

To the Mayor and Members of the City Council**February 24, 2026**

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**SUBJECT: RESULTS FOR INCENTIVE AGREEMENTS REVIEWED IN FY2025**

The purpose of this Informal Report is to provide a brief overview of the incentive compliance review process for economic development incentive agreements and results on 2024 commitments with abatements on Tax Year 2025 bills due in Fiscal Year 2026 and grants paid in Fiscal Year 2025. For purposes of incentive review, grant payments for Fiscal Year 2025 are calculated from taxes generated the prior year (in this case Tax Year 2024).

The City of Fort Worth considers several potential types of economic development incentives to further the City's economic development goals and strategies. Incentives are typically for projects that would not occur in the City "but for" the incentive. Reviewing performance by those who enter into an incentive agreement with the City is an important part of the process.

The primary incentive tools utilized for business attraction and job creation are Tax Abatement agreements under Chapter 312 (Tax Abatement Act) of the Tax Code and Economic Development Program agreements under Chapter 380 of the Local Government Code. Tax abatements provide a full or partial exemption from new incremental ad-valorem taxes on real and/or business personal property for up to 10 years. Exemptions are based on performance terms under the agreements and are applied before the companies pay any taxes. Chapter 380 agreements allow the City to provide grants that are based on a percentage of the new incremental taxes (combination of real property, business personal property, sales, or hotel occupancy taxes based on specific project requirements) created by the project. The grants are paid from new taxes generated the prior year and are based on meeting the defined performance criteria under the agreement. The City generally limits the term of Chapter 380 agreements to 15 years, but there is no defined term limit under State law.

This year compliance staff reviewed nine tax abatement agreements and thirty-five economic development program agreements (Chapter 380). During this review cycle, two Chapter 380 (Hillwood and Probably Monsters) and two tax abatement (Carhartt and MP Magnetics) agreements received their first incentives, and five Chapter 380 (ER at Alliance, McLane, NT Window, Our Nation's Bests Sports, and Victory Packaging) and two tax abatement (Carolina Beverage and NGC) agreements were reviewed for their last incentives.

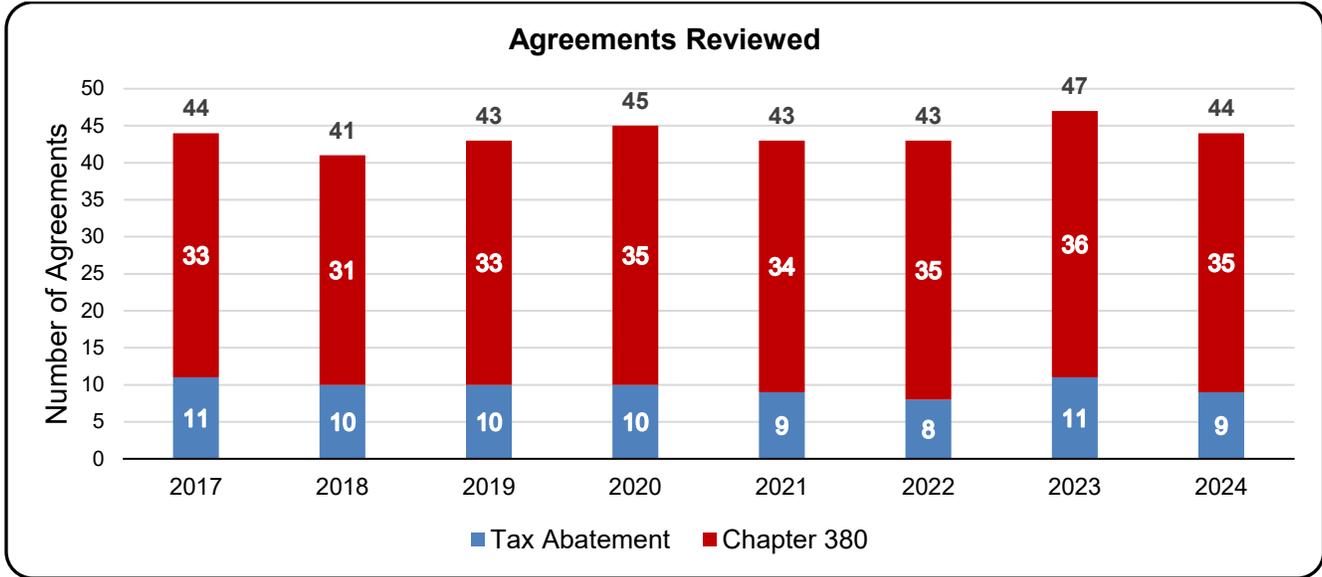
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The following table provides the total City of Fort Worth taxes abated and granted to companies corresponding to the review years that are depicted in the Agreements Reviewed graph.

