



To the Mayor and Members of the City Council

October 4, 2022

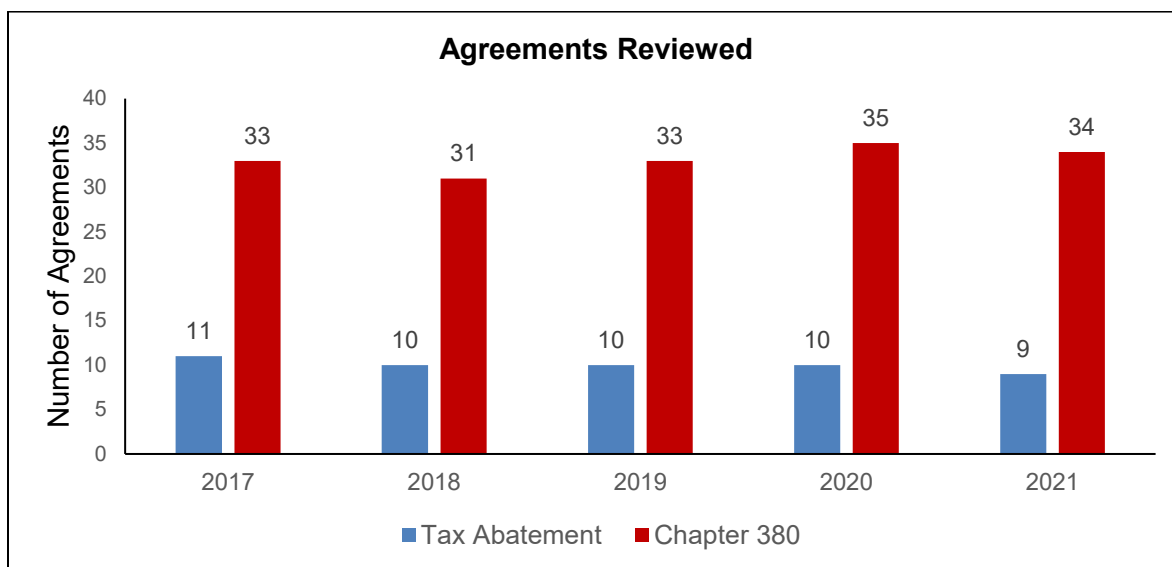
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SUBJECT: 2021 REVIEW YEAR RESULTS FOR INCENTIVE AGREEMENTS

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 for Tax Year 2021.

All companies with City incentive agreements must submit an annual report and supporting documentation by February 1st. The Economic Development Department 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 generally tie a portion of the possible incentive to spending with Fort Worth Businesses and Fort Worth M/WBE's.

This year staff reviewed 9 tax abatement and 34 economic development program (Chapter 380 Grant) agreements. These include four newly completed projects.



The additional revenue generated by the 43 agreements totaled \$58.9 M. This constitutes roughly 7% of the City's total revenues.

Revenue Source	Tax Abatement Projects Levied Taxes TY21	Chapter 380 Projects Levied Taxes TY21	TOTALS
Real and Business Personal Property and Sales Tax	\$6,656,668	\$48,685,150	\$55,341,818
Hotel Occupancy Tax	\$ -	\$ 3,584,749	\$ 3,584,749
Total	\$6,656,668	\$52,269,899	\$58,926,567

Four agreements involved project completions:

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- Ariat
- Ben E. Keith
- Kimpton Hotel
- Raider Express

Ariat International's minimum project private investment was \$73.0 M, and their actual capital investment was \$139.2 M. Ariat earned 15% out of the available 25% construction incentive on property taxes. Ariat did not achieve the maximum construction incentive due to their lack of performance on construction participation with Fort Worth M/WBE companies, which reduced the incentive by 10%.

Ben E. Keith's minimum private investment was \$22.0 M, and their verified private investment was \$22.7 M. On property taxes, the Company earned 20.10% out of the available 35% construction incentive for the first two years of the abatement term and 5.05% out of the available 17.50% construction incentive for year three to seven of the abatement term. Ben E. Keith did not meet the expected participation of Fort Worth and Certified Fort Worth M/WBE companies which resulted in a reduction of their construction incentive by 14.90% in the first two years of the term and 11.95% in year three to seven of the abatement term.

