

Mayor and Council Communication

DATE: 12/14/21

M&C FILE NUMBER: M&C 21-1002

LOG NAME: 21PAE TERMINATION

SUBJECT

(CD 9) Authorize Early Termination of Office Lease with PAE Applied Technologies, LLC for Suite 1500 in the Future City Hall Located at 100 Energy Way, Fort Worth, Texas 76102 in Exchange for a Payment from PAE Applied Technologies, LLC in the Amount of \$735,982.50 and the Existing Furnishings and Information Technology Equipment

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the early termination of office lease with PAE Applied Technologies, LLC for Suite 1500 in the future city hall building located at 100 Energy Way, Fort Worth, Texas 76102; and
 2. Accept a one-time payment of \$735,982.50 from PAE Applied Technologies, LLC and all remaining furnishings and information technology equipment as consideration for the early termination.
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DISCUSSION:

The purpose of this Mayor and City Council Communication (M&C) is to authorize termination of the office lease (Lease) with PAE Applied Technologies, LLC (PAE) for Suite 1500, consisting of the entirety of the 15th floor or approximately 26,763 rentable square feet of space, in the former Pier 1 building and 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 Lease with PAE (M&C 20-0910).

The Lease provides for a term of approximately one hundred thirty-two (132) full calendar months with a commencement date of October 1, 2019 and an expiration date of September 30, 2030. The total amount of rent due and payable to the City of Fort Worth (City) under the existing term of the Lease is \$3,040,946.01. However, Property Management staff has determined that an early termination of the Lease in exchange for a one-time payment of \$735,982.50 and the remaining furnishings and information technology equipment would be in the best interests of the City. The termination agreement would specify that the Lease will terminate no later than March 31, 2022 and that PAE will continue to pay all rent, taxes, and expenses due under the Lease until PAE surrenders the space to the City. An early termination of the Lease will allow the City to more quickly program and utilize space on the 15th floor and will allow the City the flexibility to lease additional space on the 16th floor.

The City intends to use the revenue from this termination payment, in the amount of \$735,982.50, 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.

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 adoption of the attached appropriation ordinance, 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 any expense being incurred, the Property Management Department also has the responsibility to validate the availability of funds.

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