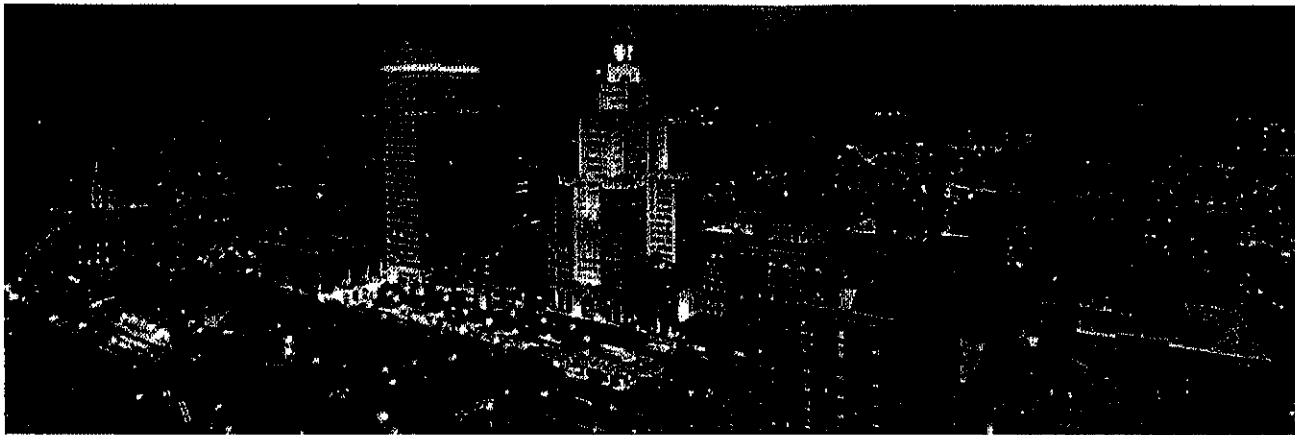


The Role of Planners in Tax-Stabilization Agreements (TSAs)



Ruben Flores-Marzan, AICP, LPP
Director
Department of Planning & Development (DPD)

Ways and Means Committee
February 26, 2014

Tax Stabilization Agreements (TSAs)

- Negotiated benefit(s) between a unit of government and a private entity for the dual purpose of offsetting a company's costs when opening, expanding and/or relocating to a particular destination and to expand economic growth in the jurisdiction.
- TSAs are just one of various tools available to governments to enable for sustained growth to occur:
 - Zoning bonuses
 - Impact fee waivers
 - Fast-track permitting
 - Grants
 - Loans
 - Tax Increment Financing (TIFs)

The Case for TSAs

- TSAs may:
 - Stimulate growth in stagnated areas
 - Create jobs (direct, indirect, induced)
 - Attract foreign investment
 - Diversify the economic base
 - Achieve shared goals as laid out in an adopted comprehensive community strategy/plan

The Case against TSAs

- TSAs:
 - May not be the most prudent way of using taxpayer dollars to generate sustained economic growth
 - May be perceived as granted to ‘friends’ for particular, individual projects that are not necessarily aligned with City goals
 - Take tax income away from other, equally important priorities (i.e. public services, infrastructure improvements)
 - Proponents would have developed their projects anyway
 - Require significant effort and resources to properly monitor and enforce over time
 - Potentially alienates existing businesses
 - Can fuel cannibalization between jurisdictions fighting for projects

Alternatives to TSAs

- Economic growth can be achieved by:
 - Capital Improvements Program: Provide funding for infrastructure projects that provide a public benefit to more than one property owner
 - Reducing 'red tape': Cut unnecessary/nonessential processes
 - Technology: Enable for online project submittals, open portals to enhance the sharing of information
 - Development and Implementation of a Comprehensive Plan/Strategy: Enable for the planning process to work by executing, monitoring and reevaluating a community's growth strategy
 - Tax Increment Financing (TIF) Districts: Selected areas of the community where the property tax collected on the increased property value of a new development is applied to pay for infrastructure enhancements and public service improvements
 - Public-Private Partnerships (P3s): Identify large-scale capital and public service improvements and structure long-term concessions/leases with the private sector

