

Mayor and Council Communication

DATE: 03/02/21

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LOG NAME: 17CRESCENTHOTELEDPA

SUBJECT

(CD 7) Authorize Execution of the Following Agreements Related to the Development of a Hotel, Office, and Residential Complex at the Intersection of Camp Bowie Boulevard and Van Cliburn Way by Crescent Real Estate, LLC or Affiliates (Crescent): Lease Agreement, including Option to Purchase, with Central City Local Government Corporation for Two Future Parking Garages to be Acquired from Crescent; One or More Sublease Agreements with Crescent for the Garages, Including a Chapter 380 Grant Component and Assignment of the City's Option to Purchase; and a Related Hotel Room Block Agreement; and Authorize an Independent Agreement with Crescent for the Loan of up to \$900,000 through the City's EPA Revolving Brownfields Loan Program

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize execution of a lease agreement, including an option to purchase, with the Central City Local Government Corporation for the Use, Operation, and Maintenance of Two Future Parking Garages at the Intersection of Camp Bowie Boulevard and Van Cliburn Way (Garages) to be acquired from Crescent Real Estate LLC, or Affiliates ("Crescent"), with lease terms set forth in the discussion section ("Garages");
2. Authorize the execution of one or more sublease agreements, including an assignment of the City's option to purchase, with Crescent for the Use, Operation, and Maintenance of the Garages and the use of Chapter 380 Grant Funds on the terms set forth in the discussion section;
3. Find that the terms and conditions of the Sublease Agreement, as outlined below, constitute a custom-designed Economic Development Program, as recommended by the 2020 Comprehensive Plan and authorized by Chapter 380 of the Texas Local Government Code;
4. Authorize execution of a room block agreement with Crescent to provide event room blocks in a future hotel, to be constructed as part of the same development as the Garages and in the same general location, to potential Convention Facility customers for a period of at least 12 years after the opening of the hotel; and
5. Authorize execution of an agreement with Crescent Real Estate, LLC or Affiliates providing for the loan of up to \$900,000 for environmental remediation through the City's EPA Revolving Brownfields Loan Program, with such the success or failure of such the proposed Brownfields activities independent of the development agreements outlined above.

DISCUSSION:

Crescent Real Estate LLC or a affiliates (Developer) intends to develop property located at the intersection of Camp Bowie Boulevard and Van Cliburn Way as a mixed-use development featuring a minimum 200 room hotel, 175 units of multi-family apartments, 150,000 square foot office building, and two parking garages containing approximately 825 spaces in the aggregate (Project). The Project is to be structured as a condominium regime; therefore, each of the Garages will be a condominium unit designated for parking.

To facilitate the Project, the City of Fort Worth (City), the Central City Local Government Corporation (CCLGC), and Crescent Real Estate, LLC or Affiliates (Developer) will each enter into the following agreement with each other for the purchase and lease back of the two parking garages contained within the Project:

1. CCLGC, as buyer, and Developer, as seller, will enter into a purchase agreement for the Garages (Purchase Agreement).
2. CCLGC, as the lessor, and City, as the lessee, will enter into a lease for the use, operation, and maintenance of the Garages (Lease Agreement).
3. City, as sublessor, and Developer, as sublessee, will enter into a sublease with 380 Grant elements for the use, operation and maintenance of the Garages (Sublease Agreement).
4. City and Developer will enter into a hotel room block agreement (Room Block Agreement).
5. City and Developer will enter into a loan agreement for environmental remediation through the City's EPA Brownfields Program (Loan Agreement).

1. Purchase Agreement between the CCLGC and Developer

Subject to approval by the Board of the CCLGC and upon verified completion of the Project, the CCLGC will purchase the Garages from Developer for an amount equal to the lesser of the fair market value of the Garages or \$25,000,000.00 (gross). Funding for the purchase of the Garages will be accomplished through a bond issuance by the CCLGC. To receive payment, the Developer must meet the following for the

Project:

Investment:

- Minimum investment of \$200,000,000.00 in total development costs. Of this, a minimum \$165,000,000.00 shall be hard construction costs and furniture, fixtures, and equipment (FF&E);
- Two parking garages containing an aggregated minimum of 825 spaces;
- Minimum 8,500 square feet of combined meeting space (which may include ballroom, conference room, and/or boardroom space);
- Minimum 4,500 square foot full-service restaurant;
- Minimum 175 units of multi-family apartments;
- Minimum 150,000 square foot office building;
- Minimum \$1,230,000.00 in upgraded public improvements;
- 15% of all construction costs (both hard and soft) will be with contractors that are certified Minority and Women-Owned Business Enterprises per City ordinance.

