

BENEFIT TO THE STATE

REQUIRED ATTACHMENT: Independent Economic Impact Analysis - *prepared by a person/firm independent of Requestor who is considered an expert with specialized knowledge, skill, experience, training or education in economics and state/local taxation*

Independent Economic Impact Analysis prepared by: _____

Analysis of proposed Project/activities to take place at the location must be conducted by a third-party entity not related to the Requestor, and must include the following:

A summary of the analysis highlighting the following data items (do not attach additional documentation aside from economic impact analysis).

1. Estimate of the revenue generated to the state and local governmental body by the Project
2. Estimate of any secondary economic benefits to be generated by the Project
3. Estimate of state taxes to be exempted

BENEFIT TO THE COMMUNITY

Provide an economic impact estimate of the designation of the location as a Qualified Media Production Location on the revenues of the entities nominating the location, considering the financial incentives and benefits contemplated.



April 7, 2025

Mr. Josh Crook
Alliance Center East No. 2, LTD
1920 Hillhurst Ave #194
Los Angeles, California 90027

Mr. Crook,

Thank you for the opportunity to provide consulting services to Texas Studios. The attached memo highlights TXP's findings related to the economic and tax impact of Texas Studios' proposed ACE 2 soundstage and production hub in Fort Worth, Texas. TXP has organized the analysis and results based on the requirements of the State of Texas Media Production Facilities Development Program.

To assist the City of Fort Worth and State of Texas in reviewing your application, TXP has summarized the State of Texas Media Production Facilities Development Program. This document is intended to satisfy the requirements of the economic impact analysis.

Please do not hesitate to contact me with any questions or comments.

Best regards,

A handwritten signature in blue ink, appearing to read 'Travis D. James'.

Travis D. James
Vice President



ACE 2 Soundstage and Production Hub Project Summary

- Texas Studios is transforming its expansive 200,000+ square foot facility into a premier soundstage and production hub in Fort Worth, Texas.
- The project is named Alliance Center East No. 2, LTD (ACE 2) in Fort Worth, Texas.
- This development will accommodate both large-scale film productions and long-term television tenants, offering state-of-the-art infrastructure and services for the media industry. The site will cater to a wide range of production needs, from feature films to television series.
- The facility features over 224,000 square feet, including two 80,000+ square foot sound stages. These stages can also be subdivided into smaller stages, providing flexible configurations for productions of various sizes.
- In addition to the soundstages, the facility will offer mill workspaces for set construction, office spaces for production teams, storage facilities, and dedicated wardrobe areas.
- ACE 2 will focus on attracting both short-term film productions and long-term television series, providing dedicated soundstage space with full soundproofing, lighting grids, and special effects capabilities.
- The ACE 2 project includes an estimated \$6.5 million in total costs.
- Because the project is nonresidential, a significant portion of the project costs could be subject to state and local sales tax.
- ACE 2 proposed renovation will take approximately 6 months to complete.
- To be conservative, TXP has assumed all construction inputs are purchased from City of Fort Worth vendors. This assumption and the corresponding sales tax loss represent the maximum in forgone City sales tax revenue.

Table 1: ACE 2 Project Cost

Component	Cost Estimate*
Construction Hard Cost*	\$6,099,887
Building Permit Allowance (.5%)	\$30,499
General Liability (.85%)	\$52,108
Builder's Risk (.15%)	\$9,274
Contractor Contingency (2%)	\$123,835
Contractor Fee (3.5%)	\$221,046
Total Estimate	\$6,536,650

Source: Alliance Center East No. 2, LTD

*These costs exclude sales tax

Table 2: ACE 2 Business Activity by Year

	2026	2027	2028	2029	2030
	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Revenue	\$3,369,240	\$3,537,702	\$3,714,587	\$3,900,316	\$4,095,332

