

Incentive Policy Discussion

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Background

- Economic Development Strategic Plan accepted by City Council on 12/12/2017
- Comprehensive review of best practices associated with incentives was undertaken throughout late 2017 and into 2018
- Stakeholder discussions held related to specific concepts
- Tax Abatement Policy strategically allowed to expire in June 2018

Strategic Plan Incentive Recommendations:

Initiative 4.2. Citywide Incentive Program. Create new incentive tools to encourage business growth within target industries and to facilitate development and redevelopment in designated districts

4.2.1. Establish an economic development fund similar to those of Plano and Richardson (through property taxes), and seek creative uses for natural resource extraction revenues

4.2.2. Revise the City tax abatement policy to ensure that future abatements help advance the goals of this plan. Minimize or reduce requirements that make Fort Worth less competitive in comparison with other cities in the metro area

4.2.3. Create a new incentive program for specific corporate relocations and expansions occupying existing space

4.2.4. Establish incentive guidelines for public investments that are not typically considered incentives, but function as indirect incentives. This would include infrastructure extensions (roads, water/wastewater, electric, and other utilities) necessary for a new facility

Key Drivers

- Focus on wages at or above City of Fort Worth Median Household Income (\$54,876 – 2016 ACS 5 Year Estimate)
- Structure and apply incentives in a way that moves Fort Worth closer to its desired result outlined in the 2017 Economic Development Strategic Plan
- Effective and Responsible Incentive Use
- Achieve better participation from our MWBE Firms to increase overall capacity

GUIDELINES FOR EFFECTIVE AND RESPONSIBLE INCENTIVE USE

- Incentives should be aligned with the city’s economic development goals.
- Upfront data and analysis can reduce risk and improve outcomes.
 - Due diligence that includes background research on applicants and business case analyses for projects seeking major discretionary incentives helps communities make sound decisions.
 - Evaluating project attributes relative to economic development goals and quantifying the fiscal and economic impacts of proposed investments enables economic development organizations to determine if projects can generate net benefits for the community.
 - In-depth analysis can help explain and build support for decisions.
- Define performance requirements and monitor compliance with performance agreements to assess whether project milestones are being reached.
- Be prepared to report on who is receiving incentives, how much is being spent, and the results of that spending.
- Establish policies to protect the community in the event of non-performance.
- Regularly (every three to five years) evaluate the city’s portfolio of incentives to determine which programs are most helpful in achieving economic development goals.

Source: www.smartincentives.org.

Document Reviews

DFW Metro

- City of Allen
- City of Arlington
- City of Burleson
- City of Dallas
- City of Frisco
- City of Irving
- City of Mansfield
- City of Plano

Major Texas Cities

- City of Austin
- City of Houston
- City of San Antonio

Domestic Benchmark Cities

- City of Columbus, OH
- City of Denver, CO
- City of Indianapolis, IN
- City of Kansas City, KS
- City of Nashville, TN
- City of Oklahoma City, OK
- City of Phoenix, AZ
- City of Pittsburgh, PA

Other Communities

- Enterprise Florida
- Kern County, CA
- Topeka, KS
- Mississippi
- Raleigh, NC
- Wake County, NC
- Washington, D.C
- Wisconsin

Other Resources Reviewed:

- Brookings Institute
- Good Jobs First
- International Economic Development Council (IEDC)
- Moss Adams LLP
- Purdue University – Agile Strategy Lab
- The PEW Charitable Trust
- United State Internal Revenue Service (IRS)

