

**To the Mayor and Members of the City Council**

**January 14, 2025**

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**SUBJECT: RESULTS FOR INCENTIVE AGREEMENTS REVIEWED IN FY 2024**

The purpose of this Informal Report is to provide a brief overview of the incentive compliance review process for economic development incentive agreements and results on Tax Year 2023 commitments with abatements and grants in Fiscal Year 2024. For purposes of incentive review, payments for Fiscal Year 2024 are calculated from taxes generated the prior year (in this case Tax Year 2023). The Economic Development Department continues to pursue projects with strong capital investment and/or job growth in collaboration with the Economic Development Partnership

The table below details the new projects approved by the City Council in FY24 that will be added to our compliance report once the completion deadlines have been met:

<b>Project (Incentive Type)</b>	<b>Company Name</b>	<b>Total Capital Investments Commitment</b>	<b>Employment Commitment</b>	<b>Average Salary Commitment</b>
ITS Logistics (380)	ITS Logistics	\$1,000,000	250	\$100,000
MP Materials Expansion (TEZ)	MP Materials LLC	\$172,530,025	350	\$120,784
Recaro (TEZ)	Recaro Aircraft Seating, Inc	\$10,000,000	439	\$80,000
Elbit (TEZ)	Elbit America Inc.	\$8,300,000	640	\$95,000
Project Lone Star (TA)	GE Aerospace	\$50,000,000	100	\$70,000
UTA West* (380)	University of Texas at Arlington	N/A	N/A	N/A
<b>Total</b>		<b>\$241,830,025</b>	<b>1,779</b>	<b>\$95,668.58</b>

\* Grant from Economic Development Initiatives Fund (EDIF) subject to other project performance requirements. Texas Enterprise Zone Projects (TEZ) are State sales & use tax exemptions with no fiscal impact to the City.

The City of Fort Worth considers several potential types of economic development incentives that are targeted and further the City's economic development goals and strategies. Incentives are typically for projects that would not occur in the City "but for" the incentive. Reviewing performance by those who enter into an incentive agreement with the City is an important part of the process.

The primary incentive tools that are utilized for business attraction and job creation are tax abatements and Chapter 380 Economic Development Program Agreements. Tax abatements provide a full or partial exemption from new incremental ad-valorem taxes on real and/or business personal property for up to 10 years. The exemption is based on performance terms under the agreement and is applied before the company pays any taxes. Chapter 380 agreements allow the City to provide grants that are based on a percentage of the new incremental taxes (combination of real property, business personal property, sales, hotel occupancy tax based on specific project requirements) created by the project. The grants are paid from new taxes generated the previous year and are based on meeting the defined performance criteria under the agreement. The City generally limits the term of Chapter 380 agreements to 15 years, but there is no defined term limit under State law.

This year compliance staff reviewed eleven tax abatement agreements and thirty-six economic development program agreements (Chapter 380), making FY24 the largest compliance year for Economic Development.

