

Mayor and Council Communication

DATE: 06/28/22

M&C FILE NUMBER: M&C 22-0542

LOG NAME: 17LANCASTERLAMARAMENDM&C

SUBJECT

(CD 9) Rescind Mayor and Council Communication 21-0073, Authorize Execution of the Following Agreements with L2L-Lancaster, LLC or an Affiliate Related to the Development of Certain City-Owned Property Bounded by Lancaster Avenue, Lamar Street, 13th Street and Taylor Street and Property Bounded by Lancaster Avenue, Taylor Street, 13th Street, and Monroe Street: (1) Economic Development Program Agreement; (2) Purchase and Sale Agreement for the Direct Sale of the Property in Accordance with Section 272.001(b)(6) of the Texas Local Government Code, (3) and Other Related Agreements; and Direct Sale Proceeds to the Economic Development Initiatives Fund

RECOMMENDATION:

It is recommended that the City Council authorize the following actions related to the development of approximately 1.447 acres of City-owned property on a portion of the block bounded by Lancaster Avenue, Lamar Street, 13th Street and Taylor Street and on a portion of the block bounded by Lancaster Avenue, Taylor Street, 13th Street, and Monroe Street (Property):

1. Rescind Mayor and Council Communication 21-0073;
2. Authorize the execution of an Economic Development Program Agreement with L2L-Lancaster or an Affiliate (L2L) for the development of the Property and use of Chapter 380 grant funds on the terms set forth in the discussion section;
3. Authorize an exception to the grant payment requirements of Section 10 of the Economic Development Program Policy (adopted by City Council pursuant to Resolution 5338-01-2021) to allow for a one-time economic development program grants of up to \$1,000,000.00 as authorized by Chapter 380, Texas Local Government Code;
4. Find that the terms and conditions of the Chapter 380 Agreement constitute a custom-designed Economic Development program, as recommended by the most recently-adopted Comprehensive Plan and authorized by Chapter 380 of the Texas Local Government Code;
5. Authorize the direct sale of the Property and execution of a purchase agreement in accordance with Section 272.001(b)(6) of the Texas Local Government Code;
6. Authorize the execution of one or more deeds of trust to ensure satisfactory development of the Property conveyed for the project; and
7. Direct proceeds from the sale of the property to the Economic Development Initiatives Fund.

DISCUSSION:

On January 26, 2021, the City Council approved Mayor and Council Communication (M&C) 21-0073 authorizing execution of a ground lease with option to purchase with L2L-Lancaster, LLC, or an affiliate (Developer), for approximately 1.447 acres of vacant City-owned property (City Property) on a portion of the block bounded by Lancaster Avenue, Lamar Street, 13th Street and Taylor Street and on a portion of the block bounded by Lancaster Avenue, Taylor Street, 13th Street, and Monroe Street (Project Site) in exchange for a parking easement for 185 parking spaces in a to-be-constructed parking garage. Approval of the M&C followed authorization by the Board of the Lancaster Tax Increment Reinvestment Zone (TIF Board) to enter into an agreement supporting the development of a new \$50 million mixed-use development with 390-space parking garage (Project).

Proposed as an 8-story, 100,000 square foot project consisting of office and residential uses, the Project represented an opportunity to advance the City's strategy to promote new, walkable mixed-use development on Lancaster Avenue along undeveloped portions of former I-30 right-of-way. The undeveloped land along the north side of Lancaster Avenue is challenged by limited depths and other constraints. At the time of approval, the Project was driven by a major prospective office tenant which would occupy much of the building. Impacts from the COVID-19 pandemic led the office tenant to reevaluate its plans for a new office, leading to a significant redesign of the Project.

On September 1, 2021, the TIF Board amended its authorization for support of the Project to revise certain requirements, including reducing the minimum private investment to \$40 million, revising the Project completion deadline to December 31, 2024, and changing the requirement of providing a 185 parking space easement so that the Project must now provide a minimum of 100 structured parking spaces for public use on evenings and weekends for a period of at least ten years. The TIF Board also reduced the authorized amount of TIF funds to be delivered to the Project (from \$4.2 million to \$3.2 million) based on a proposed restructuring of the terms of conveyance of the City Property and reflecting the reduced value of the Project's tax increment.

By rescinding M&C 21-0073 in favor of this M&C, the Project will align more closely with the TIF agreement to be a minimum \$40 million mixed-use development constructed on the Project Site and that the authorized ground lease with option to purchase (subject to requirement of a 185-space parking easement) be eliminated in favor of a fee simple purchase by Developer of the City Property through a purchase and sale agreement (Purchase Agreement). The direct sale of the Property is in accordance with the project plan adopted by the City for the Lancaster Tax

Increment Reinvestment Zone. All property conveyed in association with the Project will be subject to one or more deeds of trust to ensure satisfactory development of the properties (Deed of Trust) and that any failure to meet the terms established will result in the forfeiture of the applicable property and its return to City ownership. As part of the Project, the Developer will be required to set aside at least 10% of residential units exclusively for lease to qualifying households whose adjusted incomes do not exceed the then-current 80% income limits established by the Housing and Urban Development (HUD) Department, along with an additional 10% whose adjusted incomes do not exceed the then-current 60% threshold as established by HUD.

It is further proposed that the City enter into an Economic Development Program Agreement to provide a one-time grant of up to \$1,000,000.00 and not to exceed the purchase price of the City Property under the Purchase Agreement subject to successful completion of the Project (380 Grant). The 380 Grant would be supported solely by cash proceeds from the sale of property and is necessary given the increased up-front cash requirements for the development while also reflecting accelerated value received by the City versus longer-term usage of a parking easement. It is also proposed that any proceeds resulting from the sale of property under the Purchase Agreement net of the 380 Grant be deposited into the Economic Development Initiatives Fund for use in promoting economic development in Downtown Fort Worth.

Section 10 of the Economic Development Program Policy (Policy) provides that grant payments will be based on a percentage of annual tax revenues that the City receives in a particular year. As stated above, however, the City intends to pay the Developer a one-time cash grant upon completion of the Project. Staff recommends that the City Council allow for an exception to Section 10 of the Policy to allow the City to make a one-time cash grant.

Staff recommends rescinding M&C 21-0073 in favor of authorizing the City to enter into the Purchase Agreement, Deed of Trust, and Economic Development Program Agreement as outlined above.

This project is located in COUNCIL DISTRICT 9.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this agreement will have no material effect on the Fiscal Year 2022 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.

Submitted for City Manager's Office by: Reginald Zeno 8517

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact: Michael Hennig 6024

Expedited