Kimpton's minimum project private investment was \$56.0 M, and their actual capital investment was \$56.1 M. Kimpton earned 43% out of the available 43% construction incentive on hotel occupancy taxes. Kimpton achieved the maximum construction incentive due to their performance on construction participation with Fort Worth M/WBE companies.

Raider Express's construction completion is currently under review by staff.

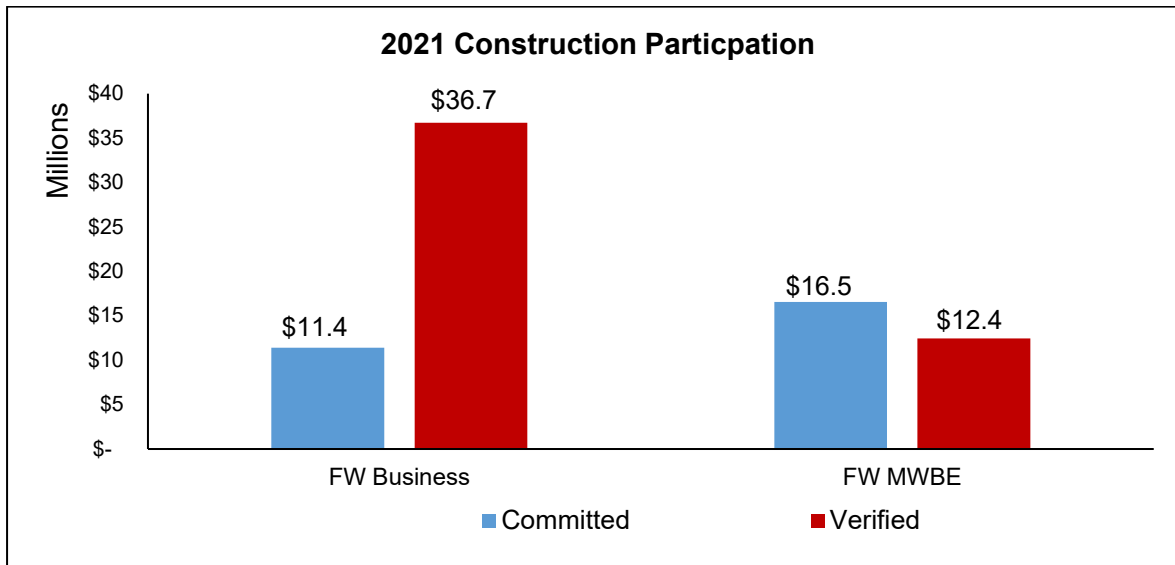
Company	Overall Capital Investment	Max Base Incentive	Base Incentive Earned
Ariat International, Inc.	\$139,240,194	25%	15.00%
Ben E. Keith Company	\$ 22,694,451	35%	20.10%
714 Main Real Estate Holdings, LLC (Kimpton)	\$ 56,047,869	43%	43.00%
Raider Express, Inc.	\$ 70,151,748	20%	TBD
Total Capital Investment	\$288,134,262		

For Tax Year 2021's construction spending, Fort Worth businesses received \$36.7 M in construction spending, which more than tripled the \$11.4 M committed, and Fort Worth M/WBE's received nearly \$12.4 M in construction spending from economic development projects.