M/WBE Research Findings

City	Do you tie any portion of the incentive to M/WBE participation?	Construction Commitment	% of total spend	% of abatement	S&S Commitment	% of total spend	% of abatement
TEXAS CITIES							
Allen	No	No	No	No	No	No	No
Arlington	Yes	Yes	30%	10%	No	No	No
Austin	Yes	Yes	Varies	Varies	Yes	Varies	Varies
Dallas	Include as a good faith effort	Good faith	25%	Good faith	No	No	No
Frisco	No	No	No	No	No	No	No
Houston	No	No	No	No	No	No	No
Irving	No	No	No	No	No	No	No
Mansfield	No	No	No	No	No	No	No
Plano	No	No	No	No	No	No	No
San Antonio	No	No	No	No	No	No	No
OUTSIDE OF TEXAS							
Charlotte	No	No	No	No	No	No	No
Chicago	Yes	Yes	25%	No	No	No	No
Kansas City	Yes	Good faith	No	No	No	No	No
Memphis	Yes	Good faith	25%	No	Good faith	25%	No
Nashville	Left a messages, sent various emails	TBD	TBD	TBD	TBD	TBD	TBD
Oklahoma City	No	No	No	No	No	No	No
Orlando	No	No	No	No	No	No	No
Phoenix	No	No	No	No	No	No	No
Raleigh	Include as a good faith effort	Good faith	15%	Good faith	TBD	TBD	TBD

Stakeholder Engagement

Final Review (Invited and/or Engaged):

- Jeremiah Anderson, Fort Worth Metropolitan Black Chamber of Commerce
- Mike Berry, Hillwood
- Hayden Blackburn, Tech Fort Worth
- Johnny Campbell, Sundance Square
- Jack Clark, Red Oak Realty
- Robert Folzenlogen, Hillwood
- Brandom Gengelbach, Fort Worth Chamber of Commerce
- John Hernandez, Fort Worth Hispanic Chamber of Commerce
- Shea Hopkins, Fort Worth Chamber of Commerce
- Devoyd Jennings, Fort Worth Metropolitan Black Chamber of Commerce
- Stacy Marshall, Southeast Fort Worth, Inc.
- Andre McEwing, Tarrant County College
- Matt Robinson, Walton Global Holdings
- Chris Strayer, Fort Worth Chamber of Commerce
- Andy Taft, Downtown Fort Worth, Inc.
- Bill Thorton, Fort Worth Chamber of Commerce
- David Walter, CBRE

Stakeholder Engagement

Discussions regarding Specific Proposals:

- Hayden Blackburn, Tech Fort Worth
- Isaac Barchas, Austin Technology Incubator
- Dr. Phil Brown, Galderma
- Dr. Michael McCabe, University of Texas at Arlington Research Institute (UTARI)
- Charlie Plauch, S3 Ventures (Austin, TX)
- Scott Rule, JPS Health Network
- Michael Sherrod, TCU Entrepreneurship Center
- Bill Stinneford, Buxton
- Chris Strayer, Fort Worth Chamber of Commerce

General Eligibility Criteria

- Although the City **will consider all applications** for Economic Development Incentives that meet the eligibility requirements set forth in the associated Policy, it is especially interested in supporting projects that are expected to produce a meaningful impact on the City and its economy and that result in one or more of the following:
 - Growth of business activity, employment, or investment in one of the City's identified **Target Industries**
 - Creation of **high-wage jobs**;
 - Significant **Capital investment**;
 - Growth of business activity, employment, or investment in the **Central Business District**;
 - **Revitalization** with likelihood of ancillary development in a key employment node or specially designated area of the city;
 - **Retention or expansion** of an existing major employer;
 - Anchoring of a **business expansion project** with potential to generate additional supply chain activity

COMPETITIVENESS

General Projects

- All industries will be considered but strong consideration will be given to applicants that derive the majority of its revenues from one of the following established and emerging Target Industries (subject to additional requirements outlined below):

Established Sectors

- Transportation and warehousing
- Manufacturing
- Healthcare
- Oil and gas
- Tourism

Emerging Sectors

- Aerospace manufacturing and design
- Transportation innovation
- Life sciences delivery and innovation
- Geotechnical engineering
- International business
- Corporate and regional headquarters
- Professional services
- Financial services

