

Mayor and Council Communication

DATE: 06/25/24

M&C FILE NUMBER: M&C 24-0550

LOG NAME: 17FORTWORTHHERITAGEPHASE2EDPA

SUBJECT

(CD 9) Authorize Execution of the following with Fort Worth Heritage Development, LLC, or an Affiliate: i) Economic Development Program Agreement for the Construction of a Mixed-Use Development in the Fort Worth Stockyards, ii) Purchase Agreement for Two or More Below Grade Parking Garages for a Total Combined Amount Not to Exceed \$126,150,000.00, iii) One or More Parking Garage Lease Agreements, iv) Reimbursement of up to \$15,000,000.00 in Improvements Supporting the Cowtown Coliseum, v) the Payment of Annual Economic Development Program Agreement Grants Not to Exceed \$75,000,000.00 in Total, vi) Tax Increment Financing Development Agreement with Tax Increment Reinvestment Zone Number Fifteen, and vii) Other Related City Agreements that are Associated with the Project; and Adopt Ordinance Designating City of Fort Worth Project Financing Zone No. 2 and Taking Related Actions

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of an Economic Development Program Agreement with Fort Worth Heritage Development, LLC, or an Affiliate for the construction of a mixed-use development in the Fort Worth Stockyards consisting of a minimum 300,000 square feet of new commercial space, a minimum 500 key full-service hotel (in one or more properties), a minimum 295 unit multifamily property, a minimum 1,300 parking spaces in two or more below-grade parking garages, facilities necessary to the support of Cowtown Coliseum, and other related site improvements generally located between East Exchange Avenue, Stockyards Boulevard, and Packers Street;
 - a. Subject to developer requirements, authorize i) the purchase of two or more parking garages (upon their completion) from Fort Worth Heritage Development, LLC, or an Affiliate for a total combined amount not to exceed \$126,150,000.00, and including options to re-purchase the parking garages and options to put the parking garages to Developer, with the purchase price of the parking garages being at fair market value, as set forth in more detail in the discussion section, ii) the reimbursement of up to \$15,000,000.00 in improvements supporting the Cowtown Coliseum, and iii) the payment of annual economic development program grants not to exceed \$75,000,000.00 in total;
 - b. Authorize the execution of one or more lease agreements with Fort Worth Heritage Development, LLC, or an Affiliate;
 - c. Find that the terms and conditions of the Economic Development Program Agreement and the options to re-purchase the garages, as outlined herein, constitute custom-designed Economic Development Programs, as recommended by the most recently-adopted Comprehensive Plan and authorized by Chapter 380 of the Texas Local Government Code;
2. Authorize amendment number three to the current Economic Development Program Agreement with Developer (City Secretary Contract No. 46495) to facilitate the utilization of grant payments otherwise owed by the City to Developer for use in support of the project;
3. Authorize the execution of a Tax Increment Financing Development Agreement with Tax Increment Reinvestment Zone Number Fifteen, subject to TIF 15 Board approval, for the reimbursement to City of eligible costs associated with the project;
4. Authorize the execution of other related agreements as may be necessary to facilitate the project in accordance with all authorized terms; and
5. Adopt an ordinance: designating the establishment of Project Financing Zone No. 2, extending three miles from the Cowtown Coliseum as a Qualified Project under Section 351.1015 of the Texas Tax Code, but excluding any area located within the existing City of Fort Worth Project Financing Zone No. 1; establishing 2024 as the Base Year; and recognizing various improvements to and supporting the Cowtown Coliseum as a Qualified Project.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve certain agreements and transactions necessary to facilitate a proposed development by Fort Worth Heritage Development, LLC (Developer). Developer wishes to develop property that is located on approximately 20 non-contiguous acres generally located at the southwest corner of Stockyards Boulevard and Packers Street to East Exchange Avenue and inclusive of certain property located at the northwest corner of Niles City Boulevard and Northeast 23rd Street (collectively, Project Site).

Developer proposes to develop the Project Site as a major mixed-use development, constituting Phase 2 of Developer's investment in the Fort Worth Stockyards (Phase 2), which will consist of a minimum 300,000 square feet of new commercial space, a minimum 500 key full-service hotel (in one or more properties), a minimum 295 unit multifamily property, a minimum 1,300 parking spaces in two or more below-grade parking garages, facilities necessary to the support of Cowtown Coliseum, and other related site improvements (Project).