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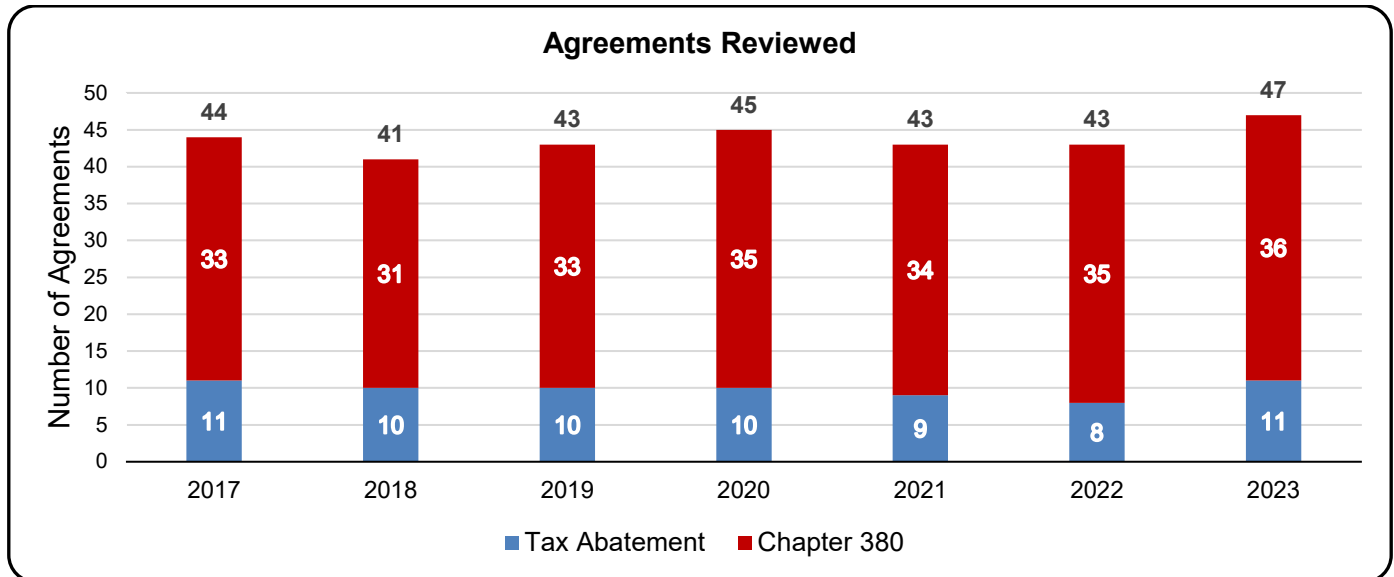
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Of the agreements reviewed, one Chapter 380 and two tax abatements were new, and this year represented a review of their first construction reports.



**Construction Completion Review**

All companies with either a Tax Abatement Agreement or Economic Development Program Agreement must submit a construction completion report and supporting documentation upon completion of construction or phase. The Economic Development Department verifies construction documentation for projects that are newly completed and reviews performance documentation for all other active agreements. The purpose of the review is to determine compliance with each requirement of the agreement and calculate the percentage of taxes to be abated or reimbursed to the company based on the terms of the agreement. In addition to minimum dollar amounts of construction investment requirements, incentive agreements historically tied a portion of the possible incentive to spending with Fort Worth Businesses and Fort Worth M/WBE's. Agreements negotiated since 2019, tie a portion of possible incentives to construction spending with Business Equity Firms (BEF) due to revisions in the incentive policy to align with the Business Equity Ordinance.

The additional gross revenue generated by the 47 agreements totaled \$65 M with \$59.4 M to the General Fund and \$5.6 M to the Culture and Tourism Fund. Overall, this constitutes roughly 6.5% percent of the City's total revenues from the corresponding tax categories in FY24.

Revenue Source	Tax Abatement Levied Taxes TY23	Chapter 380 Levied Taxes TY23	TY23 Totals
Real and Business Personal Property and Sales Tax	\$ 7,897,853	\$51,510,213	\$59,408,066

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Hotel Occupancy Tax	\$ -	\$ 5,630,375	\$ 5,630,375
<b>Total</b>	<b>\$ 7,897,853</b>	<b>\$57,140,588</b>	<b>\$65,038,441</b>

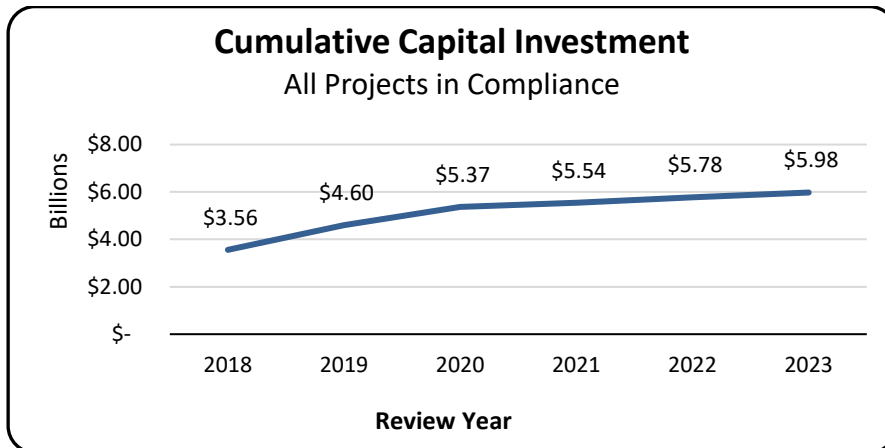
One agreement involved a project completion:

- Crescent Hotel

Crescent Hotel’s minimum project private investment for construction was \$200 M, and their actual capital investment was \$200.9 M. Crescent Hotel did achieve the maximum construction incentive due to their overperformance on construction participation with BEFs.

