

**To the Mayor and Members of the City Council****February 7, 2023**

Page 1 of 6

SUBJECT: OVERVIEW ON PERFORMANCE OF ACTIVE INCENTIVE AGREEMENTS

The purpose of this Informal Report is to explain the annual review process for active incentive agreements and present findings from active tax abatement agreements and economic development program grant agreements.

The primary tools the city uses for incentives are tax abatements (governed under Chapter 312 of the Texas Tax Code) and economic development program agreements (governed under Chapter 380 of the Texas Tax Code). The general purpose of both programs is to attract new private investment and job creation in our target industries that would not otherwise locate with the City. Both incentives provide a reduction in incremental taxes for companies with active agreements. Tax Abatements reduce the taxable value of real property or business personal property tax accounts before taxes are calculated and levied and are limited to a period of 10 years. Economic Development Program Agreements (Chapter 380) generally grant a percentage or set amount of collected city property tax, sales tax, or hotel occupancy tax back to the company and provide much greater flexibility on length and project type. Both incentives programs are performance based and the amount of incentive provided is reduced when commitments are not achieved.

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 annual 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. Failure to meet the proposed investment levels for an agreement is a condition of default and the agreement is subsequently terminated. 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 Minority/Women Owned Business Enterprise (M/WBE) or Business Equity Firm (BEF). Failure to meet these commitments result in an automatic reduction of incentive over the life of the project. Finally, incentive agreements will consist of annual commitments which must be met in order to earn additional levels of incentives up to the maximum percentage provided in the agreement. The results of the annual compliance review are provided to City Council each year. Currently, the city has a total of 46 active agreements consisting of 9 tax abatements and 37 economic development program grant agreements.

Active agreements span multiple policies that have been amended over time and contain different requirements. The policies were last updated after adoption of the Economic Development Strategic Plan and an extensive analysis of competitive cities. Revisions as a result of this review included 1) removal of the central city hiring commitment and adding a minimum salary requirement with a focus on Fort Worth jobs, 2) requiring a hard commitment of 15% on Business Equity Firm participation with a 10% automatic deduction for the agreement term if the goal is not met, and 3) removal of supply & service commitments and expanded overall construction commitment to include both hard and soft costs. The newly instituted salary requirement began at \$44,392 and is increased every two years. The majority of competitive cities have either no specific wage requirement or a living wage requirement between \$15.00 - \$17.00 per hour. Fort Worth salary requirement is currently set at \$52,300 (\$25.14/hr.) with a plans to raise the minimum to \$55,000 (\$26.44/hr.) under the new policy updates. Any project seeking economic development incentives must meet wage the minimum established wage requirement in order to be eligible.

