

Mayor and Council Communication

DATE: 09/13/22

M&C FILE NUMBER: M&C 22-0724

LOG NAME: 17OMNIEXPEDPAAMENDM&C

SUBJECT

(CD 9) Rescind Mayor and Council Communication 20-0187 and Authorize Execution of the Following Agreements and Transactions Related to the Expansion of the Omni Fort Worth Hotel Generally Located on Property at Houston Street, W. 14th Street, Throckmorton Street, and Lancaster Avenue (Property): (1) Conveyance to Omni Fort Worth Partnership, L.P. or Affiliate (Omni) of Approximately 0.529 Acres Abutting the North Side of Lancaster Avenue Between Throckmorton Street and Houston Street; (2) a Twenty-Year Lease of the Property from the Central City Local Government Corporation to the City with Mandatory Sublease to Omni for Use as a Hotel and Parking Garage, including Options to Purchase the Parking Garage at Year Ten and the Property at Year Twenty, an Option to Put the Property to Omni at Year Twenty, and a Chapter 380 Grant Component; (3) Amendment to City Secretary Contract No. 31738, a Room Block Agreement with Omni, to Include the Additional Rooms for the Expansion; and (4) Any Other Related Agreements or Actions Necessary to Effectuate the Above-Stated Project Involving an Economic Program Development Grant to Omni in an Amount up to \$53,300,000.

RECOMMENDATION:

It is recommended that the City Council:

1. Rescind Mayor and Council Communication 20-0187;
2. Authorize conveyance to Omni of approximately 0.529 acres of City property abutting the north side of Lancaster Avenue between Throckmorton Street and Houston Street in accordance with Section 272.001(b)(6) of the Texas Local Government Code;
3. Authorize execution of a 20-year lease of property generally located at Houston Street, W. 14th Street, Throckmorton Street, and Lancaster Avenue (Property) from the CCLGC with a mandatory sublease to Omni for use as a hotel and parking garage, including options to purchase the parking garage facility at year 10 and the Property at year 20 and including an option to put or convey the Property to Omni at year 20;
4. Authorize execution of one or more sublease agreements (collectively, the Sublease Agreement) from the City to Omni for the use, operation, and maintenance of the Property for use as a minimum 400-room hotel and a minimum 360-space parking garage, subject to certain conditions, including the use of Chapter 380 Grant Funds as set forth in the discussion section, and including an assignment of the City's options to purchase the parking garage facility and the Property;
5. Find that the terms and conditions of the Sublease Agreement, as outlined herein, 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;
6. Authorize an exception to the eligibility requirements of Section 13 of the Economic Development Program Policy adopted by the City Council pursuant to Resolution No. 5338-01-2021 to allow this hotel project to be eligible for receipt of economic development program grants authorized by Chapter 380 of the Texas Local Government Code;
7. Authorize the execution of an amendment to City Secretary Contract No. 31738, a Room Block Agreement with Omni, to include additional rooms related to the expansion of the Omni Fort Worth Hotel; and
8. Authorize the execution of other related agreements as may be necessary to facilitate the project in accordance with all authorized terms.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve certain agreements necessary to facilitate the expansion of the Omni Fort Worth Hotel (Hotel). The City Council previously approved a similar M&C for this project in early 2020 (M&C 20-0187); however, due to changes in the project resulting from the COVID-19 pandemic, it is recommended that the City Council rescind M&C 20-0187, incorporate the project changes into this M&C, and authorize the transactions described herein.

Omni Fort Worth Partnership, L.P., or an affiliate (Omni), intends to construct an expansion of the Hotel to include the following: (i) a high-rise building with a minimum of 400 additional hotel rooms (Expansion Building); (ii) a parking structure with at least 360 spaces (Parking Garage); (iii) a minimum 15,000 square foot restaurant or retail space fronting Lancaster Avenue, and (iv) certain other improvements to the Hotel necessary to physically and functionally serve and support the construction and operation of the Expansion Building, including a minimum of 50,000 square feet of new meeting space and a restaurant (collectively, the Project).

The Project will be situated on the south end of Downtown Fort Worth on property generally located at Houston Street, W. 14th Street, Throckmorton Street, and Lancaster Avenue (Property), which is depicted in more detail on the attached map. Portions of the Property, which are depicted on the attached map, are currently owned separately by Tarrant County College District (TCCD Property) and the City (City Property). In order to ensure that the Project can be undertaken and completed in a timely manner, the TCCD Property and the City Property will be conveyed to

Omni prior to the start of construction.

