

Mayor and Council Communication

DATE: 03/19/20

M&C FILE NUMBER: M&C 20-0187

LOG NAME: 17EDPAOMNIEXP

SUBJECT

Authorize Execution of an Economic Development Program Agreement with Omni Fort Worth Partnership, L.P., or Affiliate for an Expansion of the Omni Fort Worth Hotel by Developing an Additional 400 Rooms in a High-Rise Building Generally Located on Property Bound by Houston St., W. 14th St., Throckmorton St., and Lancaster Ave. and Authorize Execution of a Related Room Block Agreement (COUNCIL DISTRICT 9)

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize execution of an Economic Development Program Agreement with Omni Fort Worth Partnership, L.P., or affiliate for an expansion of the Omni Fort Worth Hotel by developing an additional 400 rooms in a high-rise building generally located on property bound by Houston St., W. 14th St., Throckmorton St., and Lancaster Ave.;
 2. Find that the terms and conditions of the Agreement, as outlined below, constitute a custom-designed Economic Development Program, as recommended by the 2019 Comprehensive Plan and authorized by Chapter 380 of the Texas Local Government Code;
 3. Authorize an exception to eligibility requirements of Section 13 of the Economic Development Program Policy adopted by the City Council pursuant to Resolution No. 5039-01-2019 in order to allow this hotel project to be eligible for receipt of economic development program grants authorized by Chapter 380, Texas Local Government Code; and
 4. Authorize execution of a Room Block Agreement with Omni Fort Worth Partnership, L.P., or an affiliate to provide event room blocks in the hotel expansion to potential Convention Center customers for a period of at least 12 years after the opening of the hotel.
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DISCUSSION:

Omni Fort Worth Partnership, L.P., or an affiliate (Developer) intends to construct an expansion of the Omni Fort Worth Hotel by developing an additional 400 rooms in a high-rise building generally located on property bound by Houston St., W. 14th St., Throckmorton St., and Lancaster Ave. (the Expansion Site). The hotel will contain approximately 50,000 square feet of combined meeting space, which may include ballroom, conference, boardroom, or other conference or event space. The building footprint of the hotel will be extended to meet the sidewalk fronting Lancaster Avenue. Developer agrees to comply with the Downtown Urban Design Standards and Guidelines and any restrictions, standards, or requirements imposed by the Downtown Design Review Board or any similar formal body duly designated to guide, preserve, and enhance the character, materials, and design of development within the City of Fort Worth. Total investment will be at least \$174 million in total development costs, of which at least \$110 million will be hard construction costs.

In order to facilitate this development, the City of Fort Worth (City) proposes to provide a one-time cash grant of up to \$40,000,000 (gross), as authorized by Chapter 380, Texas Local Government Code. The grant will be tied to the amount of investment made by the Developer and satisfaction of other project and spending requirements, as follows:

Investment:

Failure to meet the following criteria is an event of default, which subject to commercially reasonable notice and cure rights, will, at City's election, result in immediate termination of the Agreement except where otherwise discussed below in City Commitments with respect to a failure by Developer to meet the Total Development Costs required under the Base Commitment.

- Minimum investment of \$174 million in Total Development Costs. Of this, a minimum \$110 million shall be Hard Construction costs (together the "Base Commitment");
- Minimum 400 new hotel rooms in the expansion building;
- Must contain 50,000 square feet of combined meeting space, which may include ballroom, conference, boardroom, or other conference or event space;
- Must be completed by December 31, 2023;
- Must comply with the Downtown Urban Design Standards and Guidelines and any restrictions, standards, or requirements imposed by the Downtown Design Review Board or any similar formal body duly designated to guide, preserve, and enhance the character, materials, and design of development within the City of Fort Worth.

Other Developer Commitments:

- Hotel Property must operate at all times in accordance with the Omni brand standards or must operate and market itself at all times as a full-service Forbes Travel Guide Four Star Hotel;
- Developer will, with reasonable notice and restrictions, make available to the City up to 25 rooms per annum without charge to the City for purposes of promoting the economic development of the city or region.

Utilization of Certified Minority and Women Business Enterprise (M/WBE) Companies(Real Property Improvements):

The Developer will be required to spend 15 percent of aggregate hard and soft construction costs with contractors that are Certified Minority and Women Business Enterprise (M/WBE) Company A Certified M/WBE Company is a minority or woman-owned business that (i) has received certification as either a minority business enterprise (MBE), a woman business enterprise (WBE), or a disadvantaged business enterprise (DBE) by the North Central Texas Regional Certification Agency (NCTRCA), D/FW Minority Supplier Development Council (MSDC) or Women's Business Council – Southwest (WBC) and (ii) has a Principal Office located within Tarrant, Dallas, Denton, Johnson, Parker or Wise Counties. Failure to meet this requirement will result in a reduction of the Grant by 10 percentage points.

Exception to Economic Development Program Policy:

Section 13 of the City Council's Economic Development Program Policy, adopted pursuant to Resolution No. 5039-01-2019, provides that an eligible hotel project may receive an Economic Development Program grant that is based on a percentage of annual tax revenues that the City receives in a particular year. The City intends to produce funding for a one-time cash grant to be delivered to the Developer following project completion that are sourced from bond proceeds to be funded by incremental City tax revenue associated with the Fort Worth Omni Hotel, including new incremental City Hotel Occupancy Taxes. Staff recommends that the City Council make an exception to the Economic Development Program Policy to allow this hotel project to receive an economic development program grant as outlined in this M&C below.

City Commitments:

No later than 120 days from the date Developer delivers to City a Notice of Completion, subject to verification and certification as to whether and to what degree Developer commitments were met, City will deliver to Developer a maximum one-time cash grant of \$40,000,000.00, subject to reduction in accordance with the Agreement. The grant will be funded by a revenue bond issuance, subject to approval of the City's bond counsel and the Texas Attorney General. Because it is anticipated that the bond structure will involve a pledge of local hotel occupancy taxes attributable to the hotel, it may be necessary for Developer to convey the Expansion Site to the City, and for the City to lease that property back to Developer, in order to comply with requirements under the Texas Tax Code. In this event, City staff will prepare the necessary documents and M&C for the City Council to consider.

Room Block Agreement:

The Developer and the City will execute an amendment to the existing Room Block Agreement (CSC No. 31738) to clarify that the Room Block Agreement applies to the entire 1,000 rooms comprising the Hotel Property and to revise provisions of the RBA consistent with that.

This project is located in COUNCIL DISTRICT 9.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval, the grants provided under this agreement will be built into the City's long-term financial forecast with a maximum grant award of \$40,000,000.00.

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