

Mayor and Council Communication

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LOG NAME: 17ED1000WEATHERFORDEDPA

SUBJECT

Authorize Execution of an Economic Development Program Agreement with MWG Enterprises or an Affiliate for the Development of a High-rise Residential Tower Located at 1000 Weatherford St. (COUNCIL DISTRICT 9)

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the City Manager to execute an Economic Development Program Agreement with MWG Enterprises, or an affiliate, related to the development of a high-rise residential tower to be generally located at 1000 Weatherford St.;
 2. Find that the terms and conditions of the Agreement, as outlined below, constitute a custom-designed Economic Development Program, as recommended by the 2019 Comprehensive Plan and authorized by Chapter 380 of the Texas Local Government Code; and
 3. Authorize an exception to eligibility requirements of Section 10 of the Economic Development Program Policy adopted by the City Council pursuant to Resolution No. 5039-01-2019 in order to allow this project to be treated as a Catalytic Development Project eligible for receipt of economic development program grants authorized by Chapter 380, Texas Local Government Code, even though the required improvements will be entirely residential.
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DISCUSSION:

MWG Enterprises or an affiliate (Developer) intends to construct a minimum 17-story, 300-unit high-rise residential tower with potential future commercial component. The proposed project, the first downtown high-rise residential project to be built in nearly thirty years, is faced with challenges relating to perceived investment risk associated with Fort Worth that, despite an otherwise favorable environment for urban residential projects, result from a lack of comparable high-rise residential developments in downtown.

The lack of such comps have stunted the growth of the downtown residential market, specifically by inhibiting its emergence into the high-rise segment. The untested market for high-rise residential adds to perceived risk and has led otherwise interested investors and lenders to increase return or rent requirements to the high-rise residential projects in Fort Worth that they might consider. This added risk premium has the effect of placing Fort Worth projects outside of what would otherwise be considered financially feasible development conditions. In the case of the proposed project, the impact of absorbing the proposed risk premium has caused the developer to consider scaling down the project to be a 5-story, 240-unit development that is consistent with the more proven, lower-risk segment of the downtown residential market that continues to see growth and investment.

In order to facilitate the development of the high-rise residential tower as proposed, the City of Fort Worth (City) proposes to provide 10 annual Economic Development Program grants to the Developer, as authorized by Chapter 380, Texas Local Government Code. The grants will be tied to the amount of investment made by the Developer and satisfaction of other project and spending requirements, as follows:

Investment:

Failure to meet the following criteria is an event of default, which subject to commercially reasonable notice and cure rights, will result in immediate termination of the Agreement:

- Minimum investment of \$75 million in total development costs (exclusive of land acquisition costs) by no later than December 31, 2022. Of this, a minimum \$65 million shall be hard construction costs.

Failure to meet the following criteria, though committed to by the Developer, will not constitute an event of default:

- By no later than December 31, 2020, prepare and submit plans for future commercial development proposed for adjacent or nearby property.

Utilization of Certified Minority and Women Business Enterprise (M/WBE) Companies (Real Property Improvements):

The Developer will be required to spend 15 percent of hard and soft construction costs with contractors that are Certified Minority and Women Business Enterprise (M/WBE) Company A Certified M/WBE Company is a minority or woman-owned business that (i) has received certification as either a minority business enterprise (MBE), a woman business enterprise (WBE), or a disadvantaged business enterprise (DBE) by the North Central Texas Regional Certification Agency (NCTRCA), D/FW Minority Supplier Development Council (MSDC) or Women's Business Council – Southwest (WBC) and (ii) has a Principal Office located within Tarrant, Dallas, Denton, Johnson, Parker or Wise Counties. Failure to meet this requirement will result in a reduction of the Potential Grant by 10%.

Employment Commitments:

The Developer will employ a minimum of 6 full-time equivalent employees on the property by June 30, 2023.

Exception to Economic Development Program Policy:

Section 10 of the City Council's Economic Development Program Policy, adopted pursuant to Resolution No. 5039-01-2019, provides that a Catalytic Development Project must qualify as a Mixed-Use Development as defined in the Program Policy in order to be eligible to receive economic development program grants authorized by Chapter 380, Texas Local Government Code. While it is the Developer's stated desire to pursue certain improvements to the subject property or to adjacent property that would otherwise satisfy the definition of a Mixed-Use Development under the Program Policy, the Developer is unable to agree to enforceable commitments relating to such improvements at this time. However, in recognition of the project's satisfaction of the Program Policy's other applicable requirements and of the project's capacity to serve as a catalyst for the advancement of certain goals and objectives outlined in the City's Economic Development Strategic Plan relating to the development of high-rise residential projects in Downtown, staff recommends that the City Council make an exception to the Economic Development Program Policy to allow this project to receive the economic development program grants outlined in this M&C.

City Commitments:

The City will make up to 10 annual Economic Development Program grants to the Developer equal to up to 80 percent of City's ad valorem tax revenue subject to the following conditions. Grant payments shall be calculated based on the City's incremental ad valorem taxes attributable to the development property. The maximum annual program grant will equal 80 percent of City's ad valorem tax revenue for both real and personal property received from the development in the previous year, with the overall incentive capped at \$4,500,000.00 gross. Except for cases of default, failure to meet a commitment will result in a reduction of the corresponding component of the grant for that year as guided by Table I below.

TABLE I Maximum Potential Grant with Corresponding Components:

Property Owner or Company Commitment	Potential Grant
\$75 M Real Property Investment (Base Commitment)	55 percent
15% Fort Worth M/WBE Contractors	10 percent
Affordable Housing	15 percent
TOTAL	80 percent

Additional Conditions for Early Termination:

In addition to instances of default or mutual termination as otherwise provided for in the agreement, the Agreement will be structured such that satisfaction of any of the following conditions in any Program Year will result in an early termination of the agreement and will result in forfeiture of all future grant payments under the agreement:

- Both i) Rental Rates and ii) Occupancy Rates for the project achieve levels that constitute Developer's expectations for the corresponding calendar year as indicated in a project performance forecast incorporated as part of the Agreement;
- Rental Rates for the project achieve levels that constitute a structured risk premium demanded of the project for the corresponding calendar year irrespective of occupancy rates as indicated in a project performance forecast incorporated as part of the Agreement; or
- The City or the Administrator of TIF District #3 (Downtown) are able to demonstrate that three or more rental residential properties of 200 units or more located in downtown Fort Worth achieved Rental Rates in that year that are, on average between those three properties, greater than that which has been demonstrated by the Project for that year.

This project is located in COUNCIL DISTRICT 9.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval, the grants provided under this agreement will be built into the City's long-term financial forecast for the General Fund with a maximum grant award of \$4,500,000.00.

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