

**To the Mayor and Members of the City Council****September 22, 2020**

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**SUBJECT: 2019 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 2019.

All companies with City incentive agreements must submit an annual report and supporting documentation by February 1<sup>st</sup>. The Internal Audit Department verifies construction documentation for projects that are newly completed, and Economic Development Department staff review documentation for the rest of the 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 compliance achieved. This year staff reviewed 10 tax abatement and 33 economic development program (Chapter 380 Grant) agreements. Results also include one relocation tax abatement.

Two of the Chapter 380 Grants involved project completions: Phase I of the Majestic mixed-use redevelopment in the Stockyards and NT Window's new headquarters and manufacturing facility located at 2900 W Seminary Drive. In addition to requirements for minimum dollar amounts of construction investment, incentive agreements generally tie a portion of the possible incentive to spending with Fort Worth Businesses and Fort Worth MWBE's. Majestic had hard construction cost commitments for Fort Worth Businesses and Fort Worth MWBE's while NT Window only had a hard construction cost commitment for Fort Worth MWBE's. Majestic's minimum project private investment was \$35.0 M, and their actual capital investment was \$38.7 M. Majestic earned 25.85% out of the available 30.00% construction incentive on property taxes and 56.69% out of the 65.00% construction incentive on sales tax. Majestic did not achieve the maximum construction incentive due to a shortfall in expected participation by Fort Worth MWBE companies resulting in a reduction of 4.15% to their construction incentive on property taxes and an 8.31% reduction to their construction incentive on sales taxes. The estimated reduction due to underperformance in Fort Worth MWBE participation on Majestic's 2020 grant for property taxes would be \$15,419.

NT Window's minimum private investment was \$9.4 M, and their verified total private investment was \$9.6 M. The Company earned 50% out of the available 50% construction incentive on property taxes and sales taxes. However, NT Window more than doubled their expected participation of Fort Worth MWBE companies. Staff is working to resolve a computation issue on the value of Business Personal Property tied to the agreement and will bring back a separate action item for Council consideration.

For Tax Year 2019's construction spending, Fort Worth businesses received almost \$31.4 M in construction spending which more than tripled the \$9.4 M committed, and Fort Worth MWBE's received almost \$6.0 M in construction spending from economic development projects. While the MWBE commitments were not met fully in Tax Year 2019, we continue to see the gap tightening year over year as we have aligned our policy with city ordinance. These results are shown in the 2019 Construction Participation graph.

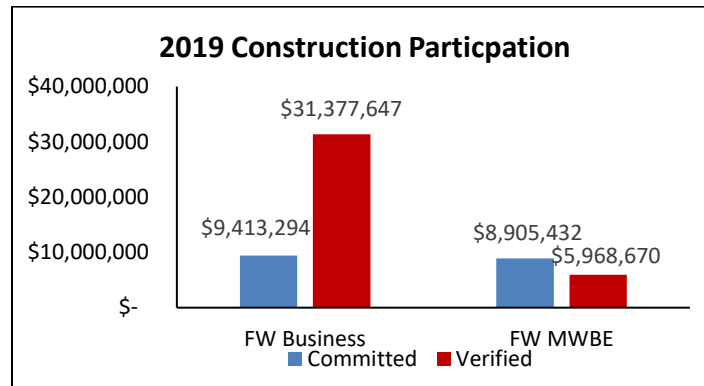
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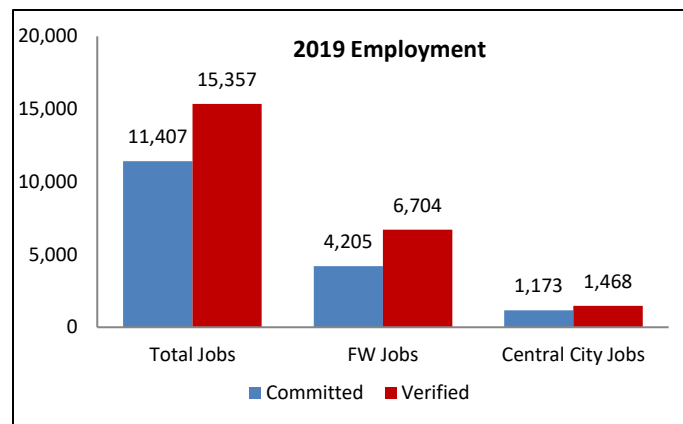
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In addition to construction spending, employment and business supply and service participation are key ongoing requirements for the economic development agreements. All categories of employment had verified numbers that well exceeded the committed values of the agreements. The 2019 Employment figures across all projects can be shown in the following graph.



