

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

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**SUBJECT: UPDATE ON ECONOMIC DEVELOPMENT INCENTIVE POLICIES**

The purpose of this report is to provide an overview of multiple economic development policy updates recommended for adoption by the City Council.

The policy updates address, in part, specific near-term needs, including routine changes and updates relating to incentive eligibility requirements, edits for clarity, reformatting for ease of use and communication, and cross-referencing of other new or updated policies. Additionally, the policy recommendations respond to specific proposals and direction from City Council that were featured in the updated Economic Development Strategic Plan adopted on February 22, 2022 by M&C 17-220113.

That M&C included specific recommendations, as outlined in the plan and as earlier presented to the City Council on January 4, 2022, "to build a newly established special revenue fund as a broadened Economic Development Initiatives Fund (EDIF). This proposal would dedicate a percentage of annual funding currently contributed by the City to Tax Increment Financing (TIF) Districts to both lower the property tax rate and build the EDIF following their termination." The M&C directed the City Manager and staff to "begin the process of developing strategies and policies for the implementation of the Plan as well as establishment and utilization of the Economic Development Initiatives Fund." Other policy updates are required to clarify the basis in policy of certain terms or activities noted in the Economic Development Strategy and to provide related guidance for associated criteria or procedures.

Therefore, staff has prepared and is recommending for adoption by the City Council: i) an update to the General Tax Abatement Policy, ii) an update to the Economic Development Program (380) Policy, iii) an update to the TIF Policy, iv) adoption of a new policy for the EDIF, and v) adoption of a new policy for the establishment and recognition of Innovation Districts.

**Tax Abatement Policy**

Chapter 312 of the Texas Tax Code authorizes cities to designate tax abatement reinvestment zones and to enter into tax abatement agreements only after the city elects to become eligible to participate in tax abatement and adopts a tax abatement policy that establishes guidelines and criteria governing its tax abatement program. A tax abatement policy adopted by a city is effective for two years from the date of adoption. The City of Fort Worth's most recent General Tax Abatement Policy (Policy), was adopted pursuant to Resolution No. 5337-01-2021 (Mayor & Council Communication (M&C) 21-0074), and expires on January 29, 2023.

Since adoption of the current policy in January 2021, the City Council accepted revisions to the City's Economic Development Strategic Plan that included changes to specified target industries

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(M&C 22-0113) which are reflected in the proposed policy renewal. The updated tax abatement policy is consistent with the currently approved policy with the following exceptions:

1. The new policy proposes a revised minimum annual average employee salary of \$55,000, which is an increase from the current wage requirement of \$52,300.
2. Updates the tax abatement matrix for general and target sector projects to adjust the maximum term of abatement and jobs required to be eligible for abatement based on the overall amount of investment.
3. Clarifies that all projects that are subject to a commitment for the employment of at least ten (10) employees will be also be subject to a requirement to demonstrate 30% of those employees as being Fort Worth residents.

All other policy recommendations will remain the same. Once adopted, the proposed General Tax Abatement Policy will be effective from February 15, 2023 through February 15, 2025, unless amended or repealed by at least a three-fourths vote of the City Council. The General Tax Abatement Policy does not apply to tax abatement granted pursuant to the City's Neighborhood Empowerment Zone (NEZ) Policy or the City's Relocation Incentives Policy.

**380 Policy**

Chapter 380 of the Texas Tax Code authorizes cities to establish and provide for the administration of one or more programs for making loans and grants of public money and providing personnel and services of the municipality to promote state or local economic development and to stimulate business and commercial activity in the municipality (380 Program). The City of Fort Worth first established a 380 Program on January 30, 2001 by Resolution No. 2704 (380 Policy), which was subsequently updated and amended on multiple occasions, most recently in 2021 to reflect various goals and objectives described in the City's Economic Development Strategic Plan.

As with the Tax Abatement Policy, staff recommends amending the 380 Policy to make certain revisions primarily relating to the following:

1. Updated target industries
2. Clarified and revised criteria for grant eligibility at specified rates for general and target industries projects
3. Requirement for the hiring of Fort Worth residents for certain projects

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Additionally, recommended updates to the 380 Policy include:

1. References to the Economic Development Initiatives Fund (EDIF) and its use as a source of funds for specific programs presented in the 380 Policy
2. Authority to offer temporary office space for mega projects
3. Guidance and general terms for open space preservation in association with projects that are subject to a 380 Program Agreement

**Economic Development Initiatives Fund (EDIF) Policy**

In response to adopted recommendations included in the Economic Development Strategy and related direction from the City Council (as indicated in M&C 22-0113), staff proposes the adoption of a new policy that formally establishes, describes, and guides the EDIF (EDIF Policy). The proposed EDIF Policy defines the purpose and intended use of the fund, describes proposed sources of fund deposits, and provides necessary structure for implementing its use consistent with the strategy.

