

# Mayor and Council Communication

DATE: 09/12/23

M&C FILE NUMBER: M&C 23-0708

LOG NAME: 17SIEMENSTA

**SUBJECT**

(CD 8) Authorize Execution of a Ten-Year Tax Abatement Agreement with Siemens Industry Inc., or Affiliate, and Carter Park East Phase 1, LLC for the Development of a Minimum 540,000 Square Foot Manufacturing Facility Having a Cost of at Least \$125 Million, Located at 7200 Harris Legacy Drive in Tax Abatement Reinvestment Zone No. 106, City of Fort Worth, Texas 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 the execution of a ten-year tax abatement agreement with Siemens Industry Inc., or affiliate, and Carter Park East Phase I, LLC for the development of a minimum 540,000 square foot manufacturing facility having a cost of at least \$125 million, located at 7200 Harris Legacy Drive in Tax Abatement Reinvestment Zone No. 106, City of Fort Worth, Texas;
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); and
3. 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.

**DISCUSSION:**

Siemens Industry Inc. (Siemens), a subsidiary of Siemens AG, is a multinational, German corporation that is the largest industrial manufacturing company in Europe, with operations in more than 190 countries worldwide. Siemens provides products, systems, and services for industrial automation, drives, motors and energy management systems. Siemens has a presence today in Grand Prairie, Texas, and is looking to expand in the region with a second facility for the production of low voltage switchgear and switch boards.

After a competitive site selection process, Siemens selected a site at 7200 Harris Legacy Drive to establish an advanced manufacturing plant (Project Site). The site is owned by Carter Park East Phase 1, LLC (Carter Park East) and includes a building measuring a minimum of 540,000 square feet. Pursuant to a lease with Carter Park East, Siemens, and its affiliates, will be responsible for the design and construction of the improvements for the project.

In order to facilitate the establishment of Siemens's manufacturing operation, the City proposes to enter into a tax abatement agreement with Siemens and Carter Park East. The tax abatement will be tied to the amount of investment made by Siemens and satisfaction of other project and spending requirements, as follows:

**Investment:**

1. Siemens must expend a minimum of \$70,000,000.00 in total construction costs at the Project Site on or before December 31, 2024;
2. Siemens must install \$55 million in taxable business personal property (BPP) that is new to the City at the Project Site having a minimum taxable appraised value of \$45,000,000.00 by January 1, 2025; and Siemens will be required to spend at least 15 percent of hard and soft construction costs with contractors that are Business Equity Firms. Failure to meet this requirement will result in a reduction of the grant by 10 percent.

Siemens must provide a minimum of 167 full-time jobs on the Project Site on or before December 31, 2024, and a minimum of 715 on the Project Site by December 31, 2026 and maintain that level for the duration of the agreement, with an average salary of at least \$63,000.00

**City Commitments:**

1. The City will enter into a Tax Abatement Agreement with Siemens for a term of ten years.
2. The amount of City real property and BPP taxes to be abated in a given year will be equal to up to seventy percent (70%).

**TABLE - Maximum Potential Abatement with Corresponding Components:**

Property Owner or Company Commitment	Potential Abatement
Base Commitment: Real and Business Personal Property	40%

BEF Commitments (15% of Total Construction Costs)	10%
Annual Commitments:	
Average Annual Salary > \$63,000	10%
Overall Employment >= 167 for years 2024-2025 and 715 for years 2026-2033 (as applicable)	10%
<b>TOTAL</b>	<b>70%</b>

**Resolution Nominating this Project as an Enterprise Project**

The City Council of the City of Fort Worth (City) has previously passed Ordinance No. 15733 electing to participate in the Texas Enterprise Zone Program. On May 12, 2015, the City Council adopted Ordinance No. 21743-05-2015, 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 Siemens Industry Inc. 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.

If designated as an enterprise project by the State of Texas, Siemens commits to hiring thirty five percent (35%) economically disadvantaged persons or enterprise zone residents for its certified jobs at its Fort Worth facility during its enterprise project designation.

Siemens qualifies for a single Enterprise Project Designation. The single project designation allows for a state sales and use tax refund on qualified expenditures of \$5,000.00 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 twenty-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.

The project is located in COUNCIL DISTRICT 8.

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: Siemens AG

**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 2023 Budget and an estimated \$8,117,451.00 in new incremental property tax revenue will be reduced by \$5,682,215.00, resulting in the collection of \$2,435,35.00 in net new incremental property tax revenue of over the next ten-year period. This impact to revenue will be incorporated into the long-term financial forecast upon the Tax Abatement being officially granted.

**Submitted for City Manager's Office by:** William Johnson 5806

**Originating Business Unit Head:** Robert Sturns 2663

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