

Background:

On February 12, 2016, the City purchased 1.864 acres located at 305 North Main Street in the amount of \$600,000.00 plus attorney's fees and related cost. Due to the dilapidated condition of the structures and appurtenances located on the Real Property, the City entered into a construction contract with ARK Wrecking Company of Oklahoma, Inc. for demolition in the amount of \$87,140.00, said demolition being completed in 2016. It was initially contemplated the City would either use the property for its own purposes or declare it surplus and transfer it to the Broken Arrow Economic Development Authority for the sale in the amount of the City's investment (approximately \$701,151.40), and as part of a comprehensive economic development activity.

In order to assist the City Council and the Trustees of the Authority with evaluation of all potential options, the Broken Arrow Economic Development Corporation ("BAEDC") issued two different Requests for Proposals (RFP'S) for development of the property. Responses to the first RFP were received and evaluated in 2016. After due consideration, investors negotiating with the BAEDC and the City advised that they could not advance development of the property without significantly decreasing the size and scope of the proposed development. Following this development, the BAEDC issued a second RFP with the recognition that a long term lease of the land or additional incentives would be necessary to maximize the size, scope and quality of any development.

In February of 2017, Cowen Construction ("Cowen") submitted a comprehensive response to the RFP. On March 21, 2017, the City Council authorized the City Manager to enter into formal negotiations with Cowen for a comprehensive economic development package. Cowen is a premier General Contractor that has been in business for over 121 years. Thereafter, Milestone Capital, LLC, (the "Developer") an Oklahoma Liability Company formed by representatives of Cowen for purposes of developing the property, have agreed to construct a four story building with mixed uses. The project will consist of approximately 31,660 square feet of retail, restaurant and office space on the street level of the building. It will also consist of approximately 89,420 square feet of one and two bedroom residential units located on the upper three floors of the building. Developer investment is estimated to be \$17,474,799.00 It is estimated that the City will receive sales and use taxes for the materials necessary for construction. Sales taxes realized by the City are expected to exceed \$150,000.00 annually. Taxes on the improvements are expected to exceed \$250,000.00 annually.

The Economic Development Agreement provides that the Authority will lease the property to the Developer for a term of 99 years. The Developer will build the project consistent with the parameters set forth above. The Authority will also upgrade the waterline serving the project, extend the downtown streetscape to encompass the project, and relocate utilities on the site.

Resolution Number 1041 of the Authority formally approves a comprehensive Lease with the Developer. The Lease also provides for an option to purchase by the Developer for the amount of the City's investment within a five (5) year period of time and once the project is substantially complete. After that time, it provides for acquisition for fair market value.

Cost: **Those associated with infrastructure improvements**

Prepared By: **Norman Stephens, Assistant to the City Manager / Economic Development Coordinator**

Reviewed By: **Development Services Department
Legal Department**

Approved By: **Norman Stephens, Assistant to the City Manager / Economic Development Coordinator**

Attachments: **None**

Recommendation:

Presentation only, no action required.