Source: Alliance Center East No. 2, LTD



Table 3: ACE 2 Construction Costs

Component	Cost Estimate
01 - Warehouse West	
Concrete Slab	30,000.00
Misc. Metal	59,250.00
Rough Carpentry	2,600.00
Insulation	255,000.00
Roofing	17,500.00
Sealants & Caulking	64,015.56
Doors, Frames & Hardware	15,000.00
Drywall	668,680.00
Painting	20,800.00
Misc. Specialties	134,735.00
Fire Protection	30,000.00
Plumbing	47,600.00
HVAC	532,875.00
Electrical	1,131,879.52
Fire Alarm	56,154.00
01 - Warehouse West Totals	\$3,066,089.08
02 - Warehouse East	
Concrete Slab	30,000.00
Misc. Metal	19,250.00
Insulation	255,000.00
Roofing	17,500.00
Sealants & Caulking	64,015.56
Drywall	184,220.00
Painting	20,800.00
Misc. Specialties	146,890.00
Fire Protection	10,500.00
Plumbing	47,600.00
HVAC	532,875.00
Electrical	1,131,879.52
Fire Alarm	56,154.00
Plumbing	47,600.00
HVAC	532,875.00
Electrical	1,131,879.52
Fire Alarm	56,154.00
02 - Warehouse East Totals	\$2,516,684.08
03 - T.I. Warehouse RR's Totals	\$150,000.00
04 - General Requirements Totals	\$65,351.60
05 - General Conditions Totals	\$301,761.88
Totals	\$6,099,886.64

Source: Hillwood Construction Services



Media Production Development Zone Act Overview

The Media Production Facilities Development Program¹ encourages the construction and renovation of media production facilities—including soundstages, animation facilities and game studios—by granting a sales and use tax exemption that covers their construction or renovation costs. Enacted by the State of Texas in 2009, the program is also known as the Media Production Development Zone Act (MPDZA). The Texas Film Commission administers the incentive program.

To be eligible for the sales and use tax exemption on the construction or renovation of a media production facility:

- The applicant must own (or lease for four years) the land/building where the project is located
- The proposed facility must be used exclusively for the creation of moving images projects.
- Acceptable media production facilities include:
 - Soundstage
 - Motion capture studio
 - Animation facility
 - Game facility
 - Sound studio
 - Scoring stage
 - Editing facility
 - Production office

Each application will need to provide the following documentation to support and justify the request:

- Specific and detailed description of the project
- Site plan for proposed media production location
- Floor plan for the proposed media production facility
- An itemized budget for project
- A schedule of media production equipment to be bought, rented, or leased
- An economic impact analysis
- A financial statement and background information on requestor

A MPDZA exemption cannot be granted unless the Texas Comptroller of Public Accounts certifies that the project will have a positive impact on state revenue. The Comptroller makes this determination, in part, by reviewing the economic impact analysis.

¹ <http://gov.texas.gov/film/programs/mpdza>



Economic Impact of Methodology

An economy can be measured in a number of ways. Four of the most common are “**Output**” which describes total economic activity and is equivalent to a firm’s gross sales, “**Value Added**” which equals gross output of an industry or a sector less its intermediate inputs, “**Labor Income**” which corresponds to wages and benefits, and “**Employment**” which refers to permanent jobs that have been created in the local economy.

In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced.

Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor’s stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent by them in the local economy.

The interdependence between different sectors of the economy is reflected in the concept of a “multiplier.” An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, another \$400 in output is produced in all other sectors.

For this project, TXP used Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area RIMS II multipliers (2017 U.S. Benchmark I-O data and 2022 Regional Data).



