

# Mayor and Council Communication

**DATE:** 01/10/23

**M&C FILE NUMBER:** M&C 23-0013

**LOG NAME:** 55TAMUS FORT WORTH CAMPUS

## **SUBJECT**

(CD 9 / Future CD 9) Authorize Execution of an Interlocal Agreement with the Texas A&M University System Regarding the Development of the Texas A&M Fort Worth Campus Project

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## **RECOMMENDATION:**

It is recommended the City Council authorize the execution of an Interlocal Agreement with the Texas A&M University System regarding the development of the Texas A&M Fort Worth Campus Project.

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## **DISCUSSION:**

The purpose of this M&C is to authorize execution of an Interlocal Agreement (Agreement) with the Texas A&M University System (A&M) for the purpose of documenting the general agreement regarding the development of the proposed A&M System Fort Worth Campus and to help accelerate its construction.

The campus includes the construction of three (3) buildings that will house the Texas A&M University School of Law and other A&M functions alongside private firms in a manner that encourages innovation, research, and entrepreneurship within an urban campus environment. Building 1, the Law and Education building, will be exclusively designed and constructed by A&M through their typical construction procurement process. The remaining two (2) buildings - the Research and Innovation Building (Building 2) and the Gateway Conference Center Building (Building 3) - and the campus plaza will be designed and constructed through a process coordinated by the City of Fort Worth in collaboration with A&M and other stakeholders, including the County and the community at-large (the "Project").

The process includes the selection of a private developer (Developer) with an architectural design team that will lead the development effort. Buildings 2 and 3 will be condominiumized, and the City, through a to-be-formed Local Government Corporation (LGC), will enable acquisition of units within Buildings 2 and 3 consisting of the areas that will be occupied by A&M for academic and university uses (A&M System Units). The Developer will finance the balance of each building that will be occupied by related non-academic uses.

Under the Agreement, the LGC would provide a financing vehicle for space to be occupied by A&M within the planned Buildings 2 and 3, and for an envisioned campus plaza. A map identifying the location of each building and campus plaza is attached. Financing for the A&M System Units would be realized through lease-backed revenue debt issued by the LGC. A&M's lease payments would be in an amount necessary to cover all debt service and other pre-approved, reasonable and typical expenses associated with the development of the portion of the Project to be occupied and controlled by A&M, including parking requirements tied to A&M's occupancy.

The general terms and commitments of the Agreement are as follows:

City Commitments (direct and via LGC):

- To create a Local Government Corporation (LGC) to assist with the financing of the A&M System Units and to issue debt and fund the purchase of the condominium ownership interest in the A&M System Units;
- City, in consultation with A&M, has issued a Request for Proposals to engage a Developer to lead the design, construction, financing, and development of Buildings 2 and 3, and the campus plaza (contingent upon the development of suitable parking located elsewhere for A&M);
- The LGC will enter into one or more ground leases of the Project property from A&M, at a nominal rental rate (with consideration to A&M documented in a Master Development Agreement), and enter into one or more sub-ground leases of the Project property with the Developer with any rent or other consideration received from Developer under the sub-ground lease(s) being applied to parking infrastructure or the overall Project to the benefit of A&M and all terms of the sub-ground lease(s) consented to by A&M;
- The sub-ground lease(s) will include a purchase option and right of first refusal in favor of A&M on all or any portion of the non-A&M System Units constituting the Project property. The Developer will also enter into a Recognition Agreement with A&M and, if necessary, the LGC that provides that if and when the ground lease(s) with the LGC terminate, the sub-ground lease(s) to the Developer from the LGC will automatically be recognized as direct ground lease(s) between the Developer and A&M;
- At the completion of construction of each of Buildings 2 and 3, the LGC will issue debt and purchase the condominium ownership interest in the A&M System Units from the Developer;
- The LGC will lease the A&M System Units to A&M (via the Space Leases) for a rental rate equal to the debt service plus any other Project and debt issuance expenses and any other pre-approved, reasonable and typical expenses incurred by the City or LGC;
- Upon the maturity date of the debt issued for the purchase of the A&M System Units and the final lease payment made by A&M to retire the bonds, the Space Leases to A&M of the A&M System Units will be terminated and the LGC will convey its condominium ownership interest in the A&M System Units to A&M;
- Upon conveyance of the A&M System Units to A&M, the ground lease(s) with the LGC will terminate and the sub-ground lease(s) to the Developer from the LGC will automatically be recognized as direct ground lease(s) between the Developer and the A&M pursuant to a separate Recognition Agreement between, A&M and the Developer and, if necessary, the LGC; and

- City will provide an estimate or list of costs necessary to complete the Project, including, but not limited to, the hiring of outside counsel, to be reimbursed by A&M after A&M approval of such costs.

