

Mayor and Council Communication

DATE: 04/25/23

M&C FILE NUMBER: M&C 23-0306

LOG NAME: 17ED AAHQ EDPA AMEND1

SUBJECT

(CD 5 / Future CD 5) Authorize Amendment to Economic Development Program Agreement with American Airlines, Inc. to Add Approximately 27.028 Acres of Land Associated with American Airline's Corporate Headquarters and Reflect that the Additional Property is Subject to an Economic Development Program Incentive

RECOMMENDATION:

It is recommended that the City Council authorize an amendment to an Economic Development Program Agreement with American Airlines, Inc. to add approximately 27.028 acres of land associated with American Airline's Corporate Headquarters and reflect that the additional property is subject to an Economic Development Program Incentive.

DISCUSSION:

The City and American Airlines, Inc. (AA) are currently parties to an Economic Development Program Agreement (EDPA) (City Secretary Contract No. 47694), along with an accompanying one-year Tax Abatement Agreement (City Secretary Contract No. 47341), for the development of a corporate headquarters facility (Project) on 97 acres of property located at Dallas-Fort Worth International Airport within the City of Fort Worth (Mayor and Council Communication C-27526).

Under the original Tax Abatement Agreement, the City agreed to abate a maximum of between 75 percent and 90 percent of the incremental real and personal property taxes over a 97-acre tract of land for a period of one year provided that Company expended at least \$200 million in real property improvements by July 31, 2020 on property in the corresponding tax abatement reinvestment zone. In 2017, AA expanded the scope of the Project to include multiple buildings on an additional 27-acre tract of land. On June 6, 2017, City Council adopted an ordinance to include the additional 27-acre tract, designating the areas as Tax Abatement Reinvestment Zone No. 91A (TARZ 91A). The City and AA subsequently executed an amendment to the Tax Abatement Agreement to include the additional property (City Secretary Contract (CSC) No. 47341-A1).

Under the EDPA, the City agreed to reimburse an amount equal to the incremental real and personal property taxes from the Project site in fourteen annual grants, provided that the Tax Abatement term was completed and that AA maintained its corporate headquarters on the Project site. The parties intended to seek permission from the City Council to expand the overall acreage of the Project site to include the additional 27.028 acres at the time that the City Council considered the same for the Tax Abatement Agreement. City staff is now requesting that City Council amend the EDPA to include the additional 27.028 acres to align with the expanded scope of the Project and TARZ 91A.

The Company is currently eligible to receive their first grant in fiscal year 2023.

After conducting a review of both the amended Tax Abatement Agreement, as amended, and the EDPA, City staff recommends that the additional 27-acre tract of land be included as was originally intended, through an amendment of the EDPA (CSC No. 47694).

Note: An administrative amendment will also be made to the ad valorem taxes listed for the base tax year since the EDPA mislabeled the project's base year taxable value as ad valorem taxes.

The proposed Zone is located in COUNCIL DISTRICT 5 / Future COUNCIL DISTRICT 5.

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: American Airlines Group, Inc.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon final approval of the amendment to the Economic Development Program Agreement, a loss of an estimated \$57,971,247.00 in property tax revenue may occur over the next fourteen year period. This reduction in revenue will be incorporated into the long-term financial forecast of the City.

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Expedited