

**To the Mayor and Members of the City Council****September 21, 2021**

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**SUBJECT: 2020 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 2020.

All companies with City incentive agreements must submit an annual report and supporting documentation by February 1<sup>st</sup>. The Economic Development Department verifies construction documentation for projects that are newly completed and reviews 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. 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 MWBE's.

This year staff reviewed 12 tax abatement and 35 economic development program (Chapter 380 Grant) agreements. These include one relocation tax abatement and four newly completed projects or project phases.

The additional revenue generated by the 47 agreements totaled \$49.8M. This constitutes roughly 7.82% of the City's total property, sales, and hotel occupancy tax revenues.

<b>Revenue Source</b>	<b>Tax Abatement Projects Levied TY20</b>	<b>Chapter 380 Projects Levied TY20</b>	<b>TOTALS</b>
Real and Business Personal Property and Sales Tax	\$8,956,464	\$39,064,909	\$48,021,373
Hotel Occupancy Tax	N/A	\$1,863,754	\$1,647,754
<b>Total</b>	<b>\$8,956,464</b>	<b>\$40,928,129</b>	<b>\$49,884,593</b>

Four agreements involved project completions:

- American Airlines' new headquarters
- Phase III of Clearfork Development Company's mixed-use development
- Raider Express' new office and manufacturing facility
- Phase III of FW Waterside Partners' mixed-use development.

American Airlines' minimum project private investment was \$350 M, and their actual capital investment was \$876.2 M. American Airlines earned 55% out of the available 55% construction incentive on property taxes. American Airlines achieved the maximum construction incentive due to their overperformance on hard construction participation of Fort Worth Companies and Fort Worth MWBE companies.

Clearfork Development Company's aggregate minimum private investment was \$300 M, and their verified aggregate private investment was \$331.5 M. The Company earned 66.07% out of the available 70.00%

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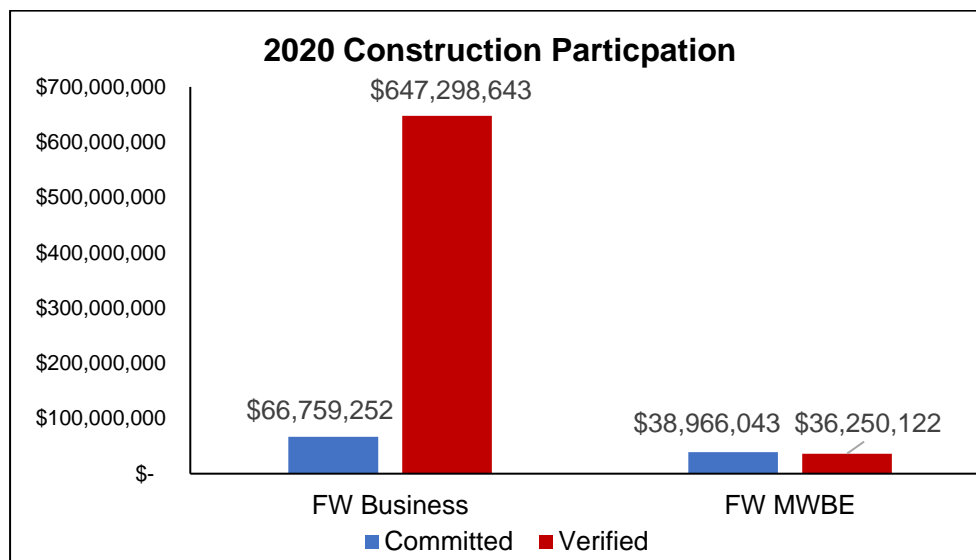
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construction incentive on real property taxes and sales taxes. Clearfork Development Company did not meet the expected participation of Fort Worth MWBE companies which resulted in a reduction of their construction incentive by 3.93%.

<b>Company</b>	<b>Overall Capital Investment</b>	<b>Base Abatement Max</b>	<b>Base Abatement Earned</b>
American Airlines, Inc.	\$876,169,174	55%	55%
Clearfork Development Company (Phase III)	\$331,460,694	70%	66.07%
<i>Total \$1.2 Billion in Capital Investment</i>			

Raider Express and FW Waterside Partners projects remain under review by the Economic Development staff.

For Tax Year 2020's construction spending, Fort Worth businesses received almost \$647.30 M in construction spending, which more than tripled the \$66.76 M committed, and Fort Worth MWBE's received nearly \$38.97 M in construction spending from economic development projects. While the MWBE commitments were not met fully in Tax Year 2020, we continue to see the gap tightening year over year as we have aligned our policy with city ordinance. The graph below depicts these results.