Table 4: Final Demand Multipliers: 7 – Construction

Output	Value-Added	Earnings	Employment
2.3309	1.2864	0.7480	13.5371

Source: RIMS II

Table 5: Direct Effect Multipliers: 7 – Construction

Earnings	Employment
1.9985	2.3020

Source: RIMS II

Table 6: Final Demand Multipliers: 7 – Construction

Sector	Output	Value-Added	Earnings	Employment
Agriculture, forestry, fishing, hunting	0.0004	0.0002	0.0001	0.0030
Mining	0.0140	0.0080	0.0034	0.0305
Utilities	0.0178	0.0112	0.0029	0.0206
Construction	1.0118	0.5387	0.3787	5.9498
Durable goods manufacturing	0.1528	0.0632	0.0329	0.4757
Nondurable goods manufacturing	0.0868	0.0286	0.0141	0.1821
Wholesale trade	0.1165	0.0667	0.0268	0.2808
Retail trade	0.1308	0.0829	0.0395	1.1516
Transportation and warehousing	0.0659	0.0346	0.0195	0.4111
Information	0.0500	0.0278	0.0091	0.1049
Finance and insurance	0.1272	0.0684	0.0320	0.6236
Real estate and rental and leasing	0.1802	0.1242	0.0291	1.2370
Professional, scientific, tech. services	0.0884	0.0586	0.0429	0.4913
Management of companies	0.0313	0.0204	0.0143	0.1350
Administrative and waste services	0.0499	0.0286	0.0203	0.4569
Educational services	0.0132	0.0091	0.0061	0.1630
Health care and social assistance	0.0915	0.0569	0.0407	0.6821
Arts, entertainment, and recreation	0.0111	0.0067	0.0043	0.1633
Accommodation	0.0097	0.0060	0.0026	0.0643
Food services and drinking places	0.0384	0.0207	0.0121	0.4576
Other services	0.0431	0.0239	0.0157	0.4008
Households	0.0000	0.0008	0.0008	0.0521
Total Impact	2.3308	1.2862	0.7479	13.5371

Source: RIMS II



Using the RIMS II model, ACE 2's activity most closely matches 512100 – Motion picture and video industries.

Table 7: Final Demand Multipliers: 512100 – Motion picture and Video Industries

Output	Value-Added	Earnings	Employment
1.7210	1.0677	0.4326	12.2757

Source: RIMS II

Table 8: Direct Effect Multipliers: 512100 – Motion picture and Video Industries

Earnings	Employment
1.9324	1.6750

Source: RIMS II

Table 9: Final Demand Multipliers: 512100 – Motion picture and Video Industries

Sector	Output	Value-Added	Earnings	Employment
Agriculture, forestry, fishing, hunting	0.0002	0.0001	0.0000	0.0015
Mining	0.0021	0.0013	0.0006	0.0035
Utilities	0.0095	0.0060	0.0015	0.0107
Construction	0.0076	0.0039	0.0033	0.0550
Durable goods manufacturing	0.0125	0.0050	0.0027	0.0372
Nondurable goods manufacturing	0.0309	0.0112	0.0054	0.0882
Wholesale trade	0.0310	0.0178	0.0071	0.0747
Retail trade	0.0467	0.0296	0.0141	0.3986
Transportation and warehousing	0.0286	0.0154	0.0088	0.2301
Information	1.0728	0.6780	0.2391	7.6707
Finance and insurance	0.0992	0.0552	0.0242	0.4357
Real estate and rental and leasing	0.1219	0.0842	0.0198	0.8633
Professional, scientific, tech. services	0.0575	0.0394	0.0277	0.3460
Management of companies	0.0136	0.0088	0.0062	0.0585
Administrative and waste services	0.0355	0.0208	0.0146	0.3491
Educational services	0.0082	0.0055	0.0038	0.0993
Health care and social assistance	0.0529	0.0329	0.0235	0.3832
Arts, entertainment, and recreation	0.0354	0.0215	0.0111	0.5838
Accommodation	0.0062	0.0039	0.0017	0.0416
Food services and drinking places	0.0236	0.0128	0.0076	0.2837
Other services	0.0251	0.0137	0.0093	0.2311
Households	0.0000	0.0005	0.0005	0.0301
Total Impact	1.7210	1.0675	0.4326	12.2756

Source: RIMS II



Tax Revenue Impact Methodology

To provide an “order of magnitude” estimate for tax revenue attributable to the project, TXP focused on the ratio of government tax collections to gross domestic product (GDP) and wages. Three datasets were used to derive the ratio: 1) U.S. Department of Commerce Bureau of Economic Analysis GDP estimates by state and metropolitan area; 2) the U.S. Census Bureau State Government Tax Collections² (STC) report; and 3) City of Fort Worth³ budget documents. A brief description of the STC data collection methodology follows:

In this survey, "taxes" are defined as all compulsory contributions exacted by a government for public purposes, except employer and employee assessments for retirement and social insurance purposes, which are classified as insurance trust revenue. Outside the scope of this collection are data on the unemployment compensation "taxes" imposed by each of the state governments. However, all receipts from licenses and compulsory fees, including those that are imposed for regulatory purposes, as well as those designated to provide revenue are included.