A&M Commits to:

- Design and construct the Law and Education Building (Building 1) at A&M's expense;
- Participate in the City's/LGC's process to select a Developer and consult with the LGC on the terms of the agreement with the Developer;
- Participate and collaborate in the overall design of the Project and the Developer will present to the City's Downtown Design Review Board or other boards and commissions as necessary;
- Designate a local project program manager to coordinate with Developer, Developer's consultants, A&M, City and the LGC;
- A&M will enter into one or more ground leases of the Project properties to the LGC, at a nominal rental rate (with consideration to A&M documented in a separate Master Development Agreement), with one or more mandatory sub-ground leases from the LGC to the Developer with any rent or other consideration received from Developer under the sub-ground lease(s) being applied to parking infrastructure or the overall Project to the benefit of A&M and all terms of the sub-ground lease(s) consented to by A&M;
- A&M staff and consultants will coordinate with City, LGC, Developer, and the Developer's consultants on design and construction of the facilities to be built by the Developer to ensure compatibility from both aesthetic and functional perspectives and to reduce costs and achieve operational efficiencies;
- At the completion of each of Building 2 and Building 3, A&M will lease from the LGC all space built in Building 2 and Building 3 for use by A&M as directed by A&M throughout the design process (the A&M System Units);
- A&M's rental payments for the Space Leases from the LGC will be equal to the bonds' debt service plus any other pre-approved reasonable and typical expenses incurred by the CITY or LGC that are not otherwise paid by A&M;
- A&M's Space Leases from the LGC will provide that A&M must pay back the entirety of the remaining bonds should A&M default on the Space Leases and fail to cure the default after notice and opportunity to cure;
- A&M will take ownership of the LGC's A&M System Units upon the maturity of the bonds and final payments made by A&M, which will coincide with the termination of the Space Leases to A&M of the A&M System Units;
- A&M will have a purchase option and right of first refusal on all or any portion of the non-A&M System Units constituting the Project properties;
- Upon the termination of the Space Leases to A&M of the A&M System Units, the LGC's ground lease(s) of the Project properties will terminate and the sub-ground lease(s) to the Developer from the LGC will automatically be recognized as direct ground lease(s) between the Developer and the A&M pursuant a separate Recognition Agreement between A&M and the Developer and, if necessary, the LGC;
- Unless otherwise negotiated, A&M will reimburse the CITY and the LGC for all other costs reasonably necessary to complete the Project, including, but not limited to, the hiring of outside counsel, subject to A&M's approval of such costs. A&M will have the ability to review and approve costs associated with completing the Project and normal costs of debt issuance, and such approval shall not be unreasonably withheld, conditioned, or delayed. It is the intention of A&M, the CITY, and the LGC that the development of the Project Properties will be at no cost to the CITY or the LGC unless otherwise explicitly negotiated;
- If necessary, negotiate and execute an agreement directly with the Developer for the maintenance of A&M campus areas constructed by the Developer including the plaza, if constructed: and
- A&M will be responsible for all common area expenses allocated to the A&M System Units, as set forth in the master condominium declarations.

The City and A&M anticipate signing a Master Development Agreement and one or more ground leases once more specific terms have been negotiated and agreed upon and approved by A&M SYSTEM's Board of Regents.

In June of this year, the City entered into a professional services agreement with U3 Advisors, Ltd. to assist with development and completion of a Request for Proposals (RFP) to select a best-in-class private sector development partner with design team to develop and manage the Project and help to realize the City, Tarrant County, and Texas A&M University System's shared vision to create a hub for collaboration between key Fort Worth industries and top research, education, and workforce training assets of the Texas A&M University System. The RFP was issued by the City in collaboration with A&M on September 22, 2022. The goal is to have selected the best qualified developer by February 2023 and begin negotiating terms for the design and development of the Project.

A Form 1295 is not required because: This contract will be with a governmental entity, state agency or public institution of higher education: Texas A&M University System

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that approval of this recommendation will have no material effect on City funds.

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

**Originating Business Unit Head:** Roger Venables 6334

**Additional Information Contact:**

Expedited

