

Mayor and Council Communication

DATE: 12/17/19

M&C FILE NUMBER: M&C 19-0417

LOG NAME: 17WATTSWATERTECHNOLOGIESEDPA

SUBJECT

Authorize Execution of an Economic Development Program Agreement with Watts Water Technologies, Inc. or an Affiliate for the Development of a Manufacturing Operation and Office in an Existing Facility located at 425 Everman Parkway (COUNCIL DISTRICT 8)

RECOMMENDATION:

It is recommended that the City Council Authorize the City Manager to execute an Economic Development Program Agreement with Watts Water Technologies, Inc., or an affiliate, related to the development of a Manufacturing Operation and Office in an Existing Facility located at 425 Everman Parkway.

DISCUSSION:

PVI Industries, a manufacturer of industrial and commercial water heaters with worldwide distribution, has been located on the east side of Fort Worth since its inception in the early 1960's. PVI became a cornerstone entity in the newly formed Heating and Hot Water Solutions Platform. PVI, along with AERCO Boiler, Blauvelt NY and AERCO's Tier 1 supplier, Hornet Manufacturing, Hudson MI., form the fabrication and assembly footprint for the Platform. Its Fort Worth facility currently is located at 3209 Galvez Avenue.

Watts Water Technologies, Inc. (Watts) of North Andover, MA completed purchase of PVI Industries LLC in 2016. Currently, PVI occupies seven rooftops in the Fort Worth area and with the Michigan and New York facilities, the total rooftops in the Platform consist of nine rooftops with nearly 500 employees.

In an effort to improve productivity and reduce costs the Platform embarked on a project to explore consolidation of rooftops with an aim at combining core competencies and taking advantage of sourcing and logistics synergies. Synergy improvements began immediately with the purchase of PVI and a detailed evaluation of core competencies was conducted. In the process of the evaluation, expansion capability and the potential for more complimentary acquisitions was also considered.

Following a multi-state site selection process, an existing facility located at 425 Everman Parkway (Project Site) in south Fort Worth was identified for the consolidation and expansion (283,000 square feet).

In order to facilitate the expansion, the City proposes to provide 5 annual Economic Development Program grants to the Developer, 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 \$375,946.00. The grants will be tied to the amount of investment made by the Developer and satisfaction of other project and spending requirements, as follows:

Investment:

Failure to meet the following criteria is an event of default, which subject to commercially reasonable notice and cure rights, will result in immediate termination of the Agreement:

-Watts will expend a minimum of \$8,300,000 in Tenant Improvements (TI) at the Project Site on or before 12/31/2020;

- Watts 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 \$13,200,000 by 01/01/2021.

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

Watts will be required to spend 15 percent of hard and soft construction costs with contractors that are Certified Minority and Women Business Enterprise (M/WBE) Company A Certified M/WBE Company is a minority or woman-owned business that (i) has received certification as either a minority business enterprise (MBE), a woman business enterprise (WBE), or a disadvantaged business enterprise (DBE) by the North Central Texas Regional Certification Agency (NCTRCA), D/FW Minority Supplier Development Council (MSDC) or Women's Business Council – Southwest (WBC) and (ii) has a Principal Office located within Tarrant, Dallas, Denton, Johnson, Parker or Wise Counties. Failure to meet this requirement will result in a reduction of the Potential Grant by 10%.

Employment and Salary Commitments:

The Developer will provide a minimum of 230 full-time jobs on the Project Site as of 12/31/2020 and a minimum total 340 full-time jobs on the Project Site as of 12/31/2023.

Average annual salary for all full-time jobs must be a minimum of \$60,000. "Salary" includes direct pay and planned bonuses, but not benefits, expense reimbursements, or discretionary bonuses.

City Commitments:

The City will make up to 5 annual Economic Development Program grants to the Developer equal to up to 60 percent of City's ad valorem tax revenue subject to the following conditions. Grant payments shall be calculated based on the City's incremental ad valorem taxes attributable to the taxable business and personal property 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
\$13.2 M Business Personal Property Investment (Base Commitment)	20 percent
Average Annual Salary > \$60,000	20 percent
Overall Employment >=230/340 (as applicable)	20 percent
TOTAL	60 percent

Employment Designated Investment Fund

Pursuant to Section 14 of the Economic Development Program Policy, the City will provide a cash grant from the Employment Designated Project Fund of up to \$218,750 to be paid upon the fourth year of operation by the company upon confirmation of job creation and retention. The amount of the grant will be determined by the number of new jobs earning at least \$58,522 annually and per the following table.

TABLE II Maximum Amount Per New Position

Minimum Annual Wage Rate	Maximum Amount Per New Position
\$58,552 - \$73,111	\$1,000
\$73,112 - \$87,671	\$1,500
\$87,672 - \$102,231	\$2,000
\$102,232 or above	\$2,500

This project is located in COUNCIL DISTRICT 8

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendation and award of the contract, funds will be available in the current operating budgets, as appropriated, of the General Fund and the Economic Incentives Fund. The Economic Development Department will be responsible for the administration of the grant. Prior to expenditure being incurred, the Economic Development Department has the responsibility to validate the availability of funds..

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

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact: Brenda Hicks-Sorensen 2606