All Industries

Minimum Annual Average Wage Rate and Minimum Investment Level

Base Tax Abatement Percentage	\$70 M Investment	\$55 M Investment	\$40 M Investment	\$25 M Investment
20%	\$43,992 - \$58,551			
30%	\$58,552 - \$73,111	\$58,552 - \$73,111		
40%	\$73,112 - \$87,671	\$73,112 - \$87,671	\$73,112 - \$87,671	
50%	\$87,672 or above	\$87,672 or above	\$87,672 or above	\$87,672 or above

Target & Emerging Industries

Minimum Annual Average Wage Rate and Minimum Investment Level

Base Tax Abatement Percentage	\$70 M Investment	\$55 M Investment	\$40 M Investment	\$25 M Investment
40%	\$43,992 - \$58,551			
50%	\$58,552 - \$73,111	\$58,552 - \$73,111		
60%	\$73,112 - \$87,671	\$73,112 - \$87,671	\$73,112 - \$87,671	
70%	\$87,672 or above	\$87,672 or above	\$87,672 or above	\$87,672 or above

Existing Business Expansion

- Minimum investment level is \$10 Million
- For a new project and not on-going business expenses
- At least 25 new jobs must be created
- Minimum annual average wage rate of \$43,992

Mega Projects

- City will consider up to an 85% incentive level if a project is considered a Mega Project
- A Mega Project can be within any industry, however, we are especially interested in Fortune 1,000, Fortune Global 500, or Inc. 5000 designated firms, pursuing development or redevelopment opportunities within the City
- Projects granted this designation must commit to at least one of the following (with the exception of data centers or other unique low employment/high capital investment projects which must have a minimum investment of \$50 million):
 - Commits to a minimum investment of at least \$250 million; **or**
 - Commits to hire at least 1,500 full-time employees; **or**
 - Commits to a minimum annual payroll of at least \$150 million

Length of Abatement

The City of Fort Worth will consider the following length of time for the incentives outline under the General Project section:

Maximum Length Term	Parameters
3-5 years	Less than \$50 Million Invested or Less than 250 Jobs
5-7 years	\$50+ Million or 250+ Jobs
7-9 years	\$75+ Million Invested or 350+ Jobs
10 years	\$100+ Million Invested or 500+ jobs

Central Business District Tenants

Existing Buildings:

- Up to 80% of the tenant's incremental Business Personal Property for 15 years, **or**
- Up to 80% of the proportionate incremental value of real property taxes of tenant space for up to 10 years

New Construction:

- Up to 80% of net new real property taxes generated by the CBD Property for up to 15 years, subject to the following requirements:
 - CBD TI Tenant must be a Fortune 1,000 or Inc. 5000 corporate or regional headquarters
 - A minimum of 100,000 sf must be occupied by the CBD TI Tenant
 - The CBD Property must be new construction in order to house the CBD TI Tenant
 - A minimum of \$100 million must be invested in hard construction costs associated with the new construction

Research and Development Tax Credit

- Target Industry applicants are eligible, through the City's Chapter 380 Economic Development Program, to receive consideration for a grant of funds for qualified expenses relating to ongoing research and development activities that take place in the City of Fort Worth
- Qualified expenses will be defined according to their eligibility under Internal Revenue Code section 41 (the Research and Experimentation Tax Credit) (the "Qualified Expenses")
- Qualified Expenses will only be considered eligible if they occur within the City of Fort Worth

Research and Development Tax Credit

- These program grants will be expressed in the form of transferable Property Tax Credits which may be applied to a Fort Worth property owner’s ad valorem tax obligation to the City, subject to certain limitations and approval, including but not limited to, current on all local and state taxes
- All or a portion of any Property Tax Credits awarded by the City to an applicant may be transferred and assigned to another City of Fort Worth property owner, subject to approval by City Staff and certain other limitations
- The maximum amount of qualified Research and Development costs that may be awarded is determined by the location in which the research and development activities take place, as guided by the table below:

	Maximum Potential R&D Reimbursement
Central Business District/ Innovation District	50%
Other Designated Investment Zone	35%
Other Fort Worth Location	25%

