

Mayor and Council Communication

DATE: 12/13/22

M&C FILE NUMBER: M&C 22-1056

LOG NAME: 21500 W 3RD ST SALE

SUBJECT

(CD 9) Authorize the Direct Sale of City Fee-Owned Property Commonly Known as the Central Library Located at 500 West 3rd Street, Fort Worth, Texas 76102 to Dart Interests, LLC, or an Affiliate, for a Sales Price of \$18,000,000.00 in Accordance with Section 253.014 of the Texas Local Government Code and Authorize a Leaseback of the Property for a Term Not to Exceed Two Years

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the direct sale of City fee-owned property commonly known as the Central Library located at 500 West 3rd Street, Fort Worth, Texas 76102 to Dart Interests, LLC, or an affiliate, for a sales price of \$18,000,000.00 in accordance with Section 253.014 of the Texas Local Government Code;
2. Authorize execution of a leaseback agreement for the property for a term not to exceed two years; and
3. Authorize the City Manager or designee to execute the purchase and sale agreement and to execute and record the deed and any other documents necessary to complete the conveyance.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to authorize the conveyance of land and improvements commonly known as the Central Library, located at 500 West 3rd Street, Fort Worth, Tarrant County, Texas 76102 and being approximately 2.32 acres situated in Block 45R, Fort Worth Original Town Addition (Property) to Dart Interests, LLC, or affiliate (Dart). The Property was purchased by the City of Fort Worth (City) in 1976 for the Central Library (Library) with the original underground structure being completed in 1978. On February 18, 1992 (M&C C-13246) Fort Worth City Council (Council) approved the design for a ground floor shell structure to cover the underground Library site to allow for future expansion of the Library and for the construction of improvements to prevent stormwater from entering the Library. On July 29, 1997 (M&C G-11957), Council approved the renovation and infrastructure necessary to finish out the first floor of the Library. The renovations to the Library were completed in 1999.

Section 253.014 of the Texas Local Government Code allows a municipality to sell City-owned property by contracting with a broker, provided that the property is listed with a multiple-listing service for at least 30 days and that the property is sold to the buyer who submits the highest cash offer. The City contracted with Jones Lang Lasalle Brokerage and the Property was listed for 160 days with a multiple-listing service. The listing required prospective buyers to develop the Property as a mixed-use project including office space and high-rise residential, to provide a lease of space with an option to purchase for a new library within the redeveloped property, and a minimum total capital investment of \$100,000,000.00. The City also published notice of its intention to sell the Property in the Fort Worth Star-Telegram once a week for four consecutive weeks.

The City reviewed multiple offers and recommends accepting Dart's offer of \$18,000,000.00, which was the highest cash offer and included a mixed-use development project. Upon closing, Dart has agreed to lease the Property back to the City for a one-year term with an option to extend for an additional year. The base rent for the first year will be \$400,000.00 with the City also being responsible for all taxes, insurance, and operational costs (property taxes are estimated to be in the amount of \$445,000.00 and insurance and operating expenses are estimated to be in the amount of \$300,000.00) for an estimated total cost of \$1,145,000.00. The base rent for the second year, if necessary, would be \$810,000.00. The City and Dart agreed to a lease buy-out fee equal to the pro-rated rent amount left for the term with property taxes being paid by the City in full. The proceeds from the sale of the Property will be used to pay for the leaseback, property taxes, insurance, and operating expenses.

This property is located in COUNCIL DISTRICT 9.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and sale of the property, 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. Prior to an expenditure being incurred, the Property Management Department has the responsibility of verifying the availability of funds.

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Expedited