



MEMORANDUM

Council Agenda
Item No. IX. AJ
5/23/2023

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: Craig Freeman, City Manager

Resolution approving a Murrah District Economic Development Loan Agreement in the amount of \$750,000 from the Supplemental Community Development Block Grant to JRB Citizen, LLC, for the construction of a new office building located at the northeast corner of Robinson Avenue and NW 5th Street, within the Murrah District Revitalization Area; approving an Intercreditor Servicing and Subordination Agreement with BancFirst; and authorizing execution of necessary documents. Ward 6.

Location:

NW 5th Street and Robinson Avenue

Purpose:

The purpose of the loan is to fund construction of a new 12-story commercial building consisting of Class-A office space, with street level retail and restaurant space.

Background:

Congress authorized a special allocation of funds in October 1998 for supplemental Community Development Block Grant (CDBG) funding. A portion of those funds were designated for use as a Revolving Loan Fund to support economic revitalization activities in the Murrah Building recovery area. The Murrah Revolving Loan Fund currently has a balance of approximately \$1.2 million available to lend.

A loan in the amount of \$750,000 to JRB Citizen, LLC will support the construction of a 12-story commercial building with 154,000 square feet of leasable space, at the northeast corner of NW 5th and Robinson Avenue. The building will include Class-A office space, which is 75% pre-leased, and street level retail and restaurant space. The building site was previously occupied by the YMCA building, which was destroyed in the 1995 bombing of the Murrah Federal Building. Due to site sensitivity and proximity to the Oklahoma City National Memorial, the developers were required to consult with the State Historic Preservation Office as part of the City's Part 58 Environmental Review process. Initial concerns about project scale and architectural context were satisfactorily resolved, and the Part 58 Environmental Review has been completed.

The total project development cost is estimated at \$62.5 million. Construction financing has been provided by BancFirst in the amount of \$41.5 million, and the developers have contributed approximately \$19 million in private equity. An additional \$1.25 million in construction financing will be made available by BancFirst after certain "Earn Out" requirements have been met. The

City has also provided \$1.275 million in Tax Increment Financing (TIF) funds through the Industrial and Cultural Facilities Trust (ICFT). The project is expected to create up to 380 permanent jobs, an additional 83 temporary positions and approximately 39 part-time positions. These positions are expected to be a mixture of job relocations from within Oklahoma City, as well as new positions. The building will substantially increase property taxes for this parcel, generate new sales taxes from retail operations, and exponentially increase street level activity as stabilized occupancy is achieved.

The proposed loan terms are a loan amount of \$750,000 at 0.375% interest for fifteen (15) years. The first twelve (12) months will be interest-only payments during construction, followed by fully amortized payments of principal and interest for the remaining fourteen (14) years. The Murrah loan will close in subordinate lien position to the BancFirst construction loan, but ahead of the ICFT TIF loan in third lien position. In addition to providing a second lien position on the building, the developer will sign a Personal Guaranty on the City's Murrah Loan.

BancFirst, the participating lender in this transaction, has agreed to provide the servicing for the loan. In exchange for this service, they will be allowed to retain the 0.375% interest paid on the loan as their servicing fee. The borrower's equity contribution will be in the form of a cash contribution to the project. The City will also take a second lien position on the building. The borrower will execute a Promissory Note and Mortgage to The City.

This request was presented to the Citizen's Committee for Community Development on April 11, 2023 (Item no. 3.A) and was approved for presentation to City Council with a positive recommendation from the Committee.

Cost:

\$750,000 from Supplemental CDBG Funds

Source of Funds:

Grants Management – U.S. Department of Housing and Urban Development – CDBG Supplemental – Grant B-99-MO-40-0003 (019-6140 2408005-G3015-G80613)

Review:

Planning

Recommendation: Resolution be adopted.