Full Service Hotels

- Up to 80% of the City's 7% Hotel Occupancy Tax revenues paid by the incentivized hotel for up to 15 years
- Full Service Hotel projects, including the hotel portion of mixed-use projects, especially hotels located within 1,000 feet of a Convention Center Facility
- Owned by, or on land owned by, the City of Fort Worth
- Projects located within the Cultural District must also meet the supplemental design standards set forth for the district

Hotel Rooms	Full Service Restaurant	Ballroom* Size	Meeting* Space	Boardroom* Space	Room Block Agreement
200 rooms	Yes	6,000 SF	2,400 SF	500 SF	Yes
250 rooms	Yes	7,500 SF	4,000 SF	500 SF	Yes
300 rooms	Yes	10,000 SF	6,000 SF	500 SF	Yes

*Hotel projects that are located within the Central Business District that are 12 stories or taller may qualify for a reduction or reconfiguration of conference space requirements. To be eligible for such adjustments, the developer must demonstrate that sufficient parking has been secured to serve the needs of the hotel, whether through a shared parking agreement, provision of new parking, or the installation of equipment or infrastructure that supports the use of car sharing services or other shared transportation services.

M/WBE Requirement

- In addition to the General Eligibility outlined above, incentive agreements may include participation on the **construction costs – both hard and soft – with qualified M/WBE businesses**
- For projects with an M/WBE requirement, applicant will work with the City's Office of Business Diversity to establish an overall project goal for the development
 - Applicant must provide documentation that it has obtained enough M/WBE participation to meet the goal; or that it made adequate good faith efforts to meet the goal, even though it did not succeed in obtaining enough M/WBE participation to do so
 - Failure to meet the M/WBE goal or document a Good Faith Effort will result in a **reduction of 10%** of the eligible incentive
 - Qualified M/WBE businesses must be located within the market areas applicable to the six county areas where the city spends 80 percent of its tax dollars (Tarrant, Dallas, Denton, Johnson, Parker and Wise)
 - Firms may be by the North Central Texas Regional Certification Agency (NCTRCA), D/FW Minority Supplier Development Council (MSDC) or Women's Business Council – Southwest (WBC)
 - Only firms with a principal office in the market area will be counted towards the M/WBE goals