Review Year	Taxes Abated	Taxes Granted
2017	\$2,348,418	\$13,768,720
2018	\$7,087,661	\$23,053,004
2019	\$2,662,207	\$27,600,154
2020	\$771,447	\$28,941,753
2021	\$721,712	\$35,528,678
2022	\$848,459	\$38,317,119
2023	\$883,029	\$38,325,201
2024	\$618,493	\$41,460,425

The gross revenue generated by the 44 agreements totaled \$66.4 M with \$59.1 M to the General Fund (and General Debt Service Fund, which receives a fraction of all property tax revenue) and \$7.3 M to the Culture and Tourism Fund. Overall, this constitutes roughly 6% percent of the City's total revenues of \$1.05 B from the corresponding tax categories in FY25.

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Revenue Source	Pre-Abatement Tax Liability TY24	Chapter 380 Collected Taxes TY24	TY24 Total Taxes
Real and Business Personal Property and Sales Tax	\$ 4,749,231	\$54,384,011	\$59,133,242
Hotel Occupancy Tax	\$ -	\$ 7,327,673	\$ 7,327,673
Total	\$ 4,749,231	\$61,711,684	\$66,460,915
Incentive	\$618,493	\$41,460,425	\$42,078,918
Average Rate of Incentive	13.0%	67.2%	63.3%

Construction Completion Review

All companies with either a Tax Abatement Agreement or Economic Development Program Agreement must submit a construction completion report and supporting documentation upon completion of construction or phase. The FWLab verifies construction documentation for projects that are newly completed and reviews performance documentation for all other active agreements. The purpose of the review is to determine compliance with each requirement of the agreement and calculate the percentage of taxes to be abated or reimbursed to the company based on the terms of the agreement. In addition to minimum dollar amounts of construction investment requirements, incentive agreements historically tied a portion of the possible incentive to spending with Fort Worth Businesses. This year, none of the projects reviewed for completions had this requirement.

Three agreements involved project completions:

- Carhartt
- MP Magnetics
- Probably Monsters

Carhartt’s minimum project private investment for project completion was \$50M in tangible business personal property, and their actual total capital investment was \$81.5M.

MP Magnetics’ minimum project private investment for project completion was \$40M in construction costs and \$60M in tangible business personal property. MP Magnetics’ actual total capital investment was \$81.5M in construction costs and \$69.5 M in tangible business personal property.

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Company	Overall Capital Investment	Max Base Incentive	Base Incentive Earned
Carhartt	\$ 81,460,867	30% PT	30% PT
MP Magnetics	\$150,968,740	15% PT	15% PT
Total Capital Investment	\$232,429,607		

- *Max Incentive* – the highest incentive percentage that an agreement holder can receive from full performance on applicable commitments
- *Incentive Earned* – the incentive percentage that an agreement holder received or earned as a result of actual reviewed performance on applicable commitments

