

Mayor and Council Communication

DATE: 05/18/21

M&C FILE NUMBER: M&C 21-0341

LOG NAME: 17HERITAGEARENAS

SUBJECT

(CD 2) Authorize Execution of an Option to Purchase Agreement and Related Purchase Agreement with Fort Worth Heritage Development, LLC or Affiliate for Two Parking Garages and Three Western Sports Arenas in the Fort Worth Stockyards Near the Southwest Corner of Stockyards Boulevard and Packers Avenue, Authorize Amendment of the Existing License Agreement with Fort Worth Heritage Development Company Relating to the Use, Operation, and Management of the Cowtown Coliseum to Include the New Arenas and Parking Garages Upon Acquisition by the City, Authorize the Execution of a Ten-Year Economic Development Program Agreement with Fort Worth Heritage Development LLC or Affiliate in Lieu of Acquisition by City, and Authorize Waiver of Eligibility Requirements in Economic Development Program Policy to Allow Maximum Grants to Exceed 80% of Ad Valorem Taxes

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize execution of an Option to Purchase Agreement with Fort Worth Heritage Development, LLC or affiliate with an option fee of \$100.00 to allow for the purchase of two fully constructed parking garages, three fully constructed western sports arenas, and property thereunder, expected to be constructed by Fort Worth Heritage Development or affiliate in the Fort Worth Stockyards near the southwest corner of Stockyards Boulevard and Packers Avenue;
2. Authorize the execution of a purchase agreement following the exercise of the option provided in the Option to Purchase Agreement, with the conveyance of the property and improvements being made to the City at no cost to the City;
3. Authorize an amendment to the existing license agreement with Fort Worth Heritage Development Company relating to the use, operation, and management of the Cowtown Coliseum to include the new arenas and parking garages upon their acquisition by the City;
4. Authorize a ten-year Economic Development Program Agreement with Fort Worth Heritage Development LLC or affiliate if the City does not acquire the property and improvements, to provide an annual grant equal to the amount of local property taxes paid by Fort Worth Heritage Development LLC or affiliate for the property and improvements; and
5. Authorize a waiver of eligibility requirements of Section 10 of the Economic Development Program Policy adopted by the City Council pursuant to Resolution No. 5338-01-2021 in order to allow the maximum grants for this project to exceed 80% of ad valorem taxes on real property, but only in the event that the City does not acquire the property and improvements.

DISCUSSION:

Fort Worth Heritage Development, LLC or an affiliate (Developer) intends to develop property located in the Fort Worth Stockyards near the southwest corner of Stockyards Boulevard and Packers Avenue as a mixed-use development featuring three western sports arenas, and two parking garages containing approximately 1,250 spaces and 1,300 animal pens (Project). To facilitate the Project, the City of Fort Worth (City), with approval of this Mayor and Council Communication, will purchase upon completion the three arenas and two parking garages associated with the Project, subject to Project completion and other requirements. The City will also amend its existing Amended and Restated License Agreement for the management and operation of the Cowtown Coliseum (City Secretary Contract No. 27542-A7) with Fort Worth Heritage Development Company (License Agreement) to include the new arenas and parking garages upon their acquisition by the City.

Developer Construction Commitments:

Invest at least \$52,500,000.00 in total development costs exclusive of land acquisition costs, by no later than December 31, 2023. Of the \$52,500,000.00 in total development costs, a minimum of \$50,000,000.00 must be hard construction costs. The following minimum requirements will apply:

- Equestrian Arenas - two new enclosed western sports arenas, each at least 25,000 square feet in size and housing a minimum 750 seats;
- Warm-up Arena - minimum 25,000 square feet open-air and covered warm-up arena;
- Garages - minimum \$25,000,000.00 investment for the construction of two new parking structures capable of serving animal trailers and equipment;
- Historic Rehabilitation Work - complete the rehabilitation of the historic Armour wall and Armour-Swift stairs, using industry best practices for historical preservation and rehabilitation in consultation with the City of Fort Worth Historic Preservation Officer;
- All portions of the project that are intended to be occupied, including the arenas, must have a temporary or final Certificate of Occupancy by December 31, 2023; and
- Spend 15% of hard and soft construction costs with contractors that are Certified Minority and Women Business Enterprise (MBE) businesses.

Other Developer Commitments

Contemporaneous with the execution of a TIF Agreement (see below) and prior to the start of construction of the equestrian arenas, the warm-up arena, and the garages (Western Sports Facilities), Developer will enter into an option agreement with the City permitting the acquisition by the City of the Western Sports Facilities and the property upon which they are sited (Property) upon their completion (Option Agreement). Consideration for the Option Agreement will be limited to funds payable by the Tax Increment Reinvestment Zone Number Fifteen (TIF) to Developer under the TIF agreement described below.

The Option Agreement will contain the following terms:

- The City will pay to the Developer an option fee of \$100.00;
- The City can exercise the option upon the completion of the Western Sports Facilities; and
- The City exercises the option by executing the purchase and sale agreement that will provide for the conveyance of the Property from the Developer to the City at no cost to the City for either the Property or the closing costs.

City Commitments:

- The City will seek and facilitate the approval of a TIF economic development program agreement between the TIF and the Developer for a grant in the cumulative amount of up to \$25,000,000.00 (gross) in TIF funds for the Western Sports Facilities (Western Sports Facilities Grant) and for the reimbursement of costs associated with the Historic Rehabilitation Work in an amount not to exceed \$1,000,000.00 (Historic Rehabilitation Work Reimbursement) (TIF Agreement);
- Upon completion of the Western Sports Facilities, the City will exercise the Option Agreement; and
- The City will amend the License Agreement to include the Western Sports Facilities as City assets licensed to the Developer, with the same terms applying to the new City assets.
- In the event the City does not acquire the Property and Western Sports Facilities, the City will be authorized to enter into an Economic Development Program Agreement to provide an annual grant equal to the amount of local property taxes paid by Fort Worth Heritage Development LLC or affiliate for the Property and Western Sports Facilities, subject to completion of the Project in a timely manner. This Economic Development Program Agreement requires a waiver of eligibility requirements of Section 10 of the Economic Development Program Policy adopted by the City Council pursuant to Resolution No. 5338-01-2021 in order to allow the maximum grants for this project to exceed 80% of ad valorem taxes on real property in the event that the City does not acquire the Property and Western Sports Facilities.

This project is located in COUNCIL DISTRICT 2.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this agreement will have no material effect on the Fiscal Year 2021 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