CREATIVITY

Technology Company

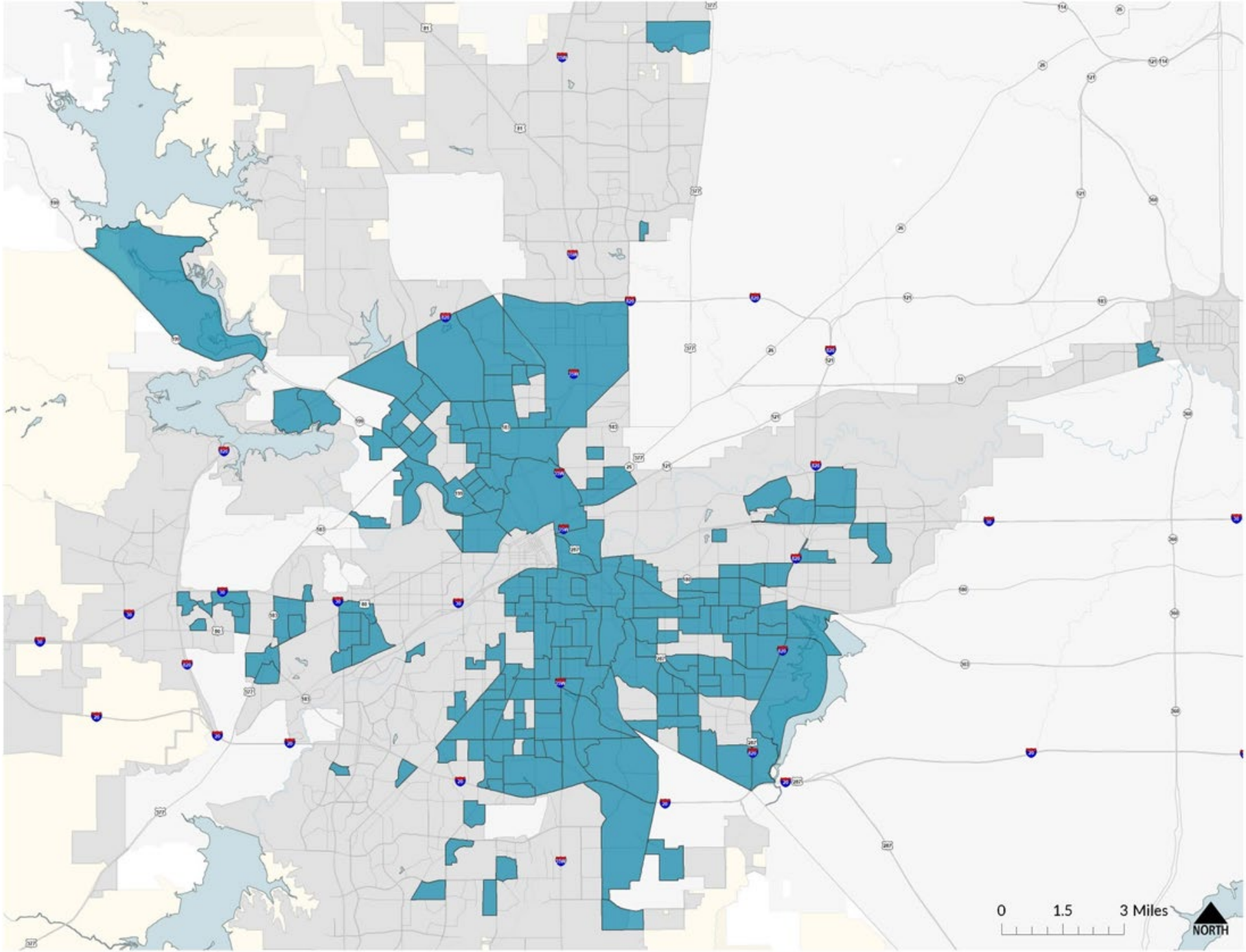
- Incentives delivered to a Technology Company may include grants that equal **one of the following:**
 - Up to 80% of net new real property taxes on owned or leased facilities for five years
 - Up to 80% of net new personal property taxes on equipment and hardware purchases for five years
 - Up to \$10,000 for each new hire in first three years of operation with annual salary over \$60,000
- Technology Company must:
 - Employ at least five individuals
 - Derive over 51% of revenue from qualifying high technology activities
 - Activities in this sector could include, but are not limited to, design, prototype development and testing, preliminary manufacturing and product marketing

COMMUNITY VITALITY

Catalytic Development

- Maximum 80% of incremental real property tax for up to 15 years
- A Catalytic Development project is eligible for consideration for support under this policy if the project:
 - Project must be located within the Designated Investment Zones
 - Project must be at least \$5 million of investment
 - Complies with at least one of the following requirements:
 - Project must be mixed use (Office, commercial, residential, etc.); **or**
 - A business that fills a gap, such as a grocery store in a food desert or a childcare facility; **or**
 - Project is located along specific corridors within an urban village; **or**
 - Generates significant job opportunities; **or**
 - Project helps create a hub of entrepreneurial activity, positioning the city to attract entrepreneurs and high-growth companies

Designated Investment Zones



Transit Oriented Development

- Maximum 50% of incremental real property tax for up to 7 years
- A Transit Oriented Development project is eligible for consideration for support under this policy if the project:
 - Project must be located within one-half mile of a commuter rail line station
 - Project must be mixed use (Office, commercial, residential, etc.)
 - Project must contain at least three stories
 - Project must be at least \$5 million of investment