The TSA Process

- If a decision is made to enable for TSAs to continue playing a part in the City's economic policy, there should be criteria in place to ensure parties understand the process and its commitments:
 - Suitability: ensure project is a good match to address the circumstances affecting the proposed site and its vicinity
 - Consistency: ensure project is compatible with adopted community planning strategies, plans, programs and projects
 - Cost-benefits: ensure project is a win for both the proponent and the jurisdiction
 - Performance standards: ensure community receives tangent benefits from the project (jobs, capital improvements, goods and services provided by local businesses)
 - Legal requirements: ensure project complies with legally-binding terms so as to safeguard the public interest and taxpayer dollars

The Planners' Role

- DPD Planners could play a key role in terms of:
 - Suitability: Evaluating the environmental, economic, physical and social elements of the proposed project
 - Consistency: Identifying how the project's attributes further neighborhood and city-wide comprehensive planning goals, objectives and policies
 - Community Cost-Benefits: Weighing how these factors would impact the surrounding vicinity (Note: the economic component of the evaluation would have to be performed by an outside consultant)
 - Performance standards: Identification of proposed improvements and an evaluation of whether these are what the neighborhood needs. Tracking these projects (in collaboration with other City Departments) over time and analyzing how they impact the community would be the next step if a TSA is granted
 - Legal requirements: Provide technical assistance to the Law Department to ensure proponent complies with all the binding terms of the TSA agreement

Case Study: Ft. Worth, Texas

Fort Worth riverfront development looks like a winner

Posted Wednesday, Feb. 19, 2014 0 comments  Print  Reprints  Share  Like  3

ARTICLE

COMMENTS

Fort Worth is considering \$18.5 million in public incentives for a 63-acre development on prime riverfront land on the city's southwest side.

That's a lot of money, planned as rebates on some sales and property taxes gained by the city during the development's first 15 years. A City Council vote is expected March 4.

It's frustrating for taxpayers to see money flowing out to help developers with multimillion-dollar investments.

And not all the deals turn out well. They have to be examined case by case. This one, although not totally free of troubling points, looks like a winner.

Start with the land. It's part of the Lockheed Martin Recreation Association property off Bryant Irvin Road, along the Clear Fork of the Trinity River.

It's pristine acreage already surrounded by development, some of it high-dollar.

The development plan would capitalize on the location with public amenities, including a riverfront park, trails and a public area. For too long, Fort Worth has failed to take advantage of the natural beauty of the Trinity River.

The developer is Trademark Property Co., whose CEO, Terry Montesi, has been involved in Fort Worth real estate development and leasing for three decades.

Finally, projections say Fort Worth and other local taxing entities still benefit — a lot. The \$18.5 million incentive package is tied to a minimum \$185 million private investment. The total local tax benefit is expected to be more than \$110 million.

Fort Worth requires 25-30 percent of the construction costs to be paid to local contractors, part of it to businesses led by minorities and women. Annual minimum supply and service expenditures must also go to local businesses.

The only worry about the proposal might be that much of the project is still being designed. Although the deal specifies how much commercial and residential space must be built in each of three development phases, exactly what that will look like is still up in the air.

But Fort Worth can cancel incentives if things go astray. And for the developers, there's too much at stake to mess it up.

 Have more to add?
News tip? Tell us

Case Study: Ft. Worth, Texas

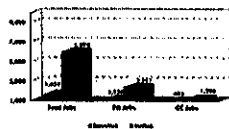
CITY OF FORT WORTH 2012 ECONOMIC DEVELOPMENT AGREEMENTS (EDPA) PERFORMANCE

Pursuant to Chapter 380, the City has established economic development programs and pursuant to the terms of these agreements, the City will fund from lawfully available revenues, which may include moneys in the City's General Fund, periodic economic development grant payments to the companies. The actual grant amounts will be calculated on the basis of percentages of ad valorem and/or sales taxes received by the City and attributable to certain real property developed by those companies during the terms of the respective agreements. The grant amount pursuant to the agreements with Presidio Hotel Fort Worth, LP, Renaissance Worthington, and Omni Fort Worth Partnership, LP also includes a component related to the hotel occupancy taxes paid to the City. Under the terms of the agreements, the companies are obligated to pay all ad valorem taxes to the City; the City will be obligated to fund and pay the grant payments based on actual performance.