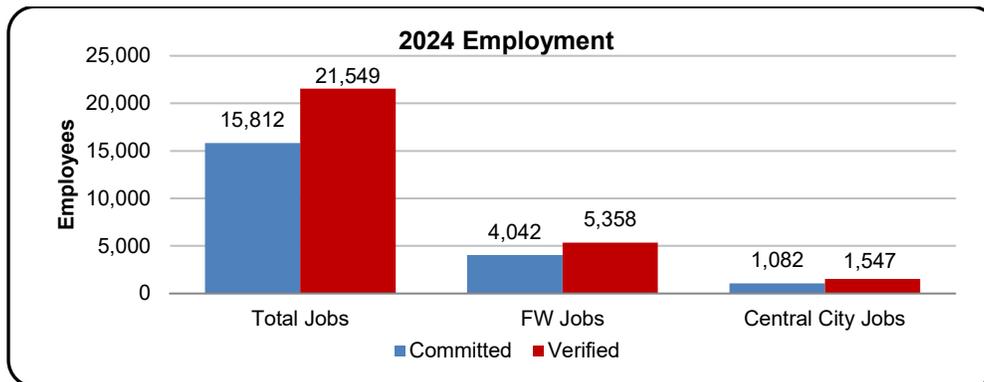
Probably Monsters did not have a private investment commitment on construction as it is a jobs grant Chapter 380 agreement; rather, its initial project commitments were an office space lease deadline, square footage requirement, and location requirement. Probably Monsters met all three initial project commitments qualifying them to receive grants during their term based on their overall employment, Fort Worth resident employment, and average annual salary.

Annual Review

In addition to construction spending, ongoing employment and business supply and service participation commitments are reviewed against applicable requirements under the agreements. Most companies with City incentive agreements must submit an annual report and supporting documentation by February 1st.

Employment and Salary Commitments

All categories of the employment commitments had verified numbers that exceeded minimum commitments. The 2024 Employment figures for all projects are illustrated in the following graph:



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Under previous City incentive policies, there was not a specific commitment to meet a defined average salary threshold for new jobs created. The benchmark wage threshold was set in 2023’s policy at \$55,000 and raised in 2025’s update to \$60,000; while the threshold serves as a floor for incentivized jobs, individual agreements may involve a higher commitment based on project specifics. Two projects, Ben E. Keith and Carhartt, did not meet their average salary commitments. The impacts of failure to meet the commitment are:

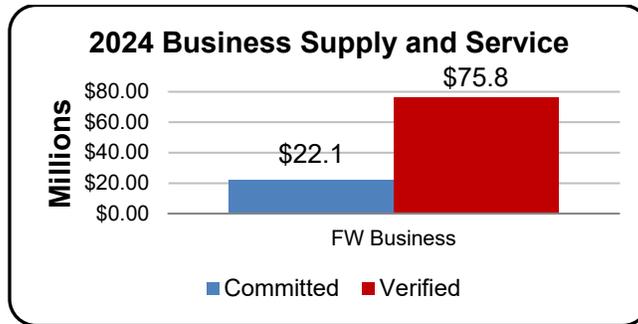
- Under Ben E. Keith’s agreement, failure to meet the average salary commitment results in a forfeiture of the year’s abatement
- Under Carhartt’s agreement, underperformance causes a proportional reduction to the 25% incentive tied to the commitment. This resulted in a 23.04% abatement for average salary

The salary review results for all companies are displayed in the following table:

Project	Salary Commitment	Salary Verified	Number of Jobs
Ariat	\$43,992	\$63,000.72	579
Ben E. Keith	\$73,000	\$70,949.23	1,037
Carhartt	\$55,000	\$50,683.37	150
Linear Labs	\$70,000	\$156,107.86	8
Probably Monsters	\$75,000	\$126,336.00	59

Supply and Service Commitments

Regarding supply and service commitments, the verified spending with Fort Worth Businesses was 243% above the committed value. Verified supply and service numbers for Tax Year 2024 are shown in the chart below. Projects that did not meet their supply and service commitments for the year received reductions to their annual incentive based on the negotiated terms of the agreement.