Tax Year 21 Performance



To the Mayor and Members of the City Council

February 7, 2023

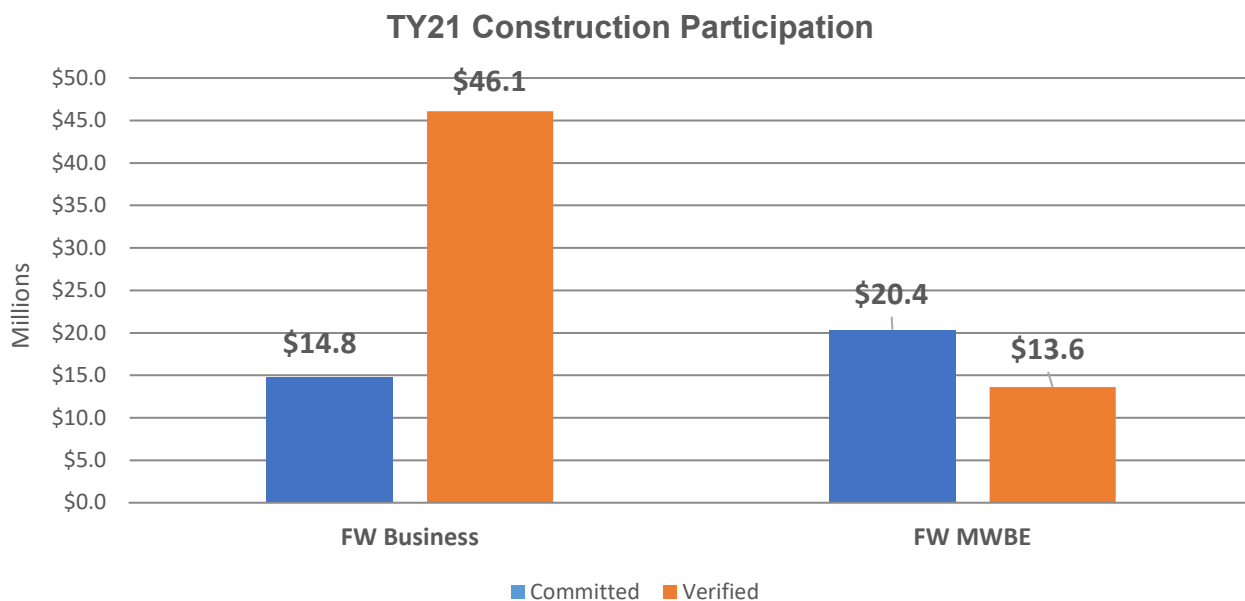
Page 2 of 6

SUBJECT: OVERVIEW ON PERFORMANCE OF ACTIVE INCENTIVE AGREEMENTS

For the tax year 2021 review the staff analyzed 9 tax abatement and 34 economic development program (Chapter 380 Grant) agreements. These include four newly completed projects.

TY21 Project Completions			
Company	Overall Capital Investment	Max Base Incentive	Base Incentive Earned
Ariat International, Inc.	\$139,240,194	25.00%	15.00%
Ben E. Keith Company	\$ 22,694,451	35.00%	20.10%
714 Main Real Estate Holdings, LLC (Kimpton)	\$ 56,047,869	43.00%	43.00%
Raider Express, Inc.	\$ 70,151,748	20.00%	16.50%
Linear Labs	\$ 2,111,535	35.00%	35.00%
Total Capital Investment	\$290,245,797		

For Tax Year 2021's construction spending, Fort Worth businesses received \$46.1 M in construction spending, which more than tripled the \$14.8 M committed. Fort Worth M/WBE's received \$13.6 M in construction spending from economic development projects which fell short of the commitment value of \$20.4 M. Companies that did not meet their M/WBE or BEF commitments had their incentive reduced by their terms outlined in their specific agreements. In reviewing the last seven years of performance on M/WBE utilization, the revision in policy and coordination with the Department of Diversity & Inclusion is closing the gap on commitment spending with minority-owned firms.





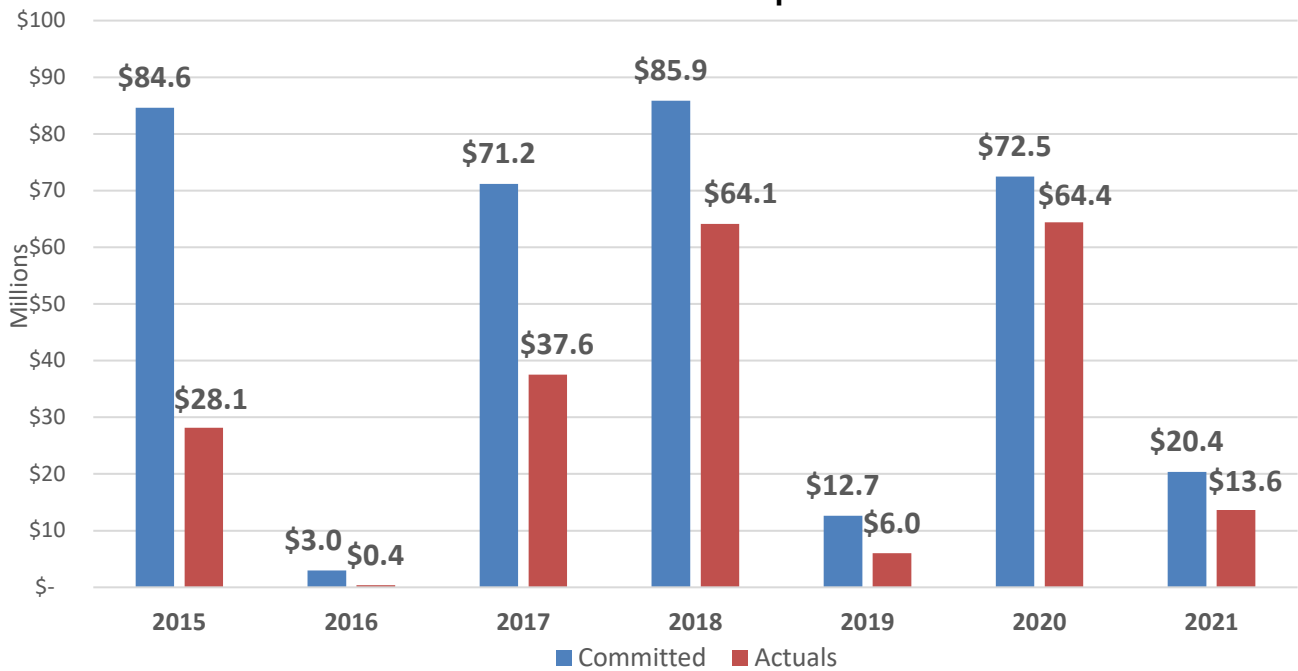
To the Mayor and Members of the City Council