The EDIF Policy describes funding across two primary categories: programmatic funding and reserved funding. Programmatic funding will support the needs of sustained (i.e. multi-year) programs and initiatives and will also include funding used for outside partnerships, marketing, and program administration. Reserved funding refers to the use of certain funds deposited in the EDIF for project "deal closing," with funds built over time to allow the City to respond to future project opportunities. The specific delivery of funds in this manner will be guided by the 380 policy, therefore the proposed EDIF Policy refers to the 380 policy for that purpose.

While the EDIF Policy does include clear guidance, consistent with M&C 22-0113, on the recommended source of funds from a portion of City ad valorem taxes and from suspended contributions to terminated TIFs, specific funding recommendations and forecasts for the EDIF will be presented to the City Council and authorized annually by adoption of the City Budget.

**TIF Policy**

Chapter 311 of the Texas Tax Code authorizes cities to designate tax increment reinvestment zones (TIFs) to support various public improvements subject to specific procedures and limitations identified in the code. Additionally, cities can choose to adopt their own policy further regulating the establishment, use, and administration of TIFs created by that city.

On February 28, 2006 the City Council adopted Resolution No. 3317-02-2006 approving the policy, guidelines, and procedures for Tax Increment Reinvestment Zones (TIF policy). The TIF

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Policy, subsequently amended in 2009, establishes general policies and guidelines with regard to TIFs created by the City and addresses such issues as the criteria and procedure by which a proposed TIF will be created, the types of projects or public improvements that are eligible for support, and conditions under which the term of a TIF may be extended.

Proposed updates and other changes to TIF Policy include:

1. Guidance for use of City TIF funds at termination (EDIF, tax rate reduction)
2. Delegated authority to TIF Boards for annual TIF budgets
3. Limited administrative authority to grant up to a six-month project deadline extension
4. Formal requirements for the use of BEF contractors

**Innovation Districts Policy**

“Innovation Districts” are specific geographic areas where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators, accelerators, and producers of marketable intellectual property. Generally, Innovation Districts tend to focus on a specific industry or set of interrelated functions, prioritizing strategies that align real estate, land uses, and business recruitment and expansion efforts to long-term industry development needs within the district. As such, coordination and support between public, private, and institutional stakeholders of an Innovation District is important to long-term success.

Although the Economic Development Strategic Plan includes specific recommendations, strategies, and objectives that relate to the use, development, or promotion of Innovation Districts in Fort Worth, there is no clear grounding for Innovation Districts in either state or local policy. Moreover, while usage of the term is increasingly common in the community and in certain City programs, no policy exists for the formal establishment or recognition of Innovation Districts in Fort Worth. With no official boundaries or recognition of an Innovation District, it can be difficult to offer and administer related programmatic support through incentives to projects that are located within an asserted district and efforts to secure grant funding can be similarly challenging.

Therefore, staff recommends adoption of an Innovation Districts Policy to:

1. Define Innovation Districts and their purpose
2. Establish processes and criteria for the evaluation and establishment of a new, proposed Innovation District
3. Define specific sub-district geographies, described as “Nodes of Innovation,” that share the characteristics of an Innovation District but at a smaller scale and that can be established independently or in relation to a specific Innovation District
4. Describe the expected role of public, private, and institutional partners in support of Innovation Districts once established



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As part of the adoption of the proposed Innovation Districts Policy, staff recommends formal establishment and recognition (consistent with the criteria and definitions found within the policy) of i) the Mobility Innovation Zone, and ii) the Medical Innovation District.

M&Cs will be placed on the February 14, 2023 agenda for City Council consideration to:

1. Elect to be eligible to participate in tax abatement and to adopt the Tax Abatement Policy with revisions as outlined above,
2. Adopt the amended 380 Policy as outlined above,
3. Adopt the amended TIF Policy as outlined above,
4. Adopt an EDIF Policy as outlined above, and
5. Adopt an Innovation Districts Policy as outlined above and establish the Mobility Innovation Zone and Medical Innovation District as recognized Innovation Districts under policy.