- Total EDPA's Approved: 34
- Total Active EDPA's: 22
- Total Estimated Investment (active projects): \$1.1 Billion
- Total Estimated Jobs Created/Retained (active projects): 6,000
- Companies Received in Tax Incentives on New Investment: \$9.7 Million
- Revenue to the City of Fort Worth: \$3.2 Million

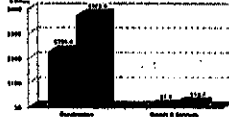
The charts below illustrate the total number or amount the companies committed to spend or have, compared to the actual city verified number or amount.

2012 Employment Summary



- Total full-time jobs exceeded by: 4,349
- Fort Worth jobs exceeded by: 1,243
- Central City jobs exceeded by: 721

2012 Fort Worth Business Participation



- Total Fort Worth construction spending exceeded by: \$147.4 million (185 percent)
- Actual Fort Worth supplies and service spending exceeded by: \$11.5 million (325 percent)

2012 M/WBE Business Participation



- Total M/WBE construction spending exceeded by: \$101.0 million (143 percent)

CITY OF FORT WORTH TAX ABATEMENT AGREEMENTS FACT SHEET

Active City Council Approved Projects (Completed, in Compliance Phase)(As of August 2013)

Company	Term (Yrs)	Expiration Date (Last Day of Agreement)	Actual Real Estate Business Investment (Property Investment)	Actual Construction Investment (FW Businesses)	Actual Construction Investment (M/WBE)	Actual Jobs Created or Retained	Actual \$ Spent (FW Vendors)	Actual \$ Spent (M/WBE Vendors)	% Incentive Earned for Compliance (as of August 2013)	Taxes Abated	Taxes to City
ConAgra Foods, Inc.	10	2013	\$ 12,000,000	\$ 5,684,132	\$ 1,488,532	80	\$ 818,860	\$ 43,022	0%	\$ -	\$ 172,478
Sail Helicopter Textron, Inc.	1	2013	\$ 23,104,684	\$ 1,896,787	\$ 1,138,148	4048	\$ 1,047,098	\$ 118,287	76.8%	\$ 206,842	\$ 66,768
Coca-Cola Enterprises	10	2014	\$ 8,964,900	\$ 4,488,478	\$ 1,208,118	781	\$ 300,806	\$ -	68%	\$ 36,869	\$ 16,755
The Fort Worth Depot, LLC	10	2015	\$ 13,881,200	\$ 4,382,211	\$ 13,328,200	7	\$ 193,889	\$ 60,000	100%	\$ 117,819	\$ -
Bank One, N.A., Chase Operations Center	10	2015	\$ 35,090,952	\$ 18,128,651	\$ 18,128,651	1385	\$ 29,554	\$ 29,584	0%	\$ -	\$ 385,603
Cott Beverages, Inc.	10	2015	\$ 84,137,766	\$ 7,822,978	\$ 3,730,871	-	\$ -	\$ -	0%	\$ -	\$ 235,458
GM WestBery LLC	10	2016	\$ 50,695,879	\$ 10,472,798	\$ 6,784,218	7	\$ 501,305	\$ 189,865	100% minus \$61,078	\$ 347,722	\$ 61,078
CUNA Mutual Insurance Society	10	2017	\$ 12,738,788	\$ 8,832,381	\$ 1,654,606	184	\$ -	\$ -	20%	\$ 18,358	\$ 73,422
Omni Fort Worth Partnership, LP	10	2018	\$ 201,456,127	\$ 51,011,811	\$ 31,428,689	609	\$ 1,065,819	\$ 108,229	100%	\$ 641,250	\$ -
Allied Electronics, Inc.	10	2018	\$ 37,683,508	\$ 8,898,625	\$ 5,850,931	377	\$ 1,834,522	\$ 28,554	32%	\$ 41,812	\$ 88,425
Cliras Wireless, LLC	10	2019	\$ 27,229,010	\$ 2,411,692	\$ 1,208,212	897	\$ 3,003,848	\$ 1,228,438	21.76%	\$ 59,245	\$ 213,922
Blue Cross Blue Shield of Texas	10	2020	\$ 184,027,271	\$ -	\$ -	46	\$ -	\$ 17,966	40%	\$ 302,298	\$ 483,448
Lancaster Avenue, Ltd.	10	2021	\$ 1,651,820	\$ 178,512	\$ 173,712	0	\$ 37,589	\$ 28,689	93.35%	\$ 14,897	\$ 1,081
Print Industries (USA), Inc.	10	2021	\$ 30,000,641	\$ -	\$ 1,181,313	167	\$ -	\$ 17,823	38%	\$ 65,583	\$ 180,801
TOTAL			\$ 784,422,505	\$ 123,894,718	\$ 87,106,109	5,465	\$ 8,336,883	\$ 1,888,928		\$ 1,873,318	\$ 1,941,310

