

Mayor and Council Communication

DATE: 10/28/25

M&C FILE NUMBER: M&C 25-1012

LOG NAME: 17EVANS & ROSEDALE REDEVELOPMENT AMENDED TERMS

SUBJECT

(CD 8) Authorize Execution of the Following Items to Further the Evans and Rosedale Urban Village Development Project (i) Loan Documentation Relating to a Forgivable Loan for Up to \$2,500,000.00 in Federal Funds Received by the City from the U.S. Department of Housing and Urban Development and (ii) Agreement for Evans and Rosedale Texas, LLC, or Another Affiliate of Royal Capital, LLC, to Make Payments to the City in Lieu of Property Taxes and Authorize Related Revisions to the Terms Outlined in M&C 25-0421 to Reflect the Updated Deal Structure

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize execution of loan documentation relating to a forgivable loan for up to \$2,500,000.00 in federal funds received by the City from the U.S. Department of Housing and Urban Development;
 2. Authorize execution of agreement for Evans and Rosedale Texas, LLC, or another Affiliate of Royal Capital, LLC, to make payments to the City in lieu of property taxes; and
 3. Authorize identified revisions to the terms of M&C 25-0421 to reflect the updated deal structure.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with revising the deal structure supporting the mixed-use development in the historic Evans and Rosedale Urban Village.

On May 13, 2025, through M&C 25-0421, the City of Fort Worth (City) approved terms to acquire 35 lots from the Fort Worth Housing Finance Corporation and the Fort Worth Local Development Corporation, sell 36 lots to Royal Capital, LLC and/or related affiliates, and enter into an Economic Development Program Agreement with Royal Capital, LLC and/or related affiliates (Developer) for the purpose of developing a mixed-use urban development in the Evans and Rosedale Urban Village (Project Site). The development will include commercial, retail, and residential units as well as parking and enhancements to public spaces (Development) in return for economic development incentives.

During the process of gaining approval from other bodies and investors and working towards all the final agreements, it was determined that a new financing structure under which the Development could benefit from a tax exemption would create better financial stability for the Developer and Development as well as provide additional return to the City, Fort Worth Housing Finance Corporation (HFC), and Fort Worth Local Development Corporation (LDC).

In order to facilitate the new financing structure, the Developer is requesting, and staff recommends, to amend certain terms, as outlined below, including the HFC owning the land and participating in the entity owning the improvements. The Development and the terms in M&C 25-0421 will remain the same, unless otherwise noted herein. The revised terms will have no effect on the original project timelines or general requirements under the Purchase and Sales Agreements which obligate Developer to finalize the purchase of the real property on or before June 1, 2026 (with one, 60-day extension).

However, with the HFC owning the land, the Deed of Trust to Secure Performance referenced in M&C 25-041 that was intended to ensure the development is successfully constructed on agreed timelines and in accordance with key terms may be replaced with another mechanism to secure the same performance, and conforming amendments to the Purchase and Sale Agreement may be required to reflect use of alternate enforcement measures. Any extension to the timeline would require action by City Council. Should any conflict exist between this M&C and M&C 25-0421, then this M&C shall have priority.

Proposed Updates to Terms:

1. The Chapter 380 Grants and Economic Development Program Agreement (EDPA) will be replaced with:
 - An HFC partnership structure and ground lease structure intended to result in an exemption from ad valorem taxes for the Project and associated real property;
 - A Payment in Lieu of Property Taxes (PILOT) Agreement; and
 - Loan documentation for up to \$2,500,000.00 from Pathways to Reducing Obstacles to Housing (PRO Housing) Grant. Any loan from the City or HFC, made to the Developer, will be forgivable as long as certain conditions are met.

If authorized by the HFC Board, the HFC will work with the Developer to admit the HFC into a single purpose entity (SPE) created to own the improvements being constructed at Evans Avenue and Rosedale Street (Improvements). The HFC will serve as the managing member of the

SPE to allow for a property tax exemption for the Improvements. If authorized, the HFC will also act as a general contractor to enable a sales tax exemption for construction materials.

In exchange for the property tax exemption, which is valued at \$6,038,333.00, the Developer will enter into a PILOT Agreement to pay to the City \$150,000.00 per year plus 2% annual growth (an estimated 101% of City Taxes) for 15-years, for a total of \$2,594,013.00. Payments to the City under the PILOT Agreement are anticipated to begin on September 1, 2027.

