

Mayor and Council Communication

DATE: 04/11/23

M&C FILE NUMBER: M&C 23-0279

LOG NAME: 21BURNS & MCDONNELL EARLY TERMINATION 2023

SUBJECT

(CD 9 / Future CD 9) Authorize Early Termination of Sublease with Burns & McDonnell Engineering Company, Inc. for Suites 1600 and 1700 in the Future City Hall Located at 100 Energy Way, Fort Worth, Texas 76102 in Exchange for a Payment from Burns & McDonnell Engineering Company, Inc. in the Amount of \$600,000.00

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize early termination of sublease with Burns & McDonnell Engineering Company, Inc. for Suites 1600 and 1700 in the future City Hall building located at 100 Energy Way, Fort Worth, Texas 76102; and
2. Accept a one-time payment of \$600,000.00 from Burns & McDonnell Engineering Company, Inc. as consideration for the early termination.

DISCUSSION:

The purpose of this Mayor and City Council Communication (M&C) is to authorize an amendment to and early termination of the sublease (Sublease) with Burns & McDonnell Engineering Company, Inc. (Burns & McDonnell) for Suites 1600 & 1700, consisting of the entirety of the 16th & 17th floors or approximately 53,014 rentable square feet of space, in the future City Hall located at 100 Energy Way, Fort Worth, Texas 76102. On December 15th, 2020, the City Council authorized the acquisition of the building from Hertz Fort Worth Energy Way L.P. and accepted assignment of the building's existing leases, including the Sublease with Burns & McDonnell (M&C 20-0910).

On January 25, 2022, City Council approved an amendment to the Sublease to (1) allow Burns & McDonnell to use and occupy the remainder of the 16th floor and (2) revoke Burns & McDonnell's option to extend the term of the Sublease, providing for an expiration date of August 31, 2024 (M&C 22-0072).

As amended, the total amount of rent due and payable to the City of Fort Worth (City) under the Sublease is \$3,945,272.98. Property Management staff has determined that an early termination of the Sublease in exchange for a one-time payment of \$600,000.00 would be in the best interests of the City. If approved, the Sublease would be amended to provide for a termination date of September 30, 2023. Burns & McDonnell would continue to pay rent until the termination of the Sublease, amounting to approximately \$811,693.20. The Sublease would also be amended to provide that any holdover of the Sublease after September 30, 2023 would be paid by Burns & McDonnell at a prorated amount of 150% of the current Sublease rent.

An early termination of the Sublease will allow the City to more quickly program and utilize space on the 16th and 17th floors. The City intends to use the revenue from the early termination payment of \$600,000 to offset future borrowing requirements related to improvements associated with the new City Hall. Staff will return to Council with an M&C to appropriate the revenue at the time debt is issued for this purpose.

The property is located in COUNCIL DISTRICT 9 / FUTURE COUNCIL DISTRICT 9.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and authorization of the amendment funds will be deposited into the General Capital Projects Fund. The Property Management Department (and Financial Management Services) is responsible for the collection and deposit of funds due to the City.

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Expedited