February 7, 2023

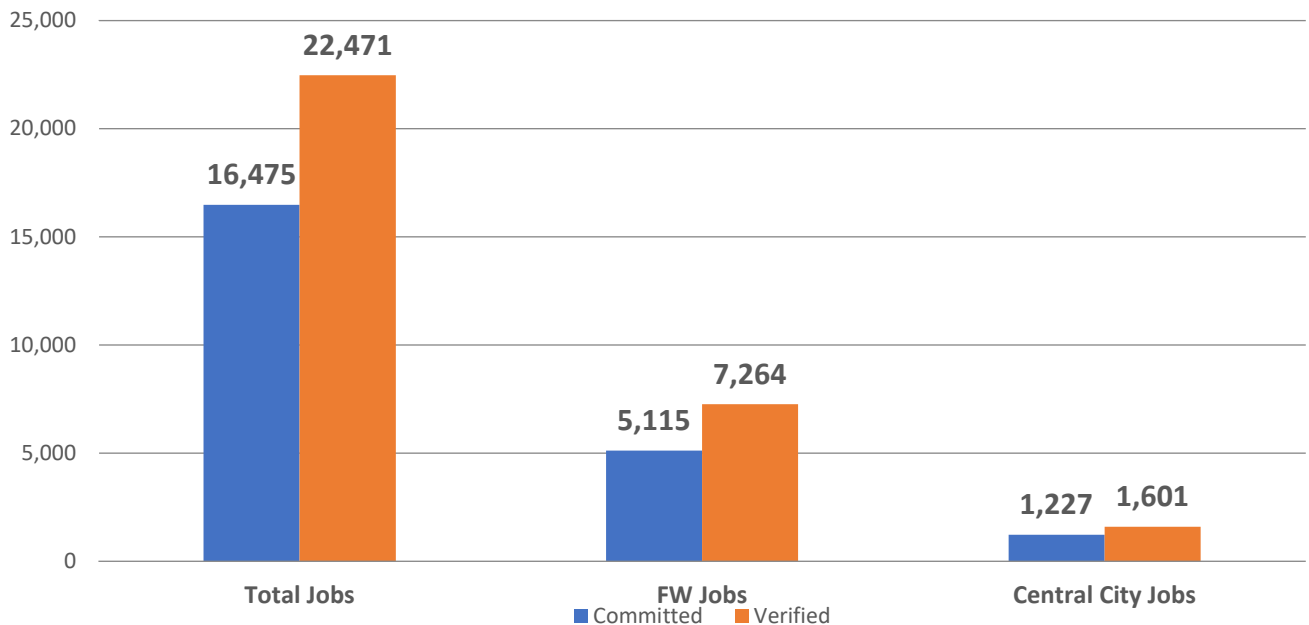
Page 3 of 6

SUBJECT: OVERVIEW ON PERFORMANCE OF ACTIVE INCENTIVE AGREEMENTS

Construction with M/WBE Companies Performance



TY21 Employment





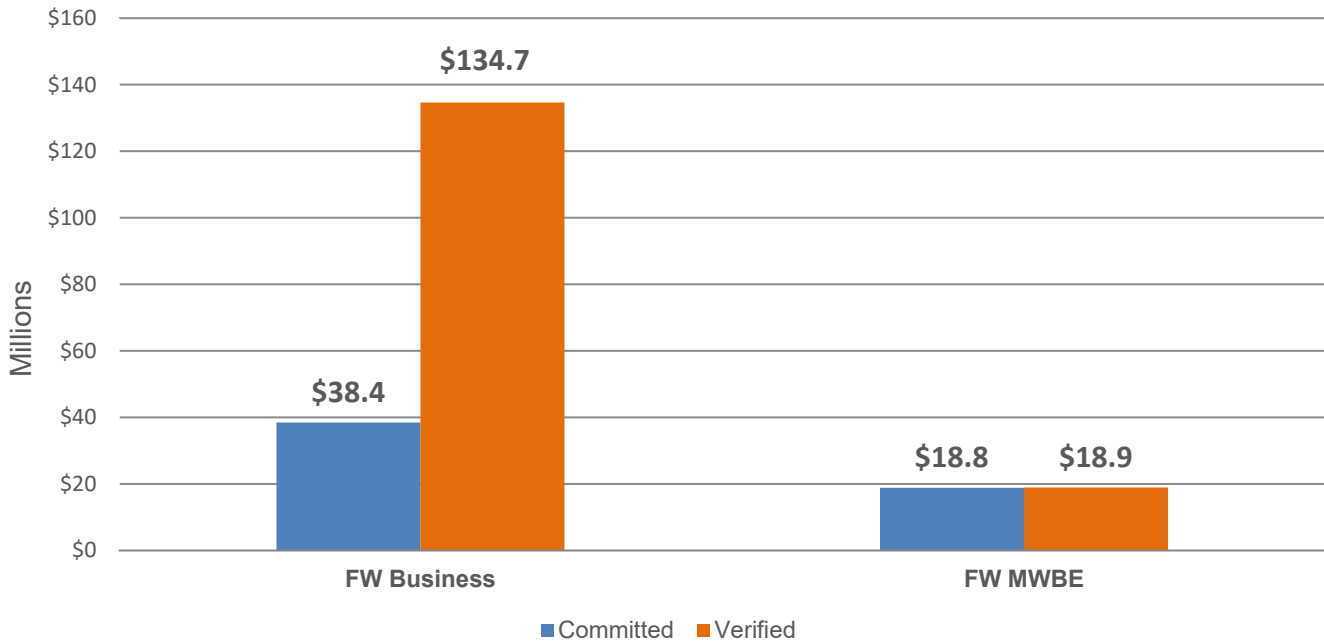
To the Mayor and Members of the City Council

February 7, 2023

Page 4 of 6

SUBJECT: OVERVIEW ON PERFORMANCE OF ACTIVE INCENTIVE AGREEMENTS

TY21 Supply & Service Spending



After payment of the grants and abatements, projects with active economic development agreements provided approximately \$22.3 M in new net tax revenue to the City in Tax Year 2021.

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*	\$55,891,685	\$34,454,997	\$21,436,688
Hotel Occupancy Tax	\$ 3,768,636	\$ 2,936,547	\$ 832,089
Total	\$59,660,321	\$37,391,544	\$22,268,776
*Sales& HOT Tax includes only companies with an incentive based on sales tax.			

Total Active Project Performance

Attachment A of this report provides a complete overview of performance by each company. The chart is broken down to show commitments on project completion and a seven-year review on annual commitments. Due to the fluctuation in performance over time with each annual commitment, we have provided an average to provide a truer picture of how these companies are meeting commitments on an annual basis. The tables below provide a recap on the overall performance shown in the attachment.

To the Mayor and Members of the City Council
February 7, 2023

Page 5 of 6


SUBJECT: OVERVIEW ON PERFORMANCE OF ACTIVE INCENTIVE AGREEMENTS

Capital Investment Commitment			
Requirement	No. of Companies w/ Requirement	No. of Companies Meeting Requirement	% Meeting Commitment
Overall Investment Amount	41	41	100%