For further questions, please contact Robert Sturns, Director of the Economic Development Department, at 817-392-2663.

**David Cooke**  
**City Manager**



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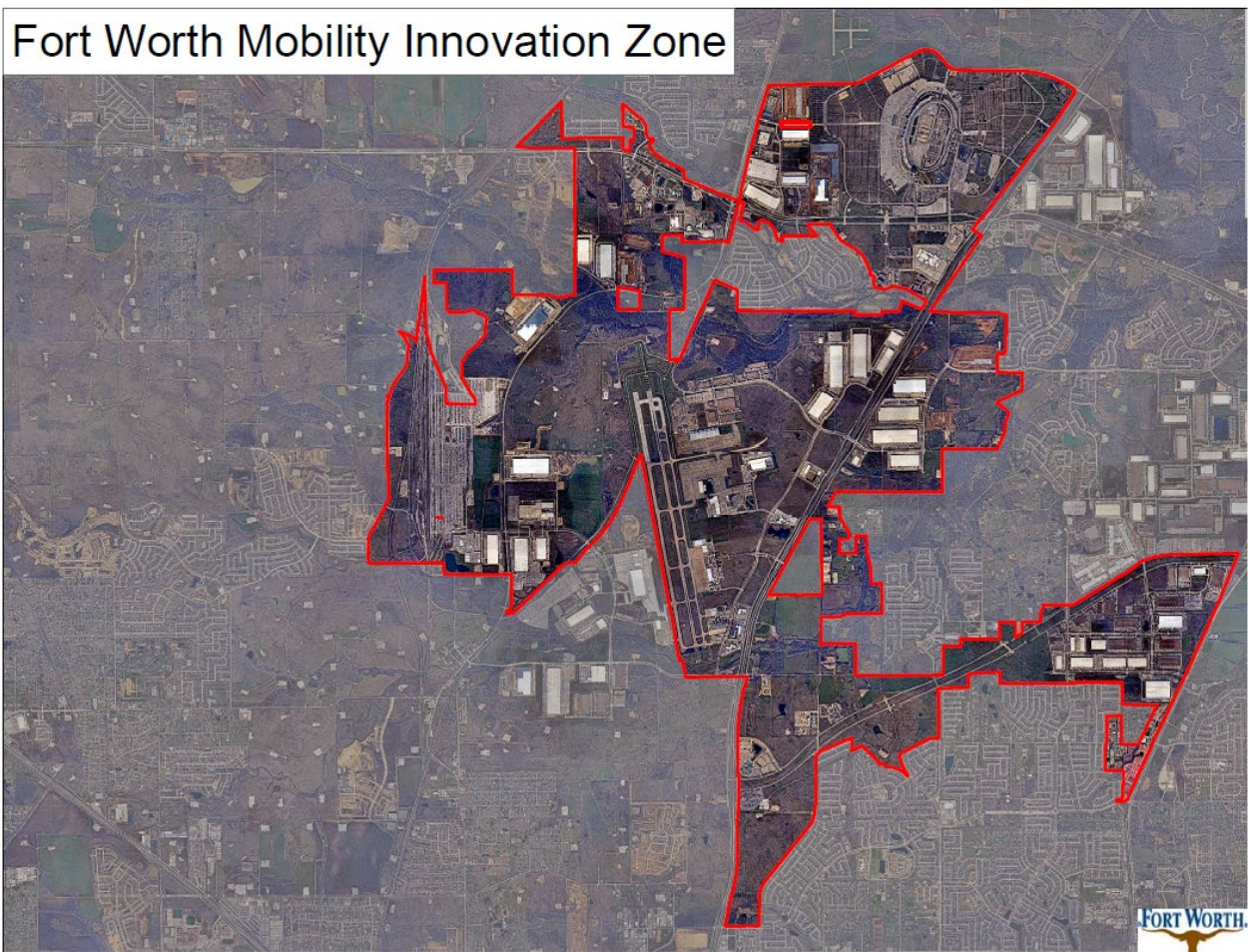
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**Exhibit A:  
Boundaries of Proposed Mobility Innovation Zone (MIZ) and Medical Innovation District**

**Innovation District Boundaries**





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Innovation District Boundaries

Associated Nodes of Innovation