Company	Overall Capital Investment	Max Base Incentive	Base Incentive Earned
Crescent Hotel	\$200,292,725	N/A	N/A
<b>Total Capital Investment</b>	<b>\$200,929,725</b>		

The cumulative private capital investment delivered from the economic development program is approximately \$6 billion as shown in the chart below. The chart only includes verified investment amounts for clarity.



The combined construction costs and business personal property value of projects in the compliance process has been steadily increasing throughout the years even as older projects’ incentive terms complete and are taken out of the incentive review purview. The cumulative capital investment has risen by about \$1.38 billion in the last five years. While not as large as last year’s \$2.2 billion five-year cumulative capital investment snapshot; it remains a robust indication of positive growth in the scope and quality of newer projects.

Tax Year 2023 is the first year that completed construction spending commitments requiring projects to utilize Fort Worth businesses and Fort Worth MWBE vendors have been replaced by construction commitments for projects utilizing Business Equity Firms (BEFs). As such, BEFs received a verified \$28.3

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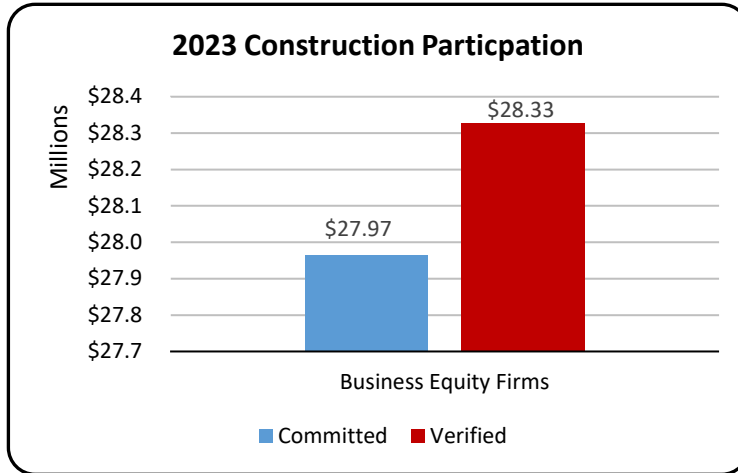
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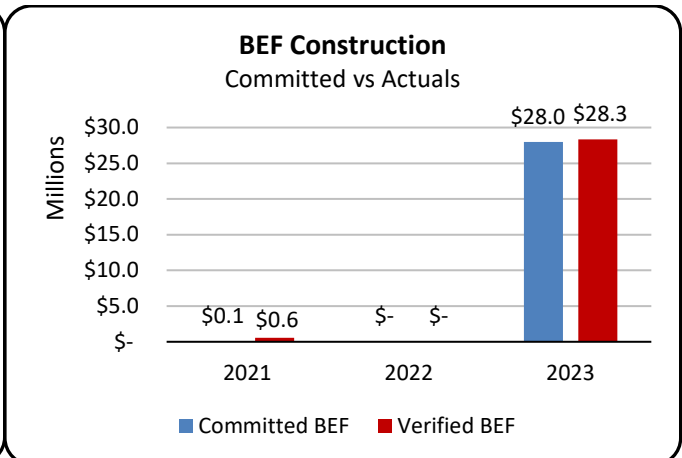
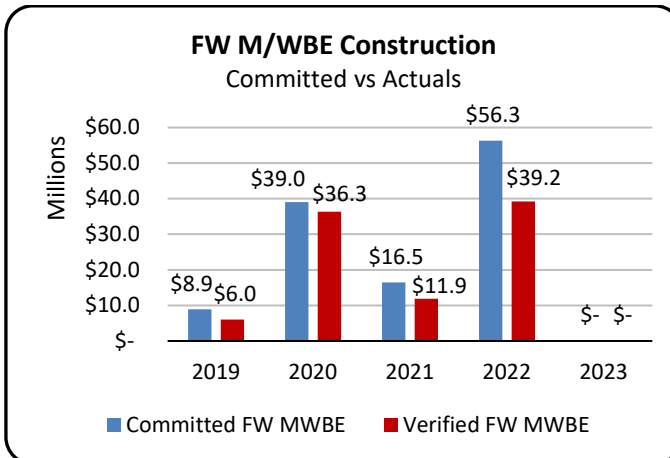


