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**TULSA DEVELOPMENT AUTHORITY  
STAFF REPORT**

**MEETING DATE:** August 4, 2016  
**TO:** Chairman & Board Members  
**FROM:** O.C. Walker  
**SUBJECT:** Request for Proposals for Block 44  
**LOCATION:** West of North Elgin Avenue, between East Archer Street and East Matthew B. Brady Street, Tulsa, Oklahoma

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**Background:**

<b>Redeveloper:</b>	Tulsa Development Authority
<b>Owner:</b>	Tulsa Development Authority
<b>Legal Description:</b>	Block 44, Original Township, Tulsa, Oklahoma
<b>Location:</b>	West of North Elgin Avenue, between East Archer Street and East Matthew B. Brady Street, Tulsa, Oklahoma
<b>Size of Tract:</b>	300' x 140' (42,000 SF or 0.96 Acres)
<b>Zoning:</b>	Central Business District (CBD)
<b>Development Area:</b>	Greenwood District
<b>Fair Market Value</b>	Appraisal - \$1,470,000.00
<b>Staff Planner:</b>	O.C. Walker

**Relevant Info:** On July 12, 2016, the TDA Board of Commissioner reviewed two (2) proposals regarding Block 44, located on the northwest corner of East Archer Street and North Elgin Avenue, Tulsa, Oklahoma. At that time, the TDA Board of Commissioners did not take action because the Mayor's Office of Economic Development performed an analysis of both proposals.

The criteria of TDA are the following:

- Legal and regulatory
- Financial Ability
- New redevelopment projects
- Job costing and accounting
- Architectural design
- Operational experience with large scale development
- Energy – efficiency practices
- Sales and marketing
- Online sales consulting
- Credit Report

Block 44 is a commercial mixed-use opportunity. The site is located in the Historic Greenwood District and is also adjacent to Driller's Stadium. TDA seeks most qualified Developers with a proven track record of large-scale construction of high quality. TDA seeks to work with an organization that has a commitment to the revitalization and economic development of Tulsa's downtown landscape.

**Attachments:** July 19, 2016 Analysis of TDA Block 44

**Recommendation:** Staff recommends this item be approved as presented.

**Reviewed By:** O.C. Walker

# Analysis of TDA Block 44

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July 19, 2016

Please be aware that the Mayor's Office of Economic Development has compiled and developed the following information from a combination of sources located at the end of each summary. The Department is not making a recommendation as to which developer TDA should negotiate with but is simply trying to provide some context from an economic development perspective that might not be available to TDA otherwise.

### ***Pine Place Development, LLC***

\$50.3MM Development is for a nine-story Class A Office building with retail and parking on lower levels. Expectation is for there to be 148,725 SF of Office space and 24,937 SF of Retail. Using standard SF per worker projection of 150 SF / worker, this provides for 984 workers more or less. Using the Tulsa MSA average wage rate of \$41,641.00 and an expected 30% new to City jobs, this will represent \$12,304,088.00 in new earnings for the area.

Lease rates indicated in proposal are \$25.00 / SF for Office and \$22.00 / SF for Retail.

#### **Office Space:**

Most recent data indicates a 4.6% vacancy rate in the CBD for Class A Office. Average lease rate range for Class A for the entire Tulsa market is \$10.00 to \$24.00 with a weighted average of \$19.82. Please note that average lease rates for Class A space within the CBD only were not available.

Office rates used in Pine Place Development's pro forma are slightly higher than market conditions. It should be noted that with the recent approval of the Santa Fe Square development, there is expected to be a large amount of Class A Office. Additionally, Jackson Technical recently started construction of their new class A single tenant building downtown and are moving from existing downtown space. It is unknown if the downtown market will be able to absorb this influx.

#### **Retail Space:**

Most recent data indicates a 2.8% vacancy rate in the CBD for Retail space. Average asking rate is \$21.17.

Retail rates used in Pine Place Development's pro forma are closely aligned with current market conditions. It should be noted that with the recent approval of the Santa Fe Square development, there is expected to be a large amount of retail space. Other new retail projects proposed or under construction downtown include the Boxyard, the View and several other mixed use developments. It is unknown if the downtown market will be able to absorb this influx.

Total spending on this project is significant and the construction alone will result in a large economic impact to Tulsa. This project will also require public incentives in the form of New Market Tax Credits and Tax Increment Financing (TIF).

Issues/Comments:

1. There are no market studies demonstrating demand for the Retail or Office components of the project.
2. There is no documented proof of financing or a bank commitment letter though this does not appear to have been requested.
3. Of the project profiles included in the developer submission it appears only 1 of the 4 is completed (IHG Candlewood Suites).
4. Property would be added to the property tax rolls and generate revenue for all local taxing entities.
5. All development number were provided by the developer either in their submission or during the July, 2016 TDA Board Meeting.
6. It appears TDA would be paid the full value of the property but the local taxing entities (COT, TPS, etc.) will be asked to create a TIF to cover costs within the project essentially moving this cost to them.
7. If a TIF is a requirement of the developer the estimated time to create a TIF is 4-6 months.
8. Data and Impact analysis provided from the following sources:
  - a. IMPLAN - an economic impact assessment software system
  - b. Xceligent - provider of verified commercial real estate information across the U.S.
  - c. OK Wage Network - Oklahoma Employment Security Commission (OESC)
  - d. CoreNet – Global association for corporate real estate

### ***Oklahoma Museum of Popular Culture***

Development is for \$25.0 MM in total project cost with a \$-0- land acquisition budget. Though the construction impact of this development is significant, the majority of its impact is a result from the continual museum visitors.

Proposal estimates 100k visitors per year. It further breaks this number down:

- 30,000 Out of State Visitors with an overnight stay
- 20,000 Out of State Visitors without an overnight stay
- 12,500 In State Visitors with an overnight stay
- 37,500 In State Visitors with an overnight stay

Visitor estimates seem in line when compared to other area museum's attendance averages.

Spending for out of state visitors is estimated to be \$9.2MM generating approximately \$285k in COT annual sales tax. An additional \$7.2MM is estimated for in state visitors generating \$223k in COT annual sales tax.

#### Issues/Comments:

1. No operations projection, employment numbers or budget was provided that would indicate the viability of project or assist in this analysis.
2. This project would continue to leave a half block of downtown land off the tax rolls based on OK Historical Society's Tax Status.
3. Spending and visitor estimates appear optimistic without reviewing a study to support them.
4. Developer appears to have sufficient funds to construct the facility.
5. No request evident for public assistance from taxing entities, just TDA through land donation.
6. All development number were provided by the developer either in their submission or during the July, 2016 TDA Board Meeting.
7. Data and Impact analysis provided from the following sources:
  - a. IMPLAN - an economic impact assessment software system
  - b. Xceligent - provider of verified commercial real estate information across the U.S.
  - c. OK Wage Network - Oklahoma Employment Security Commission (OESC)
  - d. CoreNet – Global association for corporate real estate
  - e. Alteryx.com - consumer expenditures from experian data