Upon completion of the Project, Omni will convey the Property to the Central City Local Government Corporation (CCLGC). Funding for the purchase of the Property, including the improvements to be constructed thereon, will be accomplished through a bond issuance by the CCLGC, with the debt issuance proceeds serving as an accelerated 380 Program Grant to Omni and the debt being repaid from revenues generated by the Project.

To facilitate this Project, the City, CCLGC, and Omni will each enter into the following agreements with each other:

1. Purchase and Sale Agreement between the City and Omni:

City will convey the City Property to Omni for fair market value, as determined by an appraisal obtained by the City and in accordance with Section 272.001(b)(6) of the Texas Local Government Code. However, the sale of the Property will ultimately be at no net cost to Omni, with the Property's sales price being rebated back to Omni as a 380 Program Grant.

2. Purchase and Sale Agreement between the CCLGC and Omni:

Subject to approval by the Board of the CCLGC and upon verification of completion of the Project, the CCLGC will purchase the Property, including all improvements thereon, from Omni for an amount up to \$53,300,000 ("Funds"). To receive payment of the Funds, Omni must meet the following obligations for the Project:

- Purchase the TCCD Property.
- Purchase the City Property.
- Base Commitment:
 - Expend at least \$206,730,000 in total development costs on the Project, of which \$4,365,000 must be dedicated to the Parking Garage. Of the total amount, a minimum of \$127,700,000 must be hard construction costs and furniture, fixtures, and equipment.
 - Construct the Expansion Building, which must include at least 400 new hotel rooms and 50,000 square feet of new meeting space.
 - Failure to meet the base commitment will result in a reduction to the amount of Funds available for payment equal to 25% of the difference between the total development costs required and the total development costs expended for the Project. The maximum reduction will not be capped.
- Business Equity:
 - Spend at least 15% of all construction costs (both hard and soft) with business equity firms, as defined by the City's Business Equity Ordinance.
 - Failure to meet this requirement will result in a reduction of the overall payment of the Funds by 10%.
- Construct a minimum 15,000 square feet of conditioned space, plus 5,000 square feet of patio space for use as restaurant or retail space.
- Complete the Project by December 31, 2026.

3. Lease Agreement between the CCLGC and City:

Upon purchasing the Property from Omni, the CCLGC will lease (Lease Agreement) the Property to the City on generally the same terms as the sublease agreement from the City to Omni (as provided below). The Lease Agreement will provide the City with an option to purchase the Parking Garage during year ten of the Lease Agreement and an option to purchase the Property at year twenty of the Lease Agreement, with the purchase options being assignable to Omni. The Lease Agreement will also include a put option for the Property during year twenty, which would require Omni to accept the Property. The rent for the lease between the City and CCLGC will be an amount equal to the full debt service for the bonds issued for the grant Funds; however, rent under the sublease agreement between the City and Omni will be calculated as set forth below.

4. Sublease Agreement between the City and Omni:

City and Omni will enter into one or more sublease agreements (collectively, the Sublease Agreement) for the Property, on the terms set forth below:

- Term: The term of the Sublease Agreement is 20 years.
- Sublease Rent: Total annual rent for the sublease of the Property from the City to Omni will be equal to the amount of the annual debt service on the CCLGC debt issued for the grant of the Funds to Omni, but not less than fair market rental rates (Sublease Rent).
- 380 Program Grants. City will provide an annual 380 Program Grant to Omni in an amount equal to the Sublease Rent. Omni will not actually receive the annual 380 Program Grant as it will be applied as a credit against the Sublease Rent due under Sublease Agreement.
- Purchase Options: Through assignment of the City's options to purchase, Omni will have the option to purchase (a) the Parking Garage from the CCLGC at year ten of the Sublease Agreement and (b) the Property from the CCLGC at year twenty of the Sublease Agreement. If exercised, the Parking Garage and the Property would be sold for their fair market value, less the total amount of Sublease Rent applied prior to the date of purchase. Any difference between the fair market value and the total amount of Sublease Rent applied prior to the date of purchase will be provided by the City as an additional 380 Program Grant.

- Put Option: At year twenty of the Sublease Agreement, the City, together with the CCLGC, will have the option to put or sell the Property to the Omni.

5. Room Block Agreement:

Omni and City will amend City Secretary Contract No. 31738 to include the additional hotel rooms being added by the Project.

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.

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Expedited