

Mayor and Council Communication

DATE: 01/25/22

M&C FILE NUMBER: M&C 22-0068

LOG NAME: 17MPMAGNETICSTA

SUBJECT

(CD 7) Authorize Execution of a Seven-Year Tax Abatement Agreement with MP Magnetics LLC, or Affiliates, for the Development of a 200,000 Square Foot Corporate Office and Manufacturing Facility Having a Cost of at Least \$100 Million, Located at 13840 Independence Parkway in Tax Abatement Reinvestment Zone No. 103, City of Fort Worth, Texas

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of a seven-year Tax Abatement Agreement with MP Magnetics LLC, or Affiliates, for the development of a 200,000 square foot corporate office and manufacturing facility having a cost of at least \$100 million, located at 13840 Independence Parkway in Tax Abatement Reinvestment Zone No. 103, City of Fort Worth, Texas; and
2. Find that the terms of, and the property subject to, the Tax Abatement Agreement meet the criteria and guidelines set forth in the City of Fort Worth's General Tax Abatement Policy (Resolution No. 5337-01-2021).

DISCUSSION:

MP Magnetics LLC is a company that manufactures rare earth materials. Founded in 2017, the company is based in Las Vegas, Nevada. MP Magnetics LLC is rapidly expanding its presence and market share in the United States (U.S). In addition to advanced manufacturing, functions within the City of Fort Worth (City) facility will include housing the North American headquarters operations as well as product design and prototyping.

Following a multi-state site selection process, an existing facility located at 13840 Independence Parkway (Project Site) in Fort Worth was identified for the 200,000 square foot manufacturing location. The property will be owned by MP Magnetics LLC or an Affiliate (MP Magnetics).

In order to facilitate the establishment of MP Magnetic's U.S. headquarters, the City proposes to provide seven annual tax abatements to MP Magnetics with an estimated total value of \$2,762,300.00. The tax abatement will be tied to the amount of investment made by MP Magnetics and satisfaction of other project and spending requirements, as follows:

Investment:

1. MP Magnetics must expend a minimum of \$40,000,000.00 in total construction costs at the Project Site on or before December 31, 2023;
2. MP Magnetics must locate taxable business personal property (BPP) that is new to the City at the Project Site having a minimum taxable appraised value of \$60,000,000.00 by January 1, 2024; and
3. MP Magnetics will be required to spend 15 percent of hard and soft construction costs with contractors that are Business Equity Firms. Failure to meet this requirement will result in a reduction of the grant by 10 percent.

MP Magnetics must provide a minimum of 30 full-time jobs on the Project Site by December 31, 2023 and maintain a minimum total of 30 full-time jobs on the at the Project Site for the term of the agreement.

Average annual salary for all full-time jobs must be a minimum of \$80,390.00. Salary includes direct pay and planned bonuses, but not benefits, expense reimbursements, or discretionary bonuses.

City Commitments:

1. The City will enter into a Tax Abatement Agreement with MP Magnetics for a term of seven years;
2. A percentage of MP Magnetics abatement will be tied directly to its ability to provide a minimum of number of full-time jobs at the Project Site by certain dates. At a minimum, MP Magnetics must provide 30 full-time jobs on the Project Site on or before December 31, 2023 and retain such jobs throughout the term of the Agreement. The abatement percentage will graduate up if Company meets the minimum annual employment thresholds set forth in the table below Failure to meet the employment commitment will result in a reduction of the corresponding component of the abatement for that year proportional to the amount the commitment was not met.
3. The amount of real property and BPP taxes to be abated in a given year will be equal to up to sixty percent (60%) of the incremental value of the property as determined by the Tarrant Appraisal District multiplied by the applicable tax rate for the year. At no time will the cumulative amount of the abatement exceed the lesser of (i) \$2,762,300.00 or (ii) one hundred fifty percent (150%) of the amount of the minimum capital investment expenditure for the Real Property Improvements and BPP. The percentage abatement will be calculated per the table below; and
4. The first year in which MP Magnetics will be eligible to receive a tax abatement is the 2024 tax year, based on MP Magnetic's compliance with minimum construction costs for the development and compliance with all other commitments during 2023.

TABLE - Maximum Potential Abatement with Corresponding Components:

Property Owner or Company Commitment	Year 1 Potential Abatement	Year 2 Potential Abatement	Year 3 Potential Abatement
Base Commitment:			
Real and Business Personal Property Investment = \$100M	5.0 percent	5.0 percent	5.0 percent
BEF Commitments (15% of Total Construction Costs)	10.0 percent	10.0 percent	10.0 percent
Annual Commitments:			
Average Annual Salary for 30-90 Full-Time Jobs > \$80,390.00	2.5 percent	2.5 percent	2.5 percent
Overall Employment >=30 (as applicable)	2.5 percent	2.5 percent	2.5 percent
Overall Employment >=60 (as applicable)	-	20.0 percent	20.0 percent
Overall Employment >= 90 (as applicable)	-	-	20.0 percent
Total	20.0 percent	40.0 percent	60.0 percent

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 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: Jay Chapa 5804

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact:
 Robert Sturns 2663
 Kelly Baggett 2617