New City Council Approved Projects (Commitments, Not Yet Completed)(As of August 2013)

Company	Term (Yrs)	Expiration Date	Real Estate Business Investment (Property Investment)	Construction Investment (FW Businesses)	Construction Investment (M/WBE)	Jobs Created or Retained	\$ Spent (FW Vendors)	\$ Spent (M/WBE Vendors)	% Max. Incentive	Est. Annual Taxes Abated	Est. Annual Taxes to City
Alcon Labs	10	2023	\$ 11,000,000	\$ 1,000,000	\$ 1,000,000	750	\$ 60,000	\$ 25,000	80%	\$ 75,240	\$ 18,810
ATC Logistics & Electronics, Inc.	8	2024	\$ 18,600,000	\$ 350,000	\$ 290,000	2,078	\$ 900,000	\$ 400,000	70%	\$ 110,723	\$ 47,480
Carolina Beverage Group, LLC	10	2024	\$ 41,000,000	\$ 1,480,000	\$ 825,800	225	\$ 360,000	\$ 300,000	70%	\$ 245,385	\$ 105,165
Groystar GP II, LLC	10	2025	\$ 35,000,000	\$ 10,500,000	\$ 8,750,000	8	\$ 70,050	\$ 58,375	70%	\$ 299,475	\$ 80,775
IKAS/RDC 4805 Investments, LP & Station Venture Operations, LP	1	2014	\$ 18,000,000	\$ 2,000,000	\$ 2,000,000	278	NA	NA	85%	\$ 118,280	\$ 20,820
Lancaster Properties, LLC	5	2018	\$ 23,252,000	\$ 6,975,600	\$ 5,813,000	3	\$ 60,000	\$ 25,000	85%	\$ 168,884	\$ 28,821
NSC Renewables, LLC	10	2023	\$ 86,000,000	\$ 2,550,000	\$ 2,125,000	40 (up to 150)	\$ 180,000	\$ 80,000	80%	\$ 656,840	\$ 184,180
TOTAL			\$ 246,732,000	\$ 24,655,600	\$ 20,683,000	3,343	\$ 1,220,050	\$ 888,375		\$ 1,582,727	\$ 476,704

Case Study: Ft. Worth, Texas

CITY OF FORT WORTH ECONOMIC DEVELOPMENT GRANT PROGRAM AGREEMENTS FACT SHEET

Active City Council Approved Projects (Completed, In Compliance Phase) (As of August 2013)