Over the past five years, the state tax revenue as a percent of state GDP was 3.75 percent.

Table 10: State of Texas Tax Revenue as a Percent of State GDP (Millions of chained 2017 dollars)

	2019	2020	2021	2022	2023
Tax Revenue (\$M)	\$63,330	\$61,013	\$65,377	\$82,260	\$86,776
GDP (\$M)	\$1,806,736	\$1,773,657	\$1,879,101	\$1,952,709	\$2,097,090
Tax Rev as % GDP	3.51%	3.44%	3.48%	4.21%	4.14%

Source: U.S. Bureau of Economic Analysis; TXP, Inc.

Over the past five years, City of Fort Worth general fund tax revenue as a percentage of total Tarrant County wages was 1.38 percent.

Table 11: City of Fort Worth General Fund Tax Revenue as a Percent of Tarrant County Wages

	FY2019	FY2020	FY2021	FY2022	FY2023
Tax Revenue (\$M)	\$736.7	\$756.6	\$812.9	\$887.6	\$936.0
County Wages (\$M)	\$53,286	\$54,077	\$58,536	\$64,793	\$69,340
Tax Rev as % Wages	1.38%	1.40%	1.39%	1.37%	1.35%

Source: City of Fort Worth; U.S. Bureau of Labor Statistics; TXP, Inc.

² <https://www.census.gov/programs-surveys/stc/data/tables.html>

³ <https://www.fortworthtexas.gov/departments/the-fwlab/budget>



Construction Economic Impact of the ACE 2 Project

The following table depicts how the ACE 2 project spending ripples through the Dallas-Fort Worth MSA economy. This spending increases regional economic activity by \$14.2 million, labor income by \$4.6 million, and employment by 82.6 jobs. This table illustrates how the ACE 2 project encourages and promotes regional economic growth in other sectors of the economy.

The input into the model was \$6.1 million in construction spending (see tables 3).

Table 12: Total Economic Impact of ACE 2 Project Construction Spending

Sector	Output	Value Add	Earnings	Employment
Agriculture, forestry, fishing, hunting	\$2,440	\$1,220	\$610	0.0
Mining	\$85,398	\$48,799	\$20,740	0.2
Utilities	\$108,578	\$68,319	\$17,690	0.1
Construction	\$6,171,865	\$3,286,009	\$2,310,027	36.3
Durable goods manufacturing	\$932,063	\$385,513	\$200,686	2.9
Nondurable goods manufacturing	\$529,470	\$174,457	\$86,008	1.1
Wholesale trade	\$710,637	\$406,862	\$163,477	1.7
Retail trade	\$797,865	\$505,681	\$240,946	7.0
Transportation and warehousing	\$401,983	\$211,056	\$118,948	2.5
Information	\$304,994	\$169,577	\$55,509	0.6
Finance and insurance	\$775,906	\$417,232	\$195,196	3.8
Real estate and rental and leasing	\$1,099,200	\$757,606	\$177,507	7.5
Professional, scientific, tech. services	\$539,230	\$357,453	\$261,685	3.0
Management of companies	\$190,926	\$124,438	\$87,228	0.8
Administrative and waste services	\$304,384	\$174,457	\$123,828	2.8
Educational services	\$80,519	\$55,509	\$37,209	1.0
Health care and social assistance	\$558,140	\$347,084	\$248,265	4.2
Arts, entertainment, and recreation	\$67,709	\$40,869	\$26,230	1.0
Accommodation	\$59,169	\$36,599	\$15,860	0.4
Food services and drinking places	\$234,236	\$126,268	\$73,809	2.8
Other services	\$262,905	\$145,787	\$95,768	2.4
Households	\$0	\$4,880	\$4,880	0.3
Total Impact	\$14,217,616	\$7,845,674	\$4,562,105	82.6

Source: TXP, Inc.



Economic Impact of ACE 2 Annual Operations

The following table illustrates how normal business activity at ACE 2 ripples through the Dallas-Fort Worth MSA economy.