M/WBE Requirement

- Applicants for mixed-use development/neighborhood improvement projects must commit to participation on the **construction costs – both hard and soft** – with qualified M/WBE businesses and **invest a minimum of 25% of any eligible ongoing Supply and Service expenditures** with qualified M/WBE businesses
- Applicant will commit to working with the City’s Office of Business Diversity to establish an overall M/WBE construction goal for the development
 - Applicant must provide documentation that it has obtained enough M/WBE participation to meet the construction goal; or that it made adequate good faith efforts to meet the goal, even though it did not succeed in obtaining enough M/WBE participation to do so
 - Failure to meet the M/WBE construction goal or document a Good Faith Effort will result in a **reduction of 10%** of the eligible incentive
 - Failure to meet the 25% ongoing Supply & Service expenditure with qualified M/WBE businesses will result in a **reduction of 5%** of the eligible incentive in any program year that the commitment is not met
 - Qualified businesses must be located within the market areas applicable to the six county areas where the city spends 80 percent of its tax dollars (Tarrant, Dallas, Denton, Johnson, Parker and Wise)
 - Firms may be by the North Central Texas Regional Certification Agency (NCTRCA), D/FW Minority Supplier Development Council (MSDC) or Women’s Business Council – Southwest (WBC)
 - Only firms with a principal office in the market area will be counted towards the M/WBE goals

Affordable Housing

Applicants for mixed-use development/neighborhood improvement projects must commit to:

- At least 10% of total rental residential units must be set aside exclusively for lease to qualifying households whose adjusted incomes do not exceed the then-current eighty percent (80%) income limits established by HUD at rents that are affordable to such households
- At least 10% of total rental residential units must be set aside exclusively for lease to qualifying households whose adjusted incomes do not exceed the then-current sixty percent (60%) income limits established by HUD at rents that are affordable to such households
- A Mixed-Use Development that commits to at least \$5.0 Million in investment and includes residential units that meet the Affordable Housing commitments can be considered even if it is located outside of a Designated Improvement Zone

CBD Surface Parking Lots Transition

- Up to 40% of the incremental tax value for 5 years of any new development that replaces the existing surface parking lot
- An additional 5% abatement may be provided to eligible projects if the subject parking lot consists of multiple parcels of unrelated ownership
- A CBD Parking Lot is eligible for an incentive under this section if the parking lot area proposed for redevelopment comprises at least 30% of the area of the city block on which it is located

Additional Notes

ADMINISTRATIVE EXTENSIONS

On a case-by-case basis, completion deadlines for construction activities in incentive agreements may be extended up to six months via Administrative approval through the City Manager’s Office

FUTURE REVIEWS/TARGET WAGES

Year of Consideration	Minimum Hourly Wage	Minimum Annual Wage
2018	\$21.15	\$43,992
2020	\$24.65	\$51,272
2022	\$28.15	\$58,552
2024	\$31.65	\$65,832
2026	\$35.15	\$73,112
2028	\$38.65	\$80,392
2030	\$42.15	\$87,672

2016 ACS 5-Year Estimate for if you need to compare to a sub-city geography, Median Household Income: \$54,876; <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

Designated Project Fund

- Capitalized from sale of Fort Worth Local Development Corporation assets. Initial capitalization ~\$4-5 Million.
- *Authorized by City Council on November 13, 2018.*
- All industries will be considered but strong consideration will be given the applicants that derive the majority of its revenues from one of the Target and Emerging Industries
- Based upon new job creation with wages at/or above City of Fort Worth Household Median Income

Designated Project Fund

- Based upon new job creation with wages at/or above City of Fort Worth Household Median Income:

Maximum Amount Per New Position	Minimum Annual Wage Rate
\$1,000	\$58,552 - \$73,111
\$1,500	\$73,112 - \$87,671
\$2,000	\$87,672 - \$102,231
\$2,500	\$102,232 or above

Recommendation/Next Steps

- Adopt the Resolution stating that the City elects to remain eligible to participate in property tax abatement, pursuant to the Texas Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code, as amended; and
- Adopt the updated General Tax Abatement Policy, including guidelines and criteria, governing certain property tax abatements granted by the City of Fort Worth
- Adopt the Economic Development Program Agreement Policy, pursuant to Texas Local Government Code, Chapter 380; and
- Adopt the Designated Project Fund Policy
- M&C's for City Council consideration on January 25, 2019 Agenda

Thank you