In addition to construction spending, ongoing employment and business supply and service participation are reviewed against applicable requirements under the agreements. All categories of the employment

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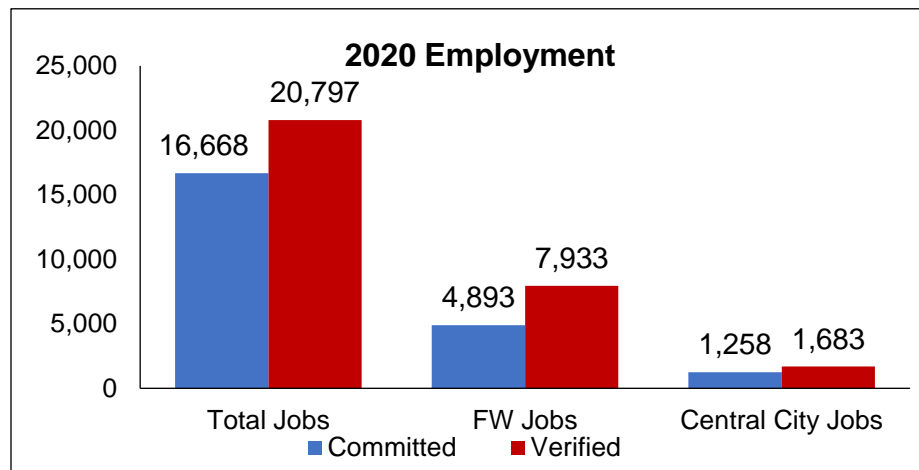
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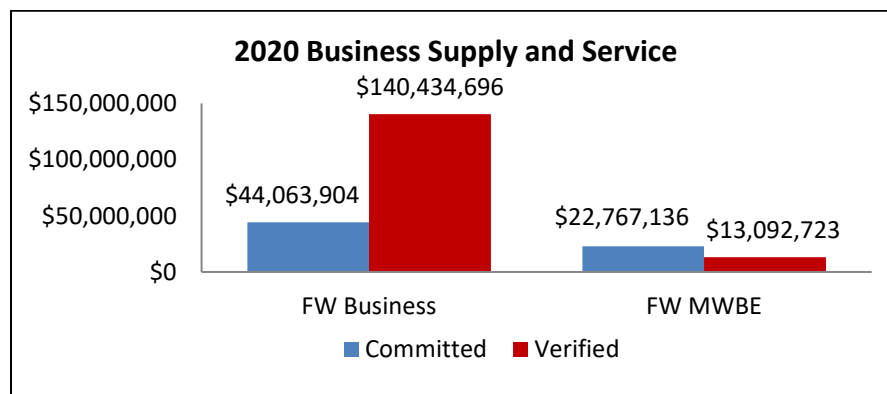


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commitment had verified numbers that well exceeded minimum commitments. The 2020 Employment figures across all projects are illustrated below.



With regard to supply and service commitments, the verified spending with Fort Worth Businesses was 318.7% of the committed value, while the verified Fort Worth MWBE spending was 57.5%. Reported supply and service numbers for Tax Year 2020 are shown in the graph below. The large overperformance on spending with Fort Worth Businesses is linked to two specific projects that carry Fort Worth supply & services commitments. Alcon spent \$40.6 M with Fort Worth Business versus an annual commitment of \$50,000. Bell Helicopter spent \$63.0 M with Fort Worth Businesses in supply and services while their annual commitment requires a minimum of \$1.0 M. These two projects alone make up 73.8% of the verified supply and services spending with FW Businesses in Tax Year 2020. Of the 29 projects that include a FW Business supply and service commitment, 9 did not meet the commitment, achieving (on average) 59.52% of their commitment. Of the 33 projects that include a FW MWBE supply and service commitment, 14 did not meet the commitment with an average performance of 27.17% of their commitment. Agreements that did not meet the commitments had a proportional reduction in the amount of eligible incentive based on their contract terms.



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Based on the projects' annual performance towards capital investment, employment and supply & service commitments, the projects were entitled to receive about \$29.5 M in TY20 under their contracts with the City. The table below shows the detailed breakdown of the grants and abatements.

Revenue Source	Tax Abatements Granted	Chapter 380 Granted	TOTALS
Real and Business Personal Property and Sales Tax	\$771,447	\$27,157,749	\$27,929,196
Hotel Occupancy Tax	N/A	\$1,558,604	\$1,558,604
<b>Total</b>	<b>\$771,447</b>	<b>\$28,716,353*</b>	<b>\$29,487,800</b>

\*Excludes \$225,400 grant payment made to the FW Housing Finance Corporation.

After payment of the grants and abatements, projects with active economic development agreements in 2020 provided \$20.4 M in new net tax revenue to the City in Tax Year 2020. This represents approximately 3.20% of the City's total property, sales, and hotel occupancy tax revenues.

Revenue Source	Net Revenue from TY20 Tax Abatements	Net Revenue from TY20 Chapter 380	TOTALS
Real and Business Personal Property and Sales Tax	\$8,185,016	\$11,907,160	\$20,092,177
Hotel Occupancy Tax	N/A	\$304,616	\$304,616
<b>Total</b>	<b>\$8,185,016</b>	<b>\$12,211,776</b>	<b>\$20,396,793</b>

**Summary of 2020 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*	\$48,021,373	\$27,929,196	<b>\$20,092,177</b>
Hotel Occupancy Tax	\$1,863,220	\$1,558,604	<b>\$304,616</b>
<b>Total</b>	<b>\$49,884,593</b>	<b>\$29,487,800</b>	<b>\$20,396,793</b>

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

The private investment leveraged by the economic development program totaled \$5.3 billion, making the City's total incentive participation 0.55%, resulting in a private to public investment ratio of 182:1. The net



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new tax revenues to the City generated by these projects represented a 69.17% return on the annual cost of incentives used to secure them.

If you have any questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-392-2663 or [robert.sturns@fortworthtexas.gov](mailto:robert.sturns@fortworthtexas.gov).

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