2. Lease Agreement between the CCLGC and the City

Upon purchasing the Garages from the Developer, the CCLGC will lease the Garages to the City on generally the same terms set forth below in the Sublease Agreement. The Lease Agreement will include an option to purchase by the City, which may be assigned to the Developer.

The rent for the Lease between the City and CCLGC will be an amount equal to the higher of the full debt service for the bonds issued to acquire the Garages (Debt Service Rate) or the fair market value for use of the Garages (FMV); however, rent under the Sublease Agreement between the City and the Developer will be calculated as set forth below.

3. Sublease Agreement between the City and Developer

City and Developer will enter into one or more Sublease Agreements, as the case may be, for the Garages on the terms set forth below:

- **Term:** The initial term of the Sublease Agreement is for 20 years. The Sublease Agreement maybe renewed for one additional 20-year period at the sole option of Developer. Thereafter, the Sublease Agreement may be renewed for three additional 20-year periods exercisable at the mutual agreement of Developer and City, for an overall term not to exceed 100 years.
- **Sublease Rent:** Total rent for the sublease of the Garages will be equal to \$800,000.00, except as otherwise necessary to achieve a fair market value for the use of the Garages (Sublease Rate), plus the difference between the annual debt service amount and the Sublease Rate (Debt Service Difference) (collectively, "Sublease Rent").
- **Sublease payment.** Of the total Sublease Rent, Developer will be responsible for paying a total of \$800,000.00 per year to the City for the sublease of the Garages (Sublease Payment), with the remaining amount to be credited through 380 Grants as set forth below.
- **380 Grants.** City will provide an annual 380 Grant to the Developer in an amount equal to the amount by which the Sublease Rent exceeds the Sublease Payment. Developer will not actually receive the annual 380 Grant as it will be applied as a credit against the Sublease Agreement and paid to the CCLGC.
- **Purchase Options:** The 20th and final year of the initial term of the Sublease Agreement will include a call option in the Developer's favor, with a then-applicable purchase price equal to the purchase prices of the Garages minus the net present value of all Sublease Payments and Garage Revenues (defined below) paid by Developer to City as of that date. Any extension of the Sublease Agreement beyond its initial 20-year term will also include an option for Developer, with the consent of City and the CCLGC, to purchase one or both of the Garages at their fair market value. The Developer will have the right of first refusal in the event the CCLGC or the City desire to sell the Garages.
- **Public Parking Spaces:** Developer will provide and operate a minimum of 400 spaces to be made available for public use from at least 6:00 p.m. to 7:00 a.m. on weekdays and all day on weekends.
 - The City may reserve certain rights, to be specified within the agreement, relating to the use of the public spaces for certain major events located within the Fort Worth Cultural District.
 - The Developer may collect fees for all such parking.
- **Net Revenues.** Developer will pay City annually an amount equal to 25% of any short-term parking net revenue collected by Developer from the public spaces in the Garages during the first five years of the initial term and 50% for all subsequent years of the initial and renewal terms (such amounts "Garage Revenues").
- **Hotel Considerations.**
 - Hotel property must operate and market itself at all times as at least either i) a full-service Forbes Travel Guide Four-Star Hotel, ii) a full-service AAA Four-Diamond Hotel, or (iii) an equivalent luxury hotel standard; and
 - Developer will make available to the City up to 50 room nights per annum without charge to the City for purposes of promoting the economic development of the city or region.

4. Room Block Agreement between the City and Developer

Developer and City will enter into a Room Block Agreement on market rate terms for a 12-year term in accordance with provisions to be agreed to by Developer and City as part of the definitive agreement.

5. EPA Brownfields Loan Agreement between the City and Developer

Developer and City will enter into a loan agreement through the EPA Revolving Brownfields Loan program whereby the Developer may receive up to \$900,000.00 for completing environmental remediation approved by the Texas Commission on Environmental Quality and the City and consistent with EPA regulations. The Developer may take down portions of the loan after completing agreed upon milestones for eligible hard costs as defined by the agreement. Because the approval and implementation of the Brownfields program is contingent on external approvals, it will be independent of the development-related agreements outlined above, and Crescent has indicated its commitment to proceed with the development-related contracts regardless of when/if the Brownfields actions proceed.

This project is located in COUNCIL DISTRICT 7.

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. The grants provided under this agreement will be built into the City's long-term financial forecast with a maximum grant award of \$25,000,000.00.

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Expedited