

Mayor and Council Communication

DATE: 10/15/24

M&C FILE NUMBER: M&C 24-0882

LOG NAME: 17EMBRAER_TA

SUBJECT

(CD 10) Authorize Execution of a Seven-Year Tax Abatement Agreement with Embraer Aircraft Maintenance Services, LLC, or Affiliate, for Development of a Maintenance, Repair and Overhaul Operation Facility for Commercial Aircraft and Related Parts at an Approximately 16-Acre Greenfield Site in Tax Abatement Reinvestment Zone No. 111, 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 Embraer Aircraft Maintenance Services, LLC, or affiliate for the development and operation of their aircraft maintenance, repair and overhaul facility at a greenfield site in Tax Abatement Reinvestment Zone No. 111, 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. 5709-02-2023).
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DISCUSSION:

The purpose of this Mayor and Council Communication is to approve a tax abatement for development and operation of a maintenance, repair and overhaul facility for commercial aircraft and related parts.

Embraer Aircraft Maintenance Services, LLC, (Embraer AMS) or affiliate, a subsidiary of Embraer S.A., is a full-service provider of heavy maintenance and repair for Embraer aircraft, with U.S. headquarters in Nashville, Tennessee, and additional location at Macon, Georgia. Embraer AMS is proposing to develop a new facility in Fort Worth on a greenfield site in proximity to the Perot Field Fort Worth Alliance Airport (Project Site).

In order to facilitate investment in Embraer AMS's new facility, the City proposes to enter into a Tax Abatement Agreement with Embraer AMS. The tax abatement will be tied to the amount of investment made by Embraer AMS and satisfaction of other project and spending requirements, as follows:

Investment:

1. Embraer AMS must expend a minimum of \$42,000,000.00 in total construction costs at the Project Site on or before December 31, 2026; and
2. Embraer AMS must install taxable business personal property (BPP) that is new to the City at the Project Site having a minimum taxable appraised value of \$13,500,000.00 by January 1, 2027; and Embraer AMS is committing to expend or cause to be expended at least 15 percent of all hard and soft construction costs for the project with contractors that are Business Equity Firms. Failure to meet this commitment will result in a reduction of the tax abatement by 10 percent.

Embraer AMS must provide a minimum of 100 additional full-time jobs at the Project Site on or before December 31, 2026, and reaching a total of 250 full-time jobs at the Project Site on or before December 31, 2029, and maintain that level for the duration of the agreement, with an average salary of at least \$67,000.00. The annual abatement will be forfeited for any year in which a \$67,000.00 average salary minimum is not met.

City Commitments:

1. The City will enter into a Tax Abatement Agreement with Embraer AMS for a term of seven years; and
2. The amount of incremental City real property and BPP taxes to be abated in a given year will be equal to up to fifty percent (50%).

The abatement is subject to company performance requirements as outlined above and as will be more specifically detailed within the Tax Abatement Agreement.

The project will result in an estimated \$2,453,080.00 in new incremental property tax to the City associated with the Project being reduced by \$1,226,540.00, resulting in the collection of \$1,226,540.00 in net new incremental property tax revenue over the next seven-year period.

The project is located in COUNCIL DISTRICT 10.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon final approval of the Tax Abatement Agreement, this agreement will have no material effect on the Fiscal Year 2025 Budget. This impact to revenue will be incorporated into the long-term financial forecast upon the Tax Abatement being officially granted.

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