

Mayor and Council Communication

DATE: 04/13/21

M&C FILE NUMBER: M&C 21-0272

LOG NAME: 17OATLYINC_TEZ

SUBJECT

(CD 8) Adopt Attached Resolution Nominating Oatly, Inc. Facility Located at 7550 Oak Grove Road as an Enterprise Project Pursuant to the Texas Enterprise Zone Act, Chapter 2303 of the Texas Government Code

RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution nominating Oatly, Inc. Facility located at 7550 Oak Grove Road as an enterprise project, pursuant to the Texas Enterprise Zone Program Act, Chapter 2303 of the Texas Government Code.

DISCUSSION:

The City Council of the City of Fort Worth (City) has previously passed Ordinance No. 15733 electing to participate in the Texas Enterprise Zone Program. On May 12, 2015, the City Council adopted Ordinance No. 21743-05-2015, amending Ordinance No. 15733 by adding additional potential local incentives that could be made available to qualified businesses under the Texas Enterprise Zone Program. The Office of the Governor Economic Development and Tourism through the Economic Development Bank will consider Oatly, Inc. as an enterprise project pursuant to a nomination and an application made by the City.

The Texas Enterprise Zone Program is an economic development tool for local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas of the State. An enterprise project is defined as a business that is nominated by a municipality or county and then approved for state benefits. Designated projects are eligible to apply for state sales and use tax refunds on qualified expenditures. The level and amount of refund are related to the capital investment and jobs created at the qualified business site.

The City Council of the City of Fort Worth (City) has previously approved M&C 21-0071 (Authorize Execution of an Economic Development Program Agreement with Oatly, Inc., or an Affiliate, for the development of a manufacturing production facility located at 7550 Oak Grove Road), which, mentioned that the City of Fort Worth is prepared to submit an application for an Enterprise Zone Project Designation on behalf of Oatly, Inc. Oatly, Inc. qualifies for a single Enterprise Project Designation with a planned capital investment of approximately \$84,000,000.00 in real and business personal property improvements and modernizations over the next five years at its Fort Worth facility. These planned investments include significant upgrades in order to bring the interior space up to the company's required standards. The company will also require the reactivation and extension of the rail spur to the building. Finally, due to the nature of the company's manufacturing process, it will be necessary to add external silo structures to the rear of the building space in order to accommodate the storage of raw materials. These facility improvements and upgrades will allow Oatly, Inc. to continue to provide a high-quality product to its local customers and beyond.

If designated as an enterprise project by the State of Texas, Oatly, Inc. commits to hiring twenty-five percent (25%) economically disadvantaged persons or enterprise zone residents for its new certified jobs at its Fort Worth facility during its enterprise project designation. Oatly, Inc. expects to retain all full-time jobs for benefit under the Enterprise Zone Program.

The single project designation allows for a state sales and use tax refund on qualified expenditures of \$2,500.00 per job, for up to 500 jobs, with a maximum benefit of \$1,250,000.00 over a five-year period. Under the Texas Enterprise Zone Act, at least twenty-five percent of the business' new or retained employees will be residents of an enterprise zone, economically disadvantaged individuals or veterans. In addition, the jobs will be provided through the end of the designation period or at least three years after the date on which a state benefit is received, whichever is later.

This project is located in COUNCIL DISTRICT 8

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that the approval of this recommendation will have no material effect on the City funds.

Submitted for City Manager's Office by: Jay Chapa 5804

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact: Robert Sturns 2663