

Mayor and Council Communication

DATE: 08/04/20

M&C FILE NUMBER: M&C 20-0495

LOG NAME: 17ARIATINCENTIVEAGREEMENT

SUBJECT

(CD 7) Authorize Execution of Tax Abatement and Economic Development Program Agreement with Ariat International, Inc. and NP-OV Fort Worth Project 1, LLC, or Affiliates, for a Corporate Office and Regional Distribution Hub to be Located at 15201 Blue Mound Road in Tax Abatement Reinvestment Zone No. 100, City of Fort Worth Texas (Continued from a Previous Meeting)

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the City Manager to execute a 9-year Tax Abatement Agreement with Ariat International, Inc. and NP-OV Fort Worth Project 1, LLC, or affiliates, for development an approximately 800,000 square foot corporate office and regional distribution hub to be located at 15201 Blue Mound Road in Tax Abatement Reinvestment Zone No. 100, City of Fort Worth Texas; and
2. Authorize the City Manager to execute an Economic Development Program Agreement with Ariat International, Inc., or an affiliate, for a one-time grant from the Economic Development Designated Project Fund based on new job creation, as authorized by Chapter 380 of the Texas Local Government Code and Section 14 of the City's Economic Development Program Policy.

DISCUSSION:

As part of a competitive site selection process, Ariat International, Inc. ("Company"), is considering the lease of approximately 800,000 square feet of an existing office/manufacturing facility owned by NP-OV Fort Worth Project 1, LLC ("Owner") at 15201 Blue Mound Road ("Project Site"). The Project Site would be redeveloped into a regional distribution hub and corporate office for Company's business operations. In order to facilitate the selection of Fort Worth as the preferred location, staff is proposing that the City enter into a Tax Abatement Agreement with Company and Owner to incentivize Company's decision..

Under the proposed terms, Company will expend or cause to be expended a minimum of \$43,000,000 in construction costs for the required improvements by the "completion date", which will be the date as of which all occupiable space comprising the Development has received a temporary or final certificate of occupancy from the City. The completion date for the Development must occur on or before December 31, 2021. Company must locate or cause to be located taxable business personal property (BPP) that is new to the City of Fort Worth on the Project Site having a minimum taxable appraised value of \$30,000,000 by January 1, 2022.

The Company will spend or cause to be expended 15% of total construction costs (hard and soft) for the required improvements with contractors that are Minority/Women Owned Business Enterprise companies located within the market areas applicable to the six county areas where the City spends 80% of its tax dollars. Those counties are Tarrant, Dallas, Denton, Johnson, Parker and Wise. Only firms with a principal office in the market area will be counted towards the M/WBE goals. Failure to meet the M/WBE construction requirement will result in a reduction of the maximum potential grant percentage by 10 percentage points.

Company must provide a minimum of 450 full-time jobs (consisting of 75 Ariat-employed corporate office positions and 375 indirect employees from a third-party provider) on the Project Site under the schedule below. The average annual salary for all full-time jobs must be a minimum of \$43,992.00.

- 75 full time jobs as of December 31, 2021
- 125 additional full-time jobs as of December 31, 2022 (total 200 jobs)
- 125 additional full-time jobs as of December 31, 2023 (total 325 jobs)
- 125 additional full-time jobs as of December 31, 2024 (total 450 jobs)

In return, the City will grant a 40 percent tax abatement on the incremental increase in value of real and personal property improvements for a period of nine years. Company must meet specific construction spending and annual employment commitments in order to achieve the maximum amount of potential incentive for each abatement year.

Maximum Potential Abatement Percentage with Corresponding Commitments

Property Owner or Company Commitment	Potential Abatement
Base Commitment: Real and Personal Property Investment = \$73,000,000	

(Base Commitment will be reduced by 10% if MWBE Commitment is not met)	25%
Annual Commitments:	
Average Annual Salary for all Full-Time Jobs > \$43,992.00	10%
Overall Employment Per Schedule Outlined Above	5%
TOTAL*	40%

Staff is also recommending that the City enter into an Economic Development Program Agreement with Company pursuant to Section 14 of the Economic Development Program Policy. Under the Economic Development Program Agreement, the City will provide a one-time cash grant from the Designated Project Fund of up to \$212,000.00 to be paid upon confirmation of job creation and retention for a minimum of three years as of December 31 of the year preceding the year in which the grant is paid. Company will have the right to select the year in which it wishes the grant to be calculated and paid, provided that the earliest year in which the grant may be paid will be 2025 (based on verified employment and retention for a minimum of three years as of December 31, 2024) and the last year in which the grant may be paid will be 2028 (based on verified employment and retention for a minimum of three years as of December 31, 2027). The specific amount of the grant will be based on the number of such jobs that pay salaries in accordance with the following table:

TABLE III-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

The City will not pay a grant for any new jobs created after December 31, 2024.

This project is located in COUNCIL DISTRICT 7.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon final approval of the Tax Abatement Agreement, a loss of 40% of property tax revenue may occur over the next nine years. This reduction in revenue will be incorporated into the long term financial forecast upon the Tax Abatement being officially granted.

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

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact: Robert Sturns 2663