

Mayor and Council Communication

DATE: 12/13/22

M&C FILE NUMBER: M&C 22-1060

LOG NAME: 21ROLLS ROYCE TERMINATION AND SETTLEMENT AGREEMENT

SUBJECT

(CD 7) Authorize the Execution of a Lease Termination and Settlement Agreement with Rolls-Royce North America Inc. Who Will Pay City an Amount of \$860,000.00 to Settle all Potential Claims Related to Maintenance and Repair Obligations Due Under City Secretary Contract Number 50094, a Facilities Lease Agreement for Space Located at 2100, 2104, and 2112 Eagle Parkway, Fort Worth Texas 76177 at the Alliance Fort Worth Maintenance Facility

RECOMMENDATION:

It is recommended that the City Council authorize the execution of a lease termination and settlement agreement with Rolls-Royce North America Inc. who will pay City an amount of \$860,000.00 to settle all potential claims related to maintenance and repair obligations under City Secretary Contract Number 50094, a Facilities Lease Agreement for space located at 2100, 2104, and 2112 Eagle Parkway, Fort Worth Texas 76177 at the Alliance Fort Worth Maintenance Facility.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to recommend that the City Council authorize the execution of a termination and settlement agreement where Rolls-Royce North America Inc. (Rolls-Royce) will pay to the City of Fort Worth (City) the amount of \$860,000.00 as a settlement for unfulfilled maintenance obligations.

A Facilities Lease Agreement was entered into by the parties on December 19, 2017 under City Secretary Contract Number 50094 (the Lease).

Rolls-Royce has properly exercised its option to terminate the Lease, effective December 31, 2022, having provided written notice of such termination on June 30, 2022.

In preparation of Rolls-Royce's departure, the City conducted an assessment to determine if there were any outstanding obligations of Rolls-Royce to be met under the Lease including necessary maintenance to the Leased Premises required by Rolls-Royce. Additionally, the City required that certain improvements made during the term to the Leased Premises by Rolls-Royce remain on the Leased Premises upon termination and that an environmental exit audit be conducted in accordance with the Lease.

Rolls-Royce has conducted their own maintenance assessment which conflicts in some instances with the City's and there is a genuine disagreement as to the final maintenance costs necessary and as to which improvements are to remain on the Leased Premises. After discussions between the parties, the City has agreed to accept \$860,000.00 from Rolls-Royce for unfulfilled maintenance obligations and Rolls-Royce will leave behind specific improvements installed on the Leased Premises identified by the City. Rolls-Royce will also complete the required environmental exit audit under the Lease before the term of the Lease expires. By coming to a resolution on these items through this settlement agreement, the City will be able to move forward more quickly with a new Lease for the Leased Premises which has been in the works and already negotiated with a new tenant which is set to begin in 2023.

The City intends to use the revenue and equipment from this termination and settlement agreement to offset future tenant improvements associated with the Alliance Fort Worth Maintenance Facility.

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: Rolls-Royce Holdings

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations, funds will be deposited into the Alliance Maintenance Facility 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 has the responsibility to validate the availability of funds.

Submitted for City Manager's Office by: Dana Burghdoff 8018

Originating Business Unit Head: Steve Cooke 5134

Additional Information Contact: Marilyn Schoening 7581

Expedited