

Mayor and Council Communication

DATE: 04/11/23

M&C FILE NUMBER: M&C 23-0286

LOG NAME: 17CARHARTTTA

SUBJECT

(CD 7 / Future CD 10) Authorize Execution of a Seven-Year Tax Abatement Agreement with Carhartt Inc., or Affiliate, and Property Owner Exel Inc., or Affiliate, for a Distribution Center to be Located at 16101 Wolff Crossing in Tax Abatement Reinvestment Zone No. 105, 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 Carhartt Inc., or affiliate, and property owner Exel Inc., or Affiliate, for improvements to an approximately 1.2 million square foot building with the cost of improvements of at least \$50 million, located at 16101 Wolff Crossing in Tax Abatement Reinvestment Zone No. 105, 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. 5909-02-2023).

DISCUSSION:

Carhartt Inc., (Carhartt) is a United States based apparel manufacturer known for its work clothes. Carhartt is family-owned based in Dearborn, Michigan with annual revenue of \$2 billion and over 5,000 employees.

Carhartt is partnering with a third-party logistics provider, who will manage the building, construction and design of a 1.2 million square-foot building located at 16101 Wolff Crossing in Tax Abatement Reinvestment Zone No. 105, City of Fort Worth, Texas (Project Site). Carhartt will lease the property from the current property owner Exel Inc.,(Exel) for a state of the art distribution center space to meet growing, long-term market, investing in machinery and equipment.

In order to facilitate the establishment of Carhartt's distribution center, the City proposes to enter into a tax abatement agreement with Carhartt and Exel. The tax abatement will be tied to the amount of investment made by Carhartt and satisfaction of other project and spending requirements, as follows:

Investment:

1. Carhartt must expend or cause to be expended at least \$50,000,000.00 in new tangible taxable business personal property (BPP) and real property improvements by January 1, 2025; and
2. Carhartt must provide a minimum of 500 full-time jobs on the Project Site by December 31, 2024, with average annual salaries of at least \$55,000.00.

City Commitments:

1. The City will enter into a Tax Abatement Agreement (Agreement) with Carhartt and Exel for a term of seven years.
2. The amount of City BPP taxes to be abated in a given year will be equal to up to seventy percent (75%).
3. The total value of taxes abated under the Agreement will be capped at \$2,000,000.00 (Cap).

TABLE - Maximum Potential Abatement with Corresponding Components:

| Company Commitment | Year 1 -7 Potential Abatement |
|--|-------------------------------|
| Base Commitment: | |
| Real and Business Personal Property Investment = \$50M | 30.0 percent |
| Annual Commitments: | |
| Average Annual Salary for 500 Full-Time Jobs > \$55,000.00 | 25.0 percent |
| Overall Employment>=500 (as applicable) | 20.0 percent |
| Total | 75.0 percent |

By attracting Carhartt, an increase of \$576,844.00 is anticipated in net new taxes on the BPP. The total on BPP would be \$2,307,375.00 without the incentives, but is reduced by \$1,730,531.00 to the \$567,844.00 total. In addition, by attracting Carhartt, anticipated new taxes of

\$2,613,894.00 would be recognized on the real property improvements of \$60,000,000.00 being constructed by the 3rd party on the Project Site.

| Incremental Property Taxes from Project | Real | BPP | Total |
|--|--------------|----------------|----------------|
| Total Est. Incremental City Property Taxes Produced by Project | 2,613,894.00 | 2,307,375.00 | 4,921,269.00 |
| Total Est. Abatement of City Property Taxes | - | (1,730,531.00) | (1,730,531.00) |
| Total Est. Net City Property Taxes During Term | 2,613,894.00 | 576,844.00 | 3,190,738.00 |

Total net new taxes over seven years are estimated at \$3,190,738.00.

The project is located in COUNCIL DISTRICT 7 / Future COUNCIL DISTRICT 10.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon final approval of the Tax Abatement Agreement, an estimated loss of \$1,730,531.00 in property tax revenue may occur over the next seven year period. This reduction in revenue will be incorporated into the long term financial forecast upon the Tax Abatement being officially granted.

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Expedited