Developer Commitments:

To support the Project, Developer and City staff propose to enter into an Economic Development Program Agreement (EDPA). As part of the proposed EDPA, Developer will commit to completing the Project in accordance with the following minimums:

- Total Development Costs of \$630,000,000.00

- \$472,500,000.00 Hard Construction Costs
- 300,000 square feet of new commercial space (not including hotels)
- 500 key full-service hotel (in one or more properties)
- 295 new multi-family units
- 1,300 spaces in sub-grade parking garages (Parking Garage(s))
- All portions of the Project that are intended to be occupied must have a temporary or final Certificate of Occupancy by December 31, 2032 (Completion Deadline).

Utilization of Business Equity Firms (Real Property Improvements)

Developer voluntarily commits to expend or cause to be expended at least 15% of all construction costs (Hard and Soft) for the Project as defined in Chapter 20, Article X of the City Code. Failure to meet this commitment will not constitute a default, but will result in a 10% reduction of any purchase price payable by City to Developer as discussed below.

Cowtown Coliseum Facilities Improvements

To accommodate and provide for the long-term support of the operations of the Cowtown Coliseum and the Fort Worth Herd (Herd), Developer will facilitate the construction of new building improvements that are in close proximity to and used in conjunction with the Cowtown Coliseum (Coliseum Improvements). The Coliseum Improvements are anticipated to cost approximately \$15,000,000.00 in total construction costs and will include the following required deliverables:

- New barn structure for use in Herd operations
- Horse stalls, steer pens, employee lockers and restrooms, utilities, storage, etc.
- Dedicated parking for Herd operations vehicles and equipment, such as trucks and trailers
- Covered arena for warm up of horses and other livestock in support of Cowtown Coliseum operations, as well as for the warm up of Herd steers and horses and for showcasing the operation of the Herd

Following completion of the Project and the Coliseum Improvements, Developer will convey to the City ownership of all or a portion of the Coliseum Improvements, with any other portions of the Coliseum Improvements to be leased to the City at no cost for a minimum of 30 years plus two 15-year renewal periods for use by the Cowtown Coliseum and the Fort Worth Herd. The City will be responsible for all maintenance costs for Coliseum Improvements.

Purchase and Lease of the Parking Garages:

The City will purchase the the Parking Garages from Developer after Project completion. Upon conveyance of the Parking Garages to the City, City will enter into a lease agreement with Developer for the use and operation of the garages for a term of 30 years (Garage Lease). The Garage Lease will include options to re-purchase the Parking Garages and options to put the Parking Garages to Developer at fair market value as determined by a qualified third-party appraiser (Options). If neither party exercises the Options, the term of the Garage Lease will be extended by 10 years, after which Developer's purchase option will be required to be exercised, resulting in the Developer's purchase of the Parking Garages from the City at fair market value, net of accumulated depreciation. As part of the Garage Lease, Developer will pay City an annual lease payment that is equal to up to 100% of net parking profits, with any amounts not required to support annual debt service incurred by City in association with the Project being returned to Developer, provided that at all times City retains a minimum 50% of net parking profits from the Parking Garages. In all years of the Garage Lease, Developer will be responsible for the maintenance and operations of the Parking Garages. In addition to supporting development associated with the Project, the Parking Garages are intended to support the operations of Cowtown Coliseum and the broader Fort Worth Stockyards historic district. As such, a minimum 50% of spaces must be available for public use at fair market hourly parking fee and a minimum 650 spaces must continue to be made available for public use after end of the Garage Lease term for use in support of Cowtown Coliseum, subject to certain conditions.

