

Mayor and Council Communication

DATE: 12/10/24

M&C FILE NUMBER: M&C 24-1156

LOG NAME: 17ARIATEDPA

SUBJECT

(CD 10) Authorize Execution of an Economic Development Program Agreement with Ariat International, Inc. or Affiliate, for the Expansion of its Regional Headquarters at 15201 Blue Mound Road and for the Construction and Operation of a New Regional Distribution Center Generally Located at 2501 Eagle Parkway

RECOMMENDATION:

It is recommended that the City Council authorize execution of an Economic Development Program Agreement with Ariat International, Inc. or affiliate, for the expansion of its regional headquarters at 15201 Blue Mound Rd. and for the construction and operation of a new regional distribution center generally located at 2501 Eagle Parkway to provide a one-time grant from the Economic Development Initiatives Fund and up to five Economic Development Program grants based on the new incremental value of City Maintenance and Operations taxes from property associated with the project, subject to certain performance requirements relating to real property improvements, equipment installations, and new employment.

DISCUSSION:

Ariat International, Inc. (Company) is a performance footwear and clothing company focused on equestrian sports, work, and outdoor gear. Company currently has a regional distribution hub and corporate office that serves as its western U.S. regional headquarters in Fort Worth, Texas and is proposing an expansion of its presence in Fort Worth that would result in approximately \$72,600,000.00 in new capital investment and an additional 250 jobs.

Company is seeking a regional corporate expansion that will involve approximately \$8,900,000.00 in real property improvements, equipment, and other related expenditures (Phase 1 Project). The Phase 1 Project will accommodate 150 employees with \$95,000.00 average salaries.

Additionally, Company is seeking to establish a new regional distribution hub generally located at 2501 Eagle Parkway that will involve approximately \$63,700,000.00 in real property improvements, equipment, and other related expenditures (Phase 2 Project). The location will accommodate 100 employees. The average salaries of the combined project (Project) will be \$70,000.00.

Company Commitments:

1. Company must expend a minimum of \$6,900,000.00 in total construction cost as part of the Phase 1 Project on or before December 31, 2027 and a minimum \$19,900,000.00 in total construction costs as part of the Phase 2 Project on or before December 31, 2027, for \$26,800,000.00 in total real facility improvements.
2. Company must install at least \$2,000,000.00 in taxable business personal property (BPP) that is new to the City at the Phase 1 Project site on or before January 1, 2028. Company must install \$43,800,000.00 in taxable business personal property (BPP) that is new to the City at the Phase 2 Project site on or before January 1, 2028.
3. Company is committing to expend or cause to be expended at least 15% of all construction costs (Hard and Soft) for the Project as defined in Chapter 20, Article X of the City Code. Failure to meet this commitment will not constitute a default, but will result in a 10% reduction of any grant payable by City to Company as discussed below.
4. Company must provide a minimum of 100 full-time jobs on the Phase 1 Project site on or before December 31, 2029, with average annual salaries of at least \$95,000.00 for the duration of the Agreement. Company must also provide an additional 150 jobs on the Phase 2 Project site by December 31, 2031, for a cumulative job total of 250 minimum jobs and maintain that level for the duration of the agreement, with a combined average salary of at least \$70,000.00 across the Phase 1 Project and Phase 2 Project.

Company will commit to certain other performance and reporting requirements as specified under the Agreement.

City Commitments:

The City will enter into an Economic Development Program Agreement (Agreement) with Company, as authorized by the Chapter 380, Texas Local Government Code and as authorized under the City's Policy for Economic Development Program Agreements, to provide 1) a one-time grant from the Economic Development Initiatives Fund (EDIF) of up to \$300,000.00 following initial completion of the Phase 1 Project and 2) up to five annual Economic Development Program Agreement grants based on 70% of the Maintenance and Operations of incremental City property taxes on real and business personal property. The term of the Agreement will end ten years following December 31 of the year in which Company completes the Phase 1 Project.

The EDIF grant will be subject to certain conditions providing for the recapture of funds granted to Company by the City (Clawback) as specified

under the Agreement. Forfeiture of grants will apply for failure to maintain average salary commitments in all years during the term of the agreements and for failure to meet milestone requirements for real property investment, BPP assessments, and employment.

Additional penalties and forfeitures apply for failure of Company to deliver certain other commitments beyond those that may be indicated above.

An estimated \$4,658,825.00 in new incremental property tax revenue generated by the delivery of the project will be reduced by \$1,288,418.00, resulting in the collection of \$3,370,407.00 in net new incremental property tax revenue of over the ten-year period following project completion. Additionally, \$300,000.00 from the Economic Development Initiatives Fund (EDIF) will support a portion of grants to be provided under the Economic Development Program Agreement.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this agreement will have no material effect on the Fiscal Year 2025 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