Business Personal Property (BPP) Investment	22	20	91%
Both Real Property & BPP Investment	4	4	100%

Not meeting overall investment commitment is a condition of default.

Construction Participation Commitment			
Requirement	No. of Companies w/ Requirement	No. of Companies Meeting Requirement	% Meeting Commitment
Construction with Fort Worth Companies	38	27	71%
Construction with Fort Worth M/WBE or BEF Companies	43	12	28%

Failure to meet the construction commitments results in an incentive reduction over the term of the agreement.

Annual Commitments (7 Year Avg.)						
Requirement	Overall Employment	FW Employment	Central City Employment	Salary Commitment	FW Supply & Service	FW MBE Supply & Service
Total Projects w/ Requirement	38	27	27	5	32	37
Exceeded Commitment (>10%)	29	20	15	4	25	18
Met Commitment	6	3	0	1	0	3



To the Mayor and Members of the City Council

February 7, 2023

Page 6 of 6

SUBJECT: OVERVIEW ON PERFORMANCE OF ACTIVE INCENTIVE AGREEMENTS

Did Not Meet Commitment	3	4	12	0	7	16
Percentage Exceeded or Met Commitment	92%	85%	56%	100%	78%	57%

Companies not meeting their annual commitments have the incentive for that year reduced.

In summary, the revisions to policy as a result of the Economic Development Strategic Plan are showing good results as staff continues to focus on the objectives of attracting high investment and job growth in our target industries. New private investment leveraged by the economic development program overall totals approximately \$5.5 billion. There are still performance gaps in construction spending with Business Equity Firms, but it is anticipated these numbers will continue to close through our shared efforts with the Diversity & Equity Department.