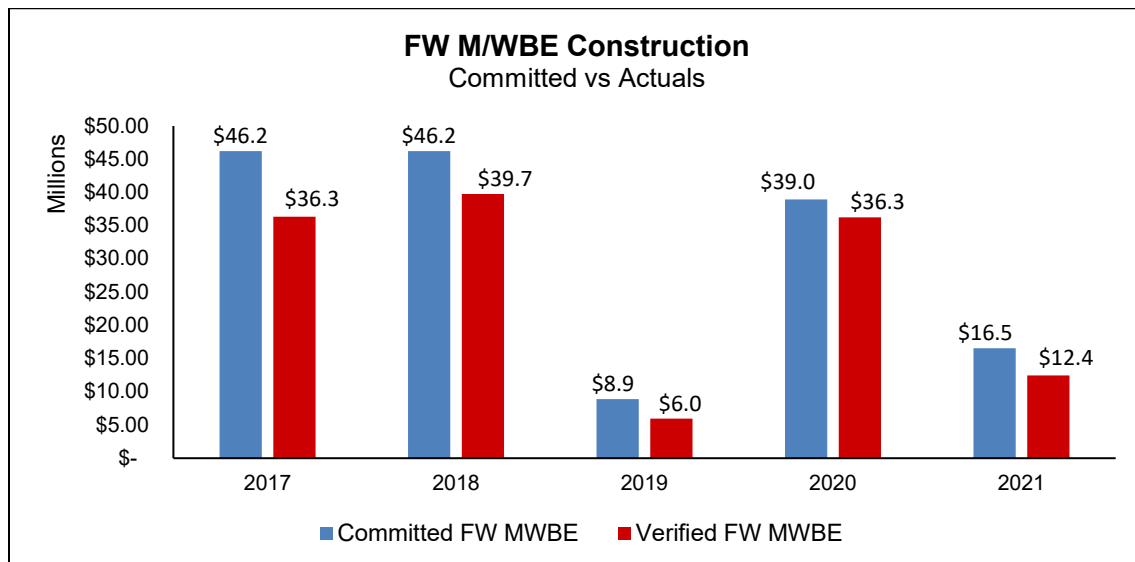
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While the M/WBE commitments were not met fully in Tax Year 2021, we continue to see the gap tightening in the last few years as we have aligned our policy with city ordinance. We expect to see this gap close as more projects under newer incentive policies complete construction. The chart below depicts these results:

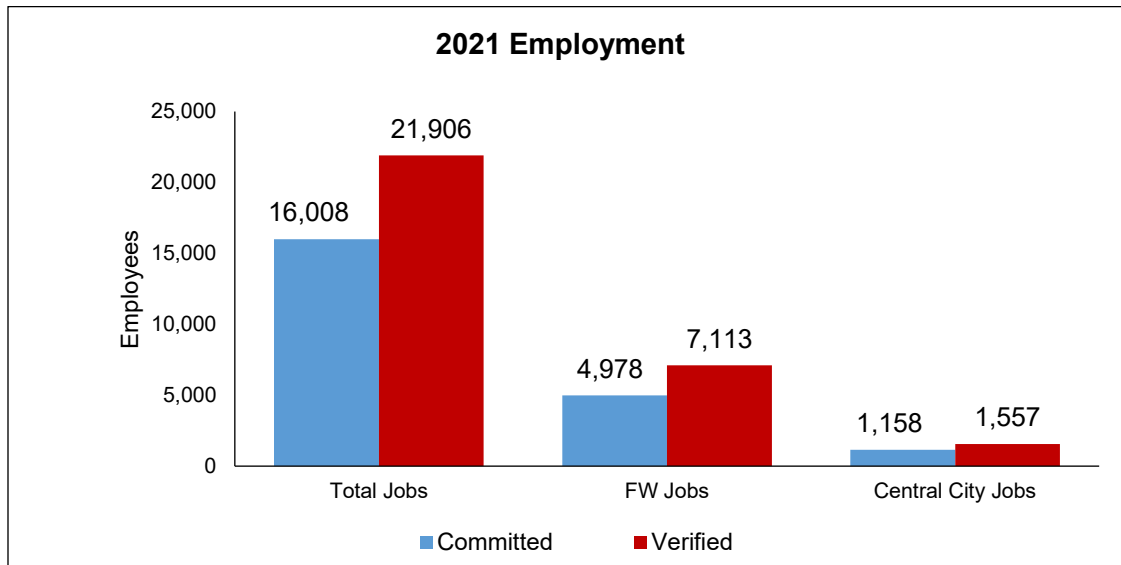


In addition to construction spending, ongoing employment and business supply and service participation are reviewed against applicable requirements under the agreements. All categories of the employment commitment had verified numbers that well exceeded minimum commitments. The 2021 Employment figures across all projects are illustrated below:

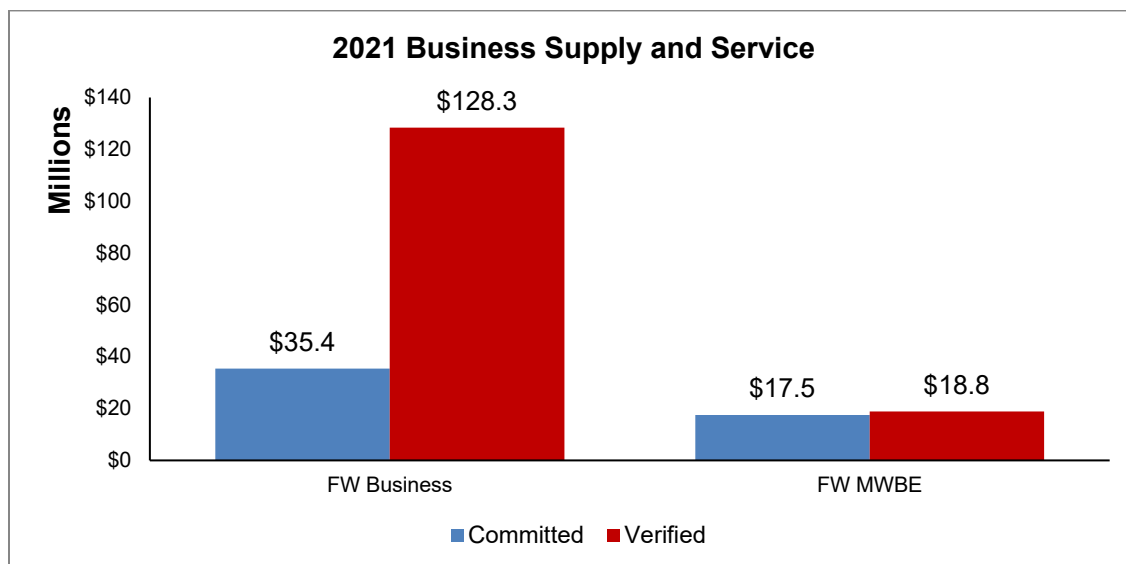
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With regard to supply and service commitments, the verified spending with Fort Worth Businesses was 363% of the committed value, while the verified Fort Worth M/WBE spending was 7.4% greater than the committed value. Reported supply and service numbers for Tax Year 2021 are shown in the chart below. The large over performance on spending with Fort Worth Businesses is linked to two specific projects that carry Fort Worth supply and services commitments. Alcon spent \$35.3 M with Fort Worth Business versus an annual commitment of only \$10.6 M. Bell Helicopter spent \$55.7 M with Fort Worth Businesses in supply and services while their annual commitment requires a minimum of \$1.0 M. These two projects alone make up 70.9% of the verified supply and services spending with FW Businesses in Tax Year 2021.



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Based on the projects' annual performance towards capital investment, employment, and supply and service commitments, the projects were entitled to receive approximately \$29.5 M in TY21 under their contracts with the City. The table below shows the detailed breakdown of the grants and abatements.

Revenue Source	Tax Abatements Granted	Chapter 380 Granted	TOTALS
Real and Business Personal Property and Sales Tax	\$721,712	\$32,471,017	\$33,192,730
Hotel Occupancy Tax	N/A	\$ 2,752,660	\$ 2,752,660
Total	\$721,712	\$35,223,678	\$35,945,390

*Excludes \$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

After payment of the grants and abatements, projects with active economic development agreements provided almost \$22.9 M in new net tax revenue to the City in Tax Year 2021. This represents approximately 2.76% of the City's total revenues. Three projects have not received their Chapter 380 grants yet:

- The Omni Hotel project currently has their TY21 real property tax accounts under protest with the Tarrant Appraisal District.
- Sundance Square has not submitted an annual evaluation report.
- Victory Packaging submitted an annual evaluation report in September 2022 and is currently under review.

Once the review on these agreements are finalized, staff estimates disbursing an additional \$815,000, which has already been included in the FY23 budget.

Summary of 2021 Taxes Collected from Companies with Incentive Agreements			
	Total Project Tax Revenues	Granted or Abated	Net to City
Real and Business Personal Property and Sales Tax*	\$55,341,818	\$33,192,730	\$22,149,089
Hotel Occupancy Tax	\$ 3,584,749	\$ 2,752,660	\$ 832,089
Total	\$58,926,567	\$35,945,390	\$22,981,177

*Sales Tax includes only companies with an incentive based on sales tax.

The private investment leveraged by the economic development program totaled \$5.5 billion, making the City's total incentive participation 0.65%, resulting in a private to public investment ratio of 154:1.

If you have any questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-392-2663 or robert.sturns@fortworthtexas.gov.

David Cooke
City Manager