

Mayor and Council Communication

DATE: 08/17/21

M&C FILE NUMBER: M&C 21-0573

LOG NAME: 17RIVIANEDPA

SUBJECT

(CD 3) Authorize Execution of an Economic Development Program Agreement with Rivian Automotive, LLC, or an Affiliate, for the Construction and Operation of New Facilities for Vehicle Manufacturing, Vehicle Component Manufacturing, and Development Center; and Adopt the Attached Resolution Nominating this Project as an Enterprise Project Pursuant to Chapter 2303, Texas Government Code

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize an Economic Development Program Agreement with Rivian Automotive, LLC, or an affiliate, for the construction and operation of new facilities for vehicle manufacturing, vehicle component manufacturing, and development center on the terms set forth below in the discussion; and
 2. Adopt the attached Resolution nominating this Project as an Enterprise Project, pursuant to the Texas Enterprise Zone Act, Chapter 2303 of the Texas Government Code.
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DISCUSSION:

Rivian Automotive, LLC, (Company) is an American, all-electric vehicle manufacturer specializing in high-performance, all-electric trucks and SUVs. Founded in 2009, the Company has grown to more than 7,000 employees nationwide, with its corporate headquarters in Irvine, California and other offices and production facilities located across the United States and abroad, including vehicle production in Normal, Illinois, supplier engineering and administrative functions in Plymouth, Michigan, and software design in Palo Alto, California. In addition to the Company's production of initial consumer models, the R1T and R1S, the Company is under contract with Amazon for a 100,000-vehicle order of all-electric delivery vans and is exploring opportunities to further its rapid growth and expansion.

In order to support plans for expanded production, the Company is conducting a competitive, national site selection process for a 2,000-acre site for the construction of 12 million square feet of new facilities for i) vehicle manufacturing, ii) vehicle component manufacturing, and iii) a new development center (Project). The Project will lead to at least \$5 billion in direct capital investment and the direct creation of more than 7,500 new jobs. The proposed site for the Project is located on approximately 2,000 acres within Walsh Ranch near Interstate-20 and Bently Road (Project Site) in the City of Fort Worth's extra-territorial jurisdiction.

In order to facilitate the Project, the City proposes to enter into an Economic Development Program Agreement (EDPA) with the Company to provide up to 15 annual grants based on the incremental value of the City's maintenance and operating (M&O) ad-valorem taxes on Company's new real and business personal property at the Project Site and to provide other Project incentives as described below.

Company Commitments:

Company Investment:

The Company must comply with all of the following requirements with respect to the Project:

- By December 31, 2024 (Completion Deadline), the Company must construct new facilities for i) vehicle manufacturing, ii) vehicle component manufacturing, and iii) a new development center at the Project Site as determined by the issuance of a temporary or final certificate of occupancy..
- The Company must expend or cause to be expended a minimum of \$2.0 billion in construction costs on the Project by the Completion Deadline, of which a minimum of \$1.6 billion must be for hard construction costs.
- On or before January 1, 2025, the Company must locate or cause to be located taxable business personal property (BPP) that is new to the City on the Project Site having a minimum taxable appraised value of \$3.0 billion upon the first assessment

Failure to meet these requirements will constitute a default under the EDPA.

Utilization of Certified Minority and Women Business Enterprise (M/WBE) Companies (Real Property Improvements):

The Company will be required to spend at least 15% of hard and soft construction costs with contractors that are a Certified Minority and Women Business Enterprise (M/WBE) Company per Chapter 20, Article X of the City Code. Failure to meet this requirement will result in a reduction of 10% of the maximum Grant percentage

Employment and Salary Commitments:

- The Company must provide a minimum of 1,875 full-time jobs on the Project Site on or before December 31, 2025.
- The Company must provide a minimum of 3,750 full-time jobs on the Project Site on or before December 31, 2026.
- The Company must provide a minimum of 7,500 full-time jobs on the Project Site on or before December 31, 2027.
- The average annual salary for all full-time jobs required under the EDPA must be a minimum of \$56,000.00.

City Commitments:

Economic Development Program Agreement Grants

Pursuant to Section 8 of the Economic Development Program Policy, the City will provide up to fifteen annual grants based on up to 85% of the incremental value of the City’s operating and maintenance ad-valorem taxes on Company’s real and business personal property at the Project Site. The total value of the grants will be capped at \$440,000,000.00 (Program Cap).

The amount of the grants will be determined annually and in accordance with the following table.