City EDPA Commitments:

In return for development of the Project and subject to Developer performance on commitments under the EDPA, the City will provide Developer consideration equal to \$126,150,000.00 for the purchase of the Parking Garages (Garage Purchase). City will also reimburse up to \$15,000,000.00 of construction costs incurred by Developer for the Coliseum Improvements (Coliseum Improvements Reimbursement). To facilitate the Garage Purchase and the Coliseum Improvements Reimbursement, City intends to issue one or more debt instruments that are intended to be supported by incremental revenue received by City during the term of the EDPA that more specifically will be based on the following:

- 80% of City 1% sales tax from the Project and from property now subject to the City's existing EDPA with Developer
- Up to 100% Project Financing Zone (PFZ) revenues (State HOT, State Mixed-Beverage Tax, and State Sales Tax from PFZ hotels)
- Up to 100% Shared Net Parking Profit (a minimum of 50% unless necessary for additional debt service coverage)
- Funding provided under agreement between Tax Increment Reinvestment Zone Number Fifteen (TIF 15) and the City (subject to TIF 15 Board approval)

Additionally (and subject to Developer performance on commitments under the EDPA), City will provide annual grants to Developer following Project completion for the term of the Garage Lease that are based on 40% of incremental City property taxes from the Project Site and 40% of the incremental property taxes from improvements delivered to-date that are currently subject to the existing Economic Development Program Agreement between City and Developer (CSO No. 46495) (Phase 1). The combined cumulative value of these annual grants will be capped at \$75,000,000.00 gross. City will amend the Phase 1 Economic Development Program Agreement to cease payment of any remaining Phase 1 grants in order to utilize those funds in support of the grants outlined above and for other purposes necessary to support the financing of the Garage Purchase. It is anticipated that City will offset the impact to the City's General Fund from the payment of these grants utilizing a portion of incremental City Hotel Occupancy Taxes generated by the Project.

TIF Development Agreement:

To assist in the financing of the Garage Purchase and the Coliseum Improvements Reimbursement, the City proposes, subject to TIF Board approval, to enter into a Tax Increment Financing Development Agreement with Tax Increment Reinvestment Zone Number Fifteen providing for the reimbursement of eligible costs incurred or otherwise obligated by the City (TIF Agreement). The general terms and project description of the TIF Agreement will reflect what is described in this M&C.

Project Financing Zone:

To assist in the financing of the Garage Purchase and the Coliseum Improvements Reimbursement, approval of this M&C includes adoption of an ordinance establishing Project Financing Zone No. 2, extending three miles from the centerpoint of Cowtown Coliseum (Latitude 32°47'22.7"N, Longitude 97°20'51.7"W) but excluding areas located within the existing City of Fort Worth Project Financing Zone (PFZ) No. 1. In doing so, City recognizes any part of Cowtown Coliseum property that may be located within a previously established project financing zone as being removed from those boundaries for inclusion in the new PFZ. In accordance with Section 351.1014 of the Texas Tax Code, 2024 will be the Base Year of this PFZ.

The creation of the PFZ is possible because of the Cowtown Coliseum is a Convention Center Facility at which 55% of the visits during 2023 constituted people coming from outside of Texas with an additional 37% of the visits consisting of individuals from within Texas but outside of Fort Worth. The improvements to and in the immediate vicinity of Cowtown Coliseum, including the Cowtown Coliseum Facilities Improvements and the parking garages, support this convention center's various needs and operations. Thus the City finds that improvements to and in support of the Coliseum constitute a Qualified Project, eligible for PFZ financing. Specific improvements include the following:

- New barn structure for use in Herd and Coliseum operations
- Horse stalls, steer pens, employee lockers and restrooms, utilities, storage, etc.
- Dedicated parking for Herd operations vehicles and equipment, such as trucks and trailers
- Covered arena for warm up of horses and other livestock in support of Cowtown Coliseum operations, as well as for the warm up of Herd steers and horses and for showcasing the operation of the Herd

Following completion of the Project and the Coliseum Improvements, Developer will convey to the City ownership of all or a portion of the Coliseum Improvements, with any other portions of the Coliseum Improvements to be leased to the City at no cost for a minimum of 30 years plus two 15-year renewal periods for use by the Cowtown Coliseum and the Fort Worth Herd.

To the extent additional PFZ funds accumulate during the term of the Zone after the repayment of the debt for the Garage Purchase and Coliseum Improvements Reimbursement, additional improvements may be made to the Cowtown Coliseum – either through issuance of additional PFZ-backed debt or otherwise.

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 2024 Budget except in as much as grants payable to Developer may be retained by City in the manner described in this M&C. 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.

Submitted for City Manager's Office by: William Johnson 5806

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact: Michael Hennig 6024

Expedited