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M in construction spending from the Crescent Hotel project, which had committed to spending \$27.97 M with BEFs. The following graph depicts BEF construction spending.



In 2021, new policies for tax abatements and Chapter 380s were approved to align with a city ordinance transforming the Fort Worth M/WBE construction commitment into the Business Equity Firm (BEF) construction commitment. We are also continuing discussions with our Department of Diversity and Inclusion to determine the most effective way to engage our Business Equity Firms on these projects to increase our overall participation. The charts below document five years of review results across this transition:



**Annual Review**

In addition to construction spending, ongoing employment and business supply and service participation commitments are reviewed against applicable requirements under the agreements. All companies with City incentive agreements must submit an annual report and supporting documentation by February 1<sup>st</sup>.

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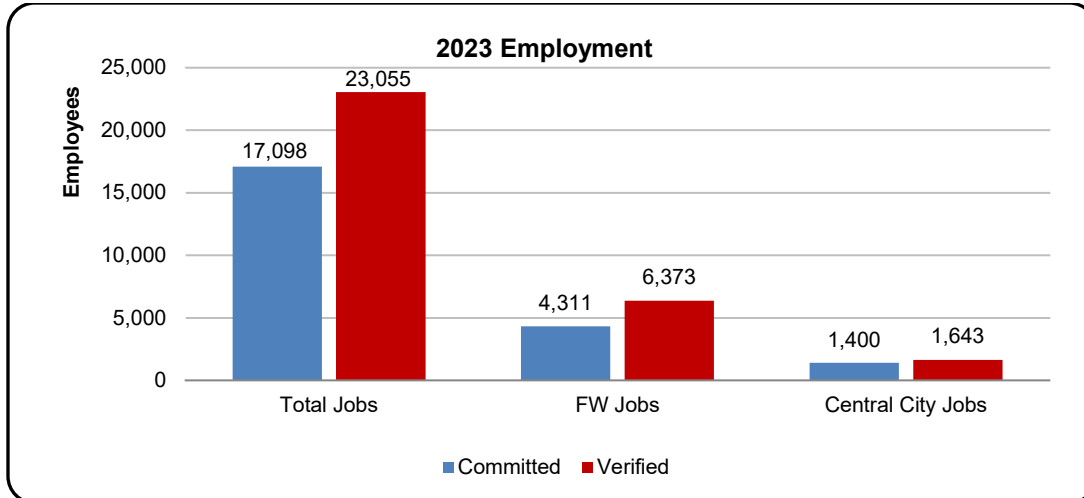
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All categories of the employment commitments had verified numbers that well exceeded minimum commitments. The 2023 Employment figures across all projects are illustrated below:



Under previous policies, there was not a specific commitment to meet a defined wage threshold for new jobs created. The wage threshold under the current policy is \$55,000 and will be increasing in the upcoming 2025 policy update. Two of the projects reviewed had annual average salary commitments, Ariat and Linear Labs. Both projects were verified to have exceeded the minimum average salary threshold. The salary review results are displayed in the following table:

<b>Project</b>	<b>Salary Commitment</b>	<b>Salary Verified</b>	<b>Number of Jobs</b>
Ariat	\$43,992.00	\$63,300.33	609
Linear Labs	\$70,000.00	\$138,156.00	10

With regard to supply and service commitments, the verified spending with Fort Worth Businesses was 180% of the committed value, while the verified Fort Worth M/WBE spending was 68% of the committed value. Verified supply and service numbers for Tax Year 2023 are shown in the chart below. Projects that did not meet their supply and service commitments for the year received reductions to their annual incentive based on the negotiated terms of the agreement.