In the supply and service commitments, the verified spending with Fort Worth Businesses was 706% of the committed value while the verified Fort Worth MWBE spending was 70% of the committed values. The results of the supply and service numbers for Tax Year 2019 are shown in the following graph. The large over performance of total verified spending with Fort Worth Businesses compared to the committed value is linked to two specific projects that have Fort Worth supply & services commitments. Alcon spent \$70.7 M with Fort Worth Business in supply and services while their annual commitment is set at \$50,000, and Bell Helicopter spent \$58.7 M with Fort Worth Businesses in supply and services while their annual commitment is set at \$1.0 M. These two projects alone make up 80% of the verified supply and services spending with FW Businesses in Tax Year 2019. Of the 27 projects that include a FW Business supply and service commitment, seven projects did not meet the commitment. In Tax Year 2019, the projects that did not meet their commitment for supply and service spending with FW Businesses had an average incentive reduction of 2.75% from the maximum percentage that they could earn. The underperformance in supply and service spending with FW Businesses reduced the grants and abatements by a total of \$54,160.78 from the potential grants and abatements that the projects could have received. For projects that did not meet the FW MWBE



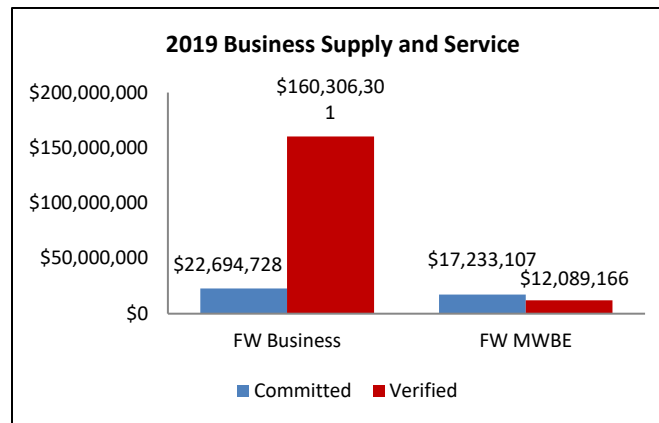
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supply and service spending commitment the reduction from the maximum incentive percentage that could be earned was 4.12%. The underperformance in supply and service spending with FW MWBE reduced the grants and abatements by a total of \$189,582.70 from the potential grants and abatements that the projects could have received. Due to underperformance in supply and service commitments the total reduction to grants and abatements was \$ 243,743.48.



Businesses with active agreements in 2019 provided the following tax revenue to the City:

**2019 Taxes Collected from Companies with Incentive Agreements**

	Levied	Granted or Abated	Net To City
Real and Business Personal Property and Sales Tax*	\$42,418,148	\$27,471,755	<b>\$14,946,393</b>
Hotel Occupancy Tax (7%+2%)	\$4,243,451	\$2,790,606	<b>\$1,452,845</b>
<b>Total</b>	<b>\$46,661,599</b>	<b>\$30,262,361</b>	<b>\$16,399,238</b>

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

In Tax Year 2019, the City of Fort Worth received \$827,323,288 in tax revenue. For tax year 2019, property taxes abated or reimbursed totaled just over \$27.4 million, which represents 3.3% of the City's total tax revenue. In total, the City still retained \$16.4 million of the taxes levied on the projects with an incentive agreement.

The private investment leveraged by the economic development program totaled \$4.6 billion, making the City's total incentive participation 0.66%, resulting in a private to public investment ratio of 152:1 based on overall public and private deal value delivered to date.

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**