Company Commitment	Maximum Grants
Real & Business Personal Property Investment (Base Commitment)	40%
15% M/WBE Contractors	10%
Average Annual Salary for all Full-Time Jobs > \$56,000	15%
Overall Employment >= 1,875 by December 31, 2025	
Overall Employment >= 3,750 by December 31, 2026	20%
Overall Employment >= 7,500 by December 31, 2027	
TOTAL	85%

The grants will begin in the second calendar year following the completion date of the Project, and will be based on the tax year that immediately follows the year in which the completion date occurred. For example, if the Project is completed on December 31, 2024, the grants will be based on the value of property assessed for the 2025 tax year, with the grants paid in calendar year 2026.

Temporary Office Space

As part of the EDPA, the City will provide up to 5,000 square feet of office space (Office Space) for up to 24 months (“Office Lease Term”) for use by Company as a temporary office site during the construction of the new facilities for the Project (“Office Lease”). The Office Lease Term will not exceed the earlier of the completion date or Completion Deadline for the Project.

If the Office Space is located on property owned by the City, the City will, subject to certain conditions identified within the lease document, lease the space to the Company for fair market value, and for the length of the term of the lease, the City will provide an additional EDPA grant based on the fair market value rent so that the annual net rent is \$0.

In the event that the Office Space is located on property not owned by City, the cost to the Company of the Office Lease will be determined in negotiation with City. Only Office Space located within the corporate limits of the City or its extraterritorial jurisdiction will be considered for potential use under the Office Lease. Any costs paid by the City for the length of the term of the lease will be reimbursed to Company through an additional EDPA grant based on the negotiated reimbursement amount.

Any additional grants provided for the Office Space will not be included in the calculation of the Program Cap. The Office lease will be subject to certain mutually agreeable pre-development and construction milestones for the Project, which will be incorporated into a future lease agreement.

Open Space Development Offset

The City, through its recently created Open Space Conservation Program, proposes to acquire or otherwise secure an equal amount of acreage of undeveloped land outside of the Project Site as is found in the building footprint of new vertical construction associated with the Project. Such acreage will be permanently dedicated for conservation as an offset to land development necessary to the project (Open Space Development Offset).

The proposed Open Space Development Offset will be a discretionary program available to Company during the term of the EDPA. On an annual basis, throughout the term of the EDPA, Company will inform the City of whether it intends to allow the City to expend (or offset) its annual Grants payment, either in whole or in part, on the acquisition of land through the Open Space Conservation Program (Land Conservation Request). The cost of any land acquired by City through the Open Space Development Offset program will be deducted from the total value of any annual Grants owed to Company under the EDPA along with a deduction for administration and maintenance of the land purchased under the Open Space Development Offset which will be equal to 10% of the value of the Land Conservation Request.

Resolution Nominating this Project as an Enterprise Project

The City Council previously adopted Ordinance No. 15733 (Mayor and Council Communication (M&C) G-14137) electing to participate in the Texas Enterprise Zone Program. On May 12, 2015, the City Council adopted Ordinance No. 21743-05-2015 (M&C G-18473), amending Ordinance No. 15733 by adding additional potential local incentives that could be made available to qualified businesses under the Texas Enterprise Zone Program. The Office of the Governor Economic Development and Tourism through the Economic Development Bank will consider the Company as an enterprise project pursuant to a nomination and an application made by the City.

The Texas Enterprise Zone Program is an economic development tool for local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas of the State. An enterprise project is defined as a business that is nominated by a municipality or county and then approved for state benefits. Designated projects are eligible to apply for state sales and use tax refunds on qualified expenditures. The level and amount of refund is related to the capital investment and jobs created at the qualified business site.

Company qualifies for a single Enterprise Project Designation. The single project designation allows for a state sales and use tax refund on qualified expenditures of \$2,500 per job, for up to 500 jobs, with a maximum benefit of \$1.25 million over a five-year period. Under the Texas Enterprise Zone Act, at least thirty-five percent of the business' new or retained employees will be residents of an enterprise zone, economically disadvantaged individuals, or veterans. In addition, the jobs will be provided through the end of the designation period or at least three years after the date on which a state benefit is received, whichever is later.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds will be available contingent on the approval of future Fiscal Year operating budget appropriations in the General Fund and the Economic Incentives Fund. Prior to any expenditure being incurred, the Economic Development Department has the responsibility to validate the availability of funds.

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Expedited