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

Performance on Construction Commitments										Performance on Annual Commitments									
Project Completion All Years										7 year average from 2015-2021									
Construction Cost Performance	BPP Performance	Combined Construction and BPP Performance	Construction with FW Companies	Construction with FW M/WBE Companies	Overall Employment Performance	FW Employment Performance	FW CC Employment Performance	Salary Commitment Performance	FW Supply & Service Performance	FW M/WBE Supply & Service Performance	Affordable Housing Units Performance	60% HUD Affordable Housing Performance	80% HUD Affordable Housing Performance	Project Avg Performance					
40	21	4	38	43	38	27	27	5	32	37	3	3	4	<-- Project counts					
AA HQ	386%	1035%		142%	106%	163%			30%	655%				511%					
AA IOC			106%	40%	125%	153%	20%		179%	196%				108%					
ACME			162%	118%	126%									149%					
Alcon	185%	100%		0%	58%	185%	78%		284%	25%				160%					
Andrews Distributing	136%	501%		0%	109%	104%	90%		16%	1%				107%					
Arlat	110%	307%		0%	403%			104%						185%					
Bell Helicopter	592%	113%		76%	57%	127%	119%		4020%	761%				665%					
Ben E. Keith	103%			0%										35%					
Cabelas	103%			59%					315%	17%				142%					
Carolina Beverage	119%	126%		8%	104%	123%			31%	0%				126%					
Champion Circle Tanger	110%			74%	158%	134%	356%		382%	763%				270%					
Clearfork	114%			79%	128%				134%	190%				155%					
Cypress West 7th	108%			65%	303%				2165%	755%	101%	102%	100%	423%					
Elan West 7th	117%			4%	115%	278%	327%		82%	43%	100%	100%	100%	117%					
ER at Alliance	152%	108%		0%	1534%	154%	20%	140%	523%	106%				305%					
Facebook	627%	944%		5%	243%									393%					
Galderna	105%	102%		12%	89%	90%	18%	140%	241%	99%				94%					
Ge Transportation	231%	121%	213%	0%	247%	120%	53%		132%	7%				112%					
Kimpton	100%			148%										228%					
KXAS-NBC5	185%	195%		49%	117%		90%			102%				135%					
La Gran Plaza	102%			103%	262%	316%	515%	119%	210%	133%				300%					
Linear Labs	234%			636%	156%			174%						752%					
Majestic Stockyards				45%	784%				1803%	1438%				1346%					
McLane	111%	333%			123%	181%	199%		7207%	31%									
Montgomery Plaza Kimco				175%		117%				804%				273%					
Montgomery Plaza Target	105%			108%		112%	198%			384%				174%					
Museum Place Ph I	101%			312%	100%				2182%	543%				589%					
Museum Place Ph II & III	100%			64%	138%				1426%	229%	99.8%	100%	100%	266%					
NGC	102%	88%		1%	198%	82%	38%		48%	1%				63%					
NT Window	128%	118%		233%		179%								164%					
Omni	201%			210%	185%	242%	251%		702%	227%				284%					
Our Nation's Best Sports	126%	1248%		0%	108%	101%	18%		87%	1%				200%					
Parker Products	143%	214%		88%	146%	178%	284%		137%	109%				144%					
PennyMac	106%	172%		0%	162%	117%	33%		50%	21%				74%					
Ralder Express	103%	101%		31%	103%	106%	63%		163%	8%				93%					
Renaisance Square	101%			9%	192%				112%	81%				100%					
Sheraton	117%			47%	167%	98%	121%		1439%	695%				348%					
Smith & Nephew Clearfork		110%			116%	81%	48%	150%						101%					
Sundance Square	116%			12%	1647%	116%	126%		473%	609%				406%					
Trinity Bluffs Ph I	101%			100%			243%			98%				135%					
Trinity Bluffs Ph II&III	109%			109%			186%			123%			111%	125%					
Victory Packaging	104%	1397%		0%	118%	158%	204%		132%	2%				238%					
Walmart Distribution		122%			222%	152%	539%		68%	5%				185%					
Walmart Park Vista	111%			1%		489%								200%					
Waterside			100%	83%	99%				1481%	930%				468%					
Westbend	110%			9%	673%				2294%	572%									
Avg for Commitment Type	150%	326%	145%	72%	286%	150%	161%	137%	920%	281%	100%	101%	103%						

Exceeded Commitment

Partially Met Commitment

Did Not Meet Commitment