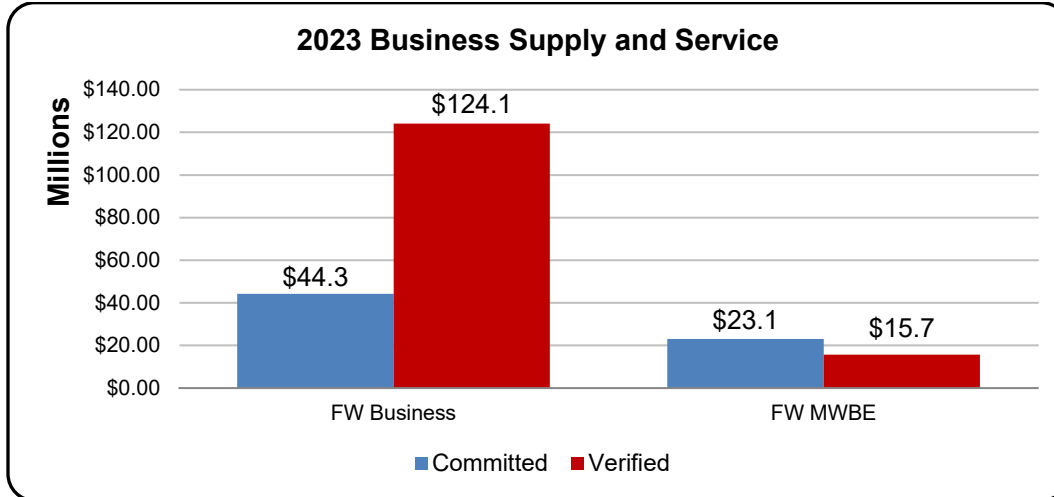
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Based on the projects' annual performance towards capital investment, employment, and supply and service commitments, the projects were entitled to receive approximately \$38.9 M in TY23 under their contracts with the City. The table below shows the detailed breakdown of the grants and abatements:

Revenue Source	Tax Abatements Granted	Chapter 380s Granted	Annual Total
Real and Business Personal Property and Sales Tax	\$883,029	*\$34,042,403	<b>\$34,925,432</b>
Hotel Occupancy Tax	N/A	\$ 3,977,798	<b>\$ 3,977,798</b>
<b>Total</b>	<b>\$883,029</b>	<b>\$38,020,201</b>	<b>\$38,903,230</b>

\*Excludes a \$305,000 grant payment made to the FW Housing Finance Corporation for projects in lieu of an affordable housing commitment at \$200 per residential unit on the project site.

- \$157,800 – Clearfork Project
- \$147,200 – Waterside Project

After payment of the grants and abatements, projects with active economic development agreements provided almost \$26.1 M in new net tax revenue to the City in Tax Year 2023, of which \$24.5 M went to the General Fund and \$1.7 M to the Culture and Tourism Fund. This represents approximately 2.61% of the City's total revenues from the corresponding tax categories.

Summary of 2023 Taxes Collected from Companies with Incentive Agreements			
Revenue Source	Project Tax Revenue	Granted or Abated	Annual Net to City
Real and Business Personal Property and Sales Tax*	\$59,408,067	\$34,925,432	<b>\$24,482,635</b>
Hotel Occupancy Tax	\$ 5,630,375	\$ 3,977,798	<b>\$ 1,652,577</b>

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<b>Total</b>	<b>\$65,038,442</b>	<b>\$38,903,230</b>	<b>\$26,135,212</b>
*Sales Tax includes only companies with an incentive based on sales tax.			

The cumulative private investment leveraged by the economic development program totaled approximately \$6.0 billion, making the City's total incentive participation 0.65%, resulting in a private to public investment ratio of 154:1.

If you have any questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-392-2663 or [robert.sturns@fortworthtexas.gov](mailto:robert.sturns@fortworthtexas.gov).

**David Cooke**  
**City Manager**