In addition, any cash flow to the SPE will be split as follows: 75% will go to the Developer and 25% will go to the HFC and LDC. Of that 25%, the HFC will receive 80% and the LDC will receive 20%.

As a part of this agreement, the proposed distribution of cash flow from the Development (Waterfall Structure) would be as follows:

1. Debt Service Repayment
2. Payments to the City under the PILOT agreement
3. Investor Member for Annual Asset Management Fee
4. Repayment of Developer Basis Contributions
 1. 100% to Developer
5. Company Management Fee to Developer of \$15,000.00 increasing 3% annually
6. 90% to SPE; 10% to Investor
 1. Developer: 75% of Cash Flow
 2. HFC/LDC: 25% of Cash Flow - (80% to HFC, 20% LDC)

Due to the elimination of the EDPA, the City PRO Housing Grant will be detailed through loan documentation that will include a loan agreement, promissory note, and deed of trust to secure performance (collectively referred to as "Loan Documentation"). The Loan Documentation will detail that the loan funds will not have to be repaid as long as certain conditions are met including but not limited to timely payment of the City under the PILOT Agreement and timely completion of the Development in accordance with both this M&C and M&C 25-0421 and related documentation executed by City, HFC, LDC, and Developer, or affiliates, required to achieve the terms of both M&Cs.

2. Developer will cover all outside legal costs associated with admitting the HFC into the SPE and preparing necessary agreements, including details for how the SPE will be managed. Legal fees to be paid by the Developer to the HFC's outside counsel are expected to be \$150,000.00 to be paid at closing.
3. Developer, after acquiring and purchasing 36 lots (collectively referred to as "City Lots") for \$1.00 per lot, will convey all lots back to the HFC. Developer and the HFC will then enter into a long-term ground lease (pending approval by the HFC Board).
4. City may, at its sole discretion, extend any Project deadlines by no more than twelve (12) months without further action of the City Council and through administrative action of the City Manager in writing through an agreement with Developer, or affiliate.
5. Developer must invest at least \$63,000,000.00 in total development costs, exclusive of land acquisition costs, in the Project Site no later than twenty-four (24) months from the Agreement execution date (Completion Deadline) with construction commencing on any part of the Project no later than fourteen (14) months from the Agreement execution date. Of that, a minimum of \$45,000,000.00 shall be Hard Construction Costs.
6. Removal of all Business Equity Firm (BEF) commitments
7. Use of Small Business (SB): Developer voluntarily commits to expend or cause to be expended at least 30% of all construction costs (including both hard and soft costs) for the Project with SBs as defined in Chapter 21 of City of Fort Worth Code. If the Developer does not meet the 30% SB construction requirement, the Developer agrees that the total direct financial support also known as the total grant amount, \$9,500,000.00, for the project shall be reduced by 10%. This reduction will be deducted from the PRO Housing Grant or HFC assurance funds.
 - The Developer will, in a best faith effort, seek to hire from the Historic Southside Neighborhood and the 76104 zip code.
 - SB Utilization Plan: A plan to utilize SB firms (within 12 weeks of City Council approval).

Financial Impact Updates:

Total Anticipated Direct Financial Support by City and TIF 4

Combined, the PRO Housing Grant of \$2,500,000.00, and TIF 4 Development Agreement funds of \$7,000,000.00, which will be reimbursements in two phases, will provide Developer with \$9,500,000.00 in direct monetary support for the Project.

Total Anticipated Direct and Indirect Financial Support by All Entities

Including the fair market value of the City Lots of \$4,245,553.00, the estimated value of the property tax exemption of \$6,038,333.00, the total direct and indirect financial support for the Project is \$19,783,866.00.

Total Anticipated Revenue to the City, HFC, and LDC

Combined, the PILOT to the City (\$150,000.00 annually with a 2% annual growth rate for a total of \$2,594,013.00) and estimated revenue to the HFC and LDC of \$138,574.00 will provide a total of \$2,732,587.00 to the entities providing investment in this Development.

This Project is located in COUNCIL DISTRICT 8.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this agreement will have no material effect on the Fiscal Year 2026 Budget. While no current year impact is anticipated from this action, any effect on expenditures and revenues will be budgeted in future Fiscal Years and will be included in the long-term financial forecast.

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Expedited