

# Mayor and Council Communication

**DATE:** 01/26/21

**M&C FILE NUMBER:** M&C 21-0071

**LOG NAME:** 17EDPAOATLY

**SUBJECT**

(CD 8) Authorize Execution of an Economic Development Program Agreement with Oatly, Inc., or an Affiliate, for the Development of a Manufacturing Production Facility Located at 7550 Oak Grove Road

**RECOMMENDATION:**

It is recommended that the City Council authorize the execution of an Economic Development Program Agreement with Oatly, Inc., or an Affiliate, for the development of a manufacturing production facility located at 7550 Oak Grove Road.

**DISCUSSION:**

Oatly, Inc. is a lifestyle branded producer of superior, plant-based, alternative dairy products. The parent company is based in Malmo, Sweden, where it originated for about 25 years. The United States (U.S.) headquarters are based in New York and the parent company is located in Sweden.

Oatly is rapidly expanding its presence and market share in the U.S. Oatly currently has two production facilities in New Jersey and Utah and is looking to build a third production facility in Fort Worth.

Following a multi-state site selection process, an existing facility located at 7550 Oak Grove Road (Project Site) in south Fort Worth was identified for the third location (280,000 square feet).

In order to facilitate the expansion, the City proposes to provide five annual Economic Development Program grants to Oatly, as authorized by Chapter 380, Texas Local Government Code. The grant funds will be built into the City's long-term financial forecast for the General Fund with an estimated grant award of \$1,093,970.00. The grants will be tied to the amount of investment made by Oatly and satisfaction of other project and spending requirements, as follows:

**Investment:**

1. Oatly must expend a minimum of \$36,000,000 in total construction costs at the Project Site on or before December 31, 2024;
2. Oatly must locate taxable business personal property (BPP) that is new to the City of Fort Worth at the Project Site having a minimum taxable appraised value of \$48,000,000 by December 31, 2025.
3. Oatly will be required to spend 15 percent of hard and soft construction costs with contractors that are Certified Minority-Owned Business Enterprise - Failure to meet this requirement will result in a reduction of the grant by 10 percent.

Oatly must provide a minimum of 50 full-time jobs on the Project Site as of December 31, 2025 and maintain a minimum total 50 full-time jobs on the Project Site for the term of the agreement.

Average annual salary for all full-time jobs must be a minimum of \$46,325.00.

“Salary” includes direct pay and planned bonuses, but not benefits, expense reimbursements, or discretionary bonuses.

**City Commitments:**

The City will make up to five annual Economic Development Program grants to the company equal to up to 40 percent of City's ad valorem tax revenue subject to the following conditions. Grant payments will be calculated based on the City's incremental ad valorem taxes attributable to the taxable real and business and personal property that are new to the City of Fort Worth located on the Project Site. Except for cases of default, failure to meet a commitment will result in a reduction of the corresponding component of the grant for that year as guided by table I below.

**TABLE I Maximum Potential Grant with Corresponding Components:**

Property Owner or Company Commitment	Potential Grant
\$84M Real and Business Personal Property Investment (Base Commitment)	20 percent
Average Annual Salary > \$46,325	5 percent
Overall Employment >=50 (as applicable)	5 percent
MBE Commitments	10 percent
<b>Total</b>	<b>40 percent</b>

The City of Fort Worth is prepared to submit an application for an Enterprise Zone Project Designation on behalf of Oatly, Inc. based upon eligible project investment and the creation/retention of jobs. The Enterprise Zone Program rebates the state's 6.25% sales tax back to the designee over a five-year period. Investment amounts that exceed \$100,000,000.00 can receive a rebate up to \$1,250,000.00 over a five-year program period. The maximum refund per job allocated is \$2,500.00

The company is located in District 8.

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**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.

**Submitted for City Manager's Office by:** Jay Chapa 5804

**Originating Business Unit Head:** Robert Sturns 2663

**Additional Information Contact:** Robert Sturns 2663

Expedite Requested