Company	Term (Yrs)	Expiration Date (Last grant)	Actual Real Estate Business/Personal Property Investment	Actual Construction Investment (FW Businesses)	Actual Construction Investment (M/WBE)	Actual Jobs Created/Retained	Actual \$ Spent FW Vendors	Actual \$ Spent M/WBE Vendors	% Incentive Earned (or compliance in calendar year 2012)	Taxes to Grantee	Taxes to City
TLC Greenfield, LP	9	2015	\$ 51,253,937	\$ 17,842,136	\$ 10,784,884	0	\$ -	\$ -	100%	\$ 784,702	\$ -
Railhead Industrial Park Investors, LP, Railhead Business Park	10	2015	\$ 4,897,751	\$ 2,247,862	\$ 1,532,876	290	\$ 9,905,687	\$ 9,905,687	90% OF 90%	\$ 459,731	\$ -
RadioShack Corporation	11	2017	\$ 222,958,835	\$ 123,971,248	\$ 67,554,462	1080	\$ 2,684,210	\$ 101,643	100%	\$ 182,761	\$ 9,183
TTL, Inc	5	2017	\$ 584,705	\$ -	\$ -	520	\$ -	\$ -	100% for road	\$ 118,941	\$ 213,366
Robert G. Muckleroy/ Parole Office	10	2022	\$ 900,591	\$ -	\$ -	0	\$ -	\$ -	100%	\$ 10,390	\$ -
TD Ameritrade Inc	10	2022	\$ 7,274,377	\$ -	\$ -	1092	Not Applicable at this time	Not Applicable at this time	50%	\$ 12,195	\$ 12,195
Columbia North Hills Hospital Subsidiary, LP (PHI)	10	2022	\$ 8,034,743	\$ 5,196,378	\$ 8,441	65	\$ 682,762	\$ 66,314	70% OF 60%	\$ 6,981	\$ 2,992
BCMCHI Worthington, Inc.	20	2024	\$ 9,272,974	\$ 2,476,550	\$ 3,149,888	219	\$ -	\$ -	100%	\$ 93,845	\$ 45,032
Trinity Bluff Acquisition Corporation (Phase I)	14	2024	\$ 25,141,916	\$ -	\$ 5,039,748	7	\$ -	\$ 809,288	100%	\$ 183,650	\$ 94,805
Pier 1 - FTW, Inc.	20	2025	\$ 82,608,275	\$ 33,439,096	\$ 40,070,524	not provided	\$ 1,550,573	\$ 7,666,875	80% OF 90%	\$ 448,334	\$ 174,352
Cabela's Retail, Inc.	20	2025	\$ 51,381,202	\$ 13,263,575	\$ 1,472,822	399	\$ 29,198	\$ -	100% OF 67%	\$ 417,012	\$ 482,061
Museum Place Holdings, LLC (PHI)	15	2025	\$ 50,693,371	\$ 41,857,660	\$ 36,269,150	4	\$ 57,056	\$ 57,056	55%	\$ 185,362	\$ 179,618
Cypress Equities, West 7th Development (PHI & I)	15	2028	\$ 178,436,068	\$ 30,594,469	\$ 15,350,133	15	\$ 126,365	\$ 83,337	84.5%	\$ 948,512	\$ 867,344
Target Corporation	21	2027	\$ 10,381,691	\$ 3,008,885	\$ 1,885,120	150	\$ -	\$ 66,491	100%	\$ 588,012	\$ 189,349
Omni Fort Worth Partnership, LP	18	2027	\$ 201,456,127	\$ 51,011,861	\$ 31,429,699	509	\$ 1,062,619	\$ 106,226	100%	\$ 2,705,182	\$ 87,118
Town Center Mall, LP	20	2027	\$ 17,252,171	\$ 6,491,497	\$ 6,429,490	1010	\$ 147,248	\$ 147,248	80% SALES & 50% RP & BPP	\$ 213,179	\$ 438,099
Kimco Montgomery Plaza, LP	22	2029	\$ 44,541,738	\$ 18,554,819	\$ 11,667,824	316	\$ -	\$ 85,782	100%	\$ 904,513	\$ 239,460
Prasidio Hotel Fort Worth, LP	20	2028	\$ 29,291,285	\$ 7,411,023	\$ 3,450,415	185	\$ 107,973	\$ 39,111	87%	\$ 510,556	\$ 78,290
LPC Trinity Parks LP (Phase II)	20	2031	\$ 11,428,353	\$ 2,589,956	\$ 1,992,929	7	\$ -	\$ 185,222	50%	\$ 37,802	\$ 37,802
LPC Trinity Parks LP (Phase III)	20	2031	\$ 33,590,416	\$ 7,489,938	\$ 6,125,331	Not provided	Assumed with Phase II (Only one set of commitments for both phases)	\$ -	100%	\$ 286,350	\$ -
Oliver's Fine Foods	20	2032	\$ 1,509,805	\$ -	\$ 716,712	24	\$ 257,369	\$ -	100%	\$ 9,652	\$ 4,828
Acme Brick Company	32	2038	\$ 22,726,733	\$ 6,937,044	\$ 4,020,262	118	\$ -	\$ -	100% OF 100%	\$ 622,374	\$ 311,187
TOTAL			\$ 1,263,616,144	\$ 373,751,913	\$ 237,798,727	5,970	\$ 16,717,318	\$ 18,100,183		\$ 9,688,036	\$ 3,223,047