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Research and Development Credits

The Chapter 380 agreement with Linear Labs is a unique agreement. It allows Linear Labs to earn or generate Research and Development (R&D) Credits through annual qualified R&D expenditures. Linear Labs can elect to redeem the credits against its own incremental ad-valorem taxes for a Ch. 380 grant payment or assign the credits to other businesses to do the same. All assigned credits are reduced by 5% when redeemed with the reduction being dedicated for use by the City in the administration of its economic development programs or for other purposes relating to the promotion of R&D activity within the City.

In total, Linear Labs has generated \$6.8 M of R&D Credits and redeemed \$59,225. Linear Labs has assigned a total of \$2M worth of earned R&D Credits to AIL Investments which, when fully redeemed, will grant AIL Investments \$1.9 M and the City \$100,000. AIL Investments redeemed a total of \$713,127 R&D Credits in FY25. From that amount, the company received a grant of \$677,471, and the Economic Development Initiatives Fund (EDIF) received \$35,656.

R&D Credit Log	R&D Credits Earned	Total Grant Amount Received (Credits Redeemed)	Assigned Credits	Remaining R&D Credit Balance
Linear Labs	\$6,807,033	\$(59,226)	\$(2,000,000)	\$4,747,807
Assignee R&D Credit Log	R&D Credits Received	Total Grant Amount Received (Credits Redeemed)	5% Assignee Reduction Sent to EDIF	Remaining R&D Credit Balance
AIL Investments	\$2,000,000	\$(677,471)	\$(35,656)	\$1,286,873

The total balance of outstanding R&D credits retained by Linear Labs and assigned to others is \$6,034,680, of which \$5,970,336 may be redeemed for future Ch. 380 grants paid by the General Fund and \$64,344 will be paid (from the General Fund) to economic development programs.

Financial Impact of Incentive Agreements

Based on the projects' annual performance towards capital investment, employment, and supply and service commitments, companies were entitled, in aggregate, to incentives of approximately \$42.1M in TY24 under their contracts with the City. The table below shows the detailed breakdown of the grants and abatements:

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Revenue Source	Tax Abatements Granted	Chapter 380s Granted	Annual Total
Real and Business Personal Property and Sales Tax	\$618,493	*\$36,927,256	\$37,545,749
Hotel Occupancy Tax	N/A	\$4,136,036	\$4,136,036
Non-Tax Related	N/A	**\$397,133	\$397,133
Total	\$618,493	\$41,460,425	\$42,078,918

*Includes a \$305,000 grant payment made to the FW Housing Finance Corporation for projects in lieu of an affordable housing commitment at \$200 per residential unit on the project site

- \$157,800 – Clearfork Project
- \$147,200 – Waterside Project

**Probably Monsters receives a grant calculated based on rate per job rather than directly from project tax revenue

After payment of the grants and application of abatements, projects with active economic development agreements provided almost \$24.4 M in new net tax revenue to the City in Tax Year 2024, of which \$21.5M went to the General Fund (and General Debt Service Fund) and \$3.2 M to the Culture and Tourism Fund. This represents approximately 2.32% of the City's total revenues from the corresponding tax categories.

Summary of 2024 Taxes Collected from Companies with Incentive Agreements				
Revenue Source	Project Tax Revenue	Granted or Abated	Net Retained by City	Net % Retained by City
Real and Business Personal Property and Sales Tax*	\$59,133,242	\$37,237,595	\$21,895,647	37.0%
Hotel Occupancy Tax	\$ 7,327,673	\$ 4,136,036	\$3,191,637	43.6%
Non-Tax Related	N/A	\$ 397,133	(\$397,133)	-
Total	\$66,460,915	\$42,078,919	\$24,381,997	36.7%

*Sales Tax includes only companies with an incentive based on sales tax, and only reflects General Fund 1% sales tax on which grants are calculated

If you have any questions concerning this information, please contact Brady Kirk, Assistant Finance Director at 817-392-8712 or Brady.Kirk@fortworthtexas.gov.

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