Table 13: Total Economic Impact of Ace 2 Annual Operations (Direct + Indirect + Induced)

Year	Output	GDP/ Value Add	Earnings	Employment
Year 1	\$5,937,612	\$3,566,004	\$1,576,467	44.7
Year 2	\$6,234,492	\$3,744,304	\$1,655,291	46.9
Year 3	\$6,546,217	\$3,931,519	\$1,738,055	49.3
Year 4	\$6,873,528	\$4,128,095	\$1,824,958	51.7
Year 5	\$7,217,204	\$4,334,500	\$1,916,206	54.3

Source: TXP, Inc.

State of Texas Tax impact of ACE 2

Applying the percentage of state tax revenue to GDP (3.75 percent) against economic activity attributable to the ACE 2' project and construction, the state is projected to receive \$1.0 million in new tax revenue over the next five years.

Table 14: State of Texas Estimated Tax Revenue Impact of ACE 2 Construction & Annual Operations

Phase	Annual State GDP	Annual Tax Impact (3.75% ratio)
Construction	\$7,845,674	\$294,604
Year 1	\$3,566,004	\$133,903
Year 2	\$3,744,304	\$140,598
Year 3	\$3,931,519	\$147,628
Year 4	\$4,128,095	\$155,009
Year 5	\$4,334,500	\$162,760
New State Tax Revenue		\$1,034,502

Source: TXP, Inc.



City of Fort Worth Tax Impact of Impact of ACE 2

Applying the percentage of city general fund tax revenue⁴ to county wages (1.38 percent) against new economic activity attributable to ACE 2, the City of Fort Worth is projected to receive \$0.2 million in new tax revenue over the next five years.

Table 15: City of Fort Worth Estimated Tax Revenue Impact of ACE 2 Construction & Annual Operations

Phase	ACE 2 Wages Impact	Annual Tax Impact (1.40% ratio)
Construction	\$4,562,105	\$62,868
2024	\$1,576,467	\$21,724
2025	\$1,655,291	\$22,811
2026	\$1,738,055	\$23,951
2027	\$1,824,958	\$25,149
2028	\$1,916,206	\$26,406
New City Tax Revenue		\$182,909

Source: TXP, Inc.

Summary of Findings

If the entire ACE 2 production site expansion project is exempt from sales tax, the company saves \$381,243 in state sales tax @ 6.25% and \$60,999 in City of Fort Worth sales tax @ 1.00%. The Fort Worth sales tax calculation assumes all inputs to the site expansion project are taxable and bought from vendors within the city limits. If ACE 2 purchases goods from vendors outside the area, then the forgone sales tax revenue figure would be lower. Over the next 5 years, ACE 2 is projected to generate a positive return on investment for the community. Note, the economic impact does not include spending by companies who rent ACE 2.

Table 16: Estimated Return on Investment for the ACE 2 Project

	State of Texas	City of Fort Worth
Sales Tax Exemption		
Construction	-\$381,243	-\$60,999
5 Year Tax Impact	\$1,034,502	\$182,909
Net Return	\$653,259	\$121,910

Source: TXP, Inc.

⁴ Property, sales, utility transfer, and other tax revenue



About TXP, Inc.

TXP is an economic analysis and public policy consulting firm founded in 1987 in Austin, Texas. Since then, TXP has grown into a team of professionals whose diverse backgrounds allow us to craft customized solutions to client problems. Our clients have discovered that TXP is the firm to hire when there is not an immediate, obvious, or simple solution to their economic or public policy challenge. Our reputation for having the right people to analyze issues from a variety of perspectives has made TXP the firm to call first for professionals in the public sector and business arenas. In addition to drawing on the expertise of our firm members, we regularly partner with urban planning, engineering, and public policy firms — as well as Ph.D.s in varying disciplines — to put together teams uniquely suited to our clients' needs.

TXP has worked with a wide range of not-for-profits and private sector clients to provide illumination through analytical support, always with a strategic view of the big picture. Members of TXP are involved in the community and understand the challenges faced by an increasingly complex world, as heightened media attention and an ever more diverse set of stakeholders shine a brighter spotlight on public decision-making and public policy.

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