New City Council Approved Projects (Commitments, Not Yet Completed) (As of August 2013)

Company	Term (Yrs)	Expiration Date	Real Estate Business/Personal Property Investment	Construction Investment (FW Businesses)	Construction Investment (M/WBE)	Jobs Created/Retained	\$ Spent FW Vendors	\$ Spent with M/WBE Vendors	Max Incentive	Est. Annual Taxes Abated	Est. Annual Taxes to City
Bell Helicopter Textron Inc	19	2033	\$ 235,000,000	\$ 21,000,000	\$ 17,500,000	4500	\$ 1,000,000	\$ 500,000	80% RP & BPP	\$ 1,807,400	\$ 401,850
BrandFX Body Company	5	2018	\$ 1,300,000	\$ -	\$ -	65	\$ -	\$ 150,000	90% BPP	\$ 10,004	\$ 1,112
Feris Mfg. Corp.	5	2018	\$ 3,800,000	\$ -	\$ -	80	\$ 1,200,000	\$ 600,000	40% BPP	\$ 11,970	\$ 17,955
GE Transportation	10	2024	\$ 155,000,000	\$ 25,000,000	\$ 25,000,000	320	\$ 400,000	\$ 130,000	55% RP & BPP	\$ 728,688	\$ 598,383
IOXAS/Station Veritex Operations LP	24	2039	\$ 16,000,000	\$ 2,000,000	\$ 2,000,000	278	\$ -	\$ -	85% RP & BPP	\$ 118,280	\$ 20,520
Our Nation's Best Sports	10	2025	\$ 3,580,000	\$ 975,000	\$ 812,500	35	\$ 51,000	\$ 42,500	50% RP & BPP	\$ 15,478	\$ 15,176
Paterson Equity Partners, LLC	20	2036	\$ 10,000,000	\$ 3,000,000	\$ 2,500,000	25	\$ 100,000	\$ 50,000	100% mineral leases	\$ -	\$ 50,659
Renaissance Square, LLC	20	2034	\$ 48,000,000	\$ 11,500,000	\$ 11,500,000	50	\$ 100,000	\$ 50,000	100% BPP & Sales	\$ 625,071	\$ -
Sundance Plaza, LLC	15	2030	\$ 65,000,000	\$ 19,500,000	\$ 16,250,000	5	\$ 200,000	\$ 100,000	85% Sales	\$ 166,887	\$ 555,750
Trademark Property Company	10	2026	\$ 50,000,000	\$ 7,200,000	\$ 6,000,000	10	\$ 50,000	\$ 35,000	50% RP, BPP, Sales	\$ 213,750	\$ 213,750
Wal-Mart Stores Inc.	10	2024	\$ 30,000,000	\$ -	\$ -	400	\$ 210,000	\$ 96,000	75% RP & BPP	\$ 192,375	\$ 84,125
Wal-Mart Stores Texas, LLC	3	2017	\$ 10,000,000	\$ -	\$ 2,500,000	50	\$ -	\$ -	50% RP & Sales	\$ 294,480	\$ 294,480
TOTAL			\$ 628,350,000	\$ 90,175,000	\$ 84,062,500	6,808	\$ 3,311,000	\$ 1,853,500		\$ 3,982,341	\$ 2,231,720

The Path Forward

- A formal, clearly defined TSA framework is needed
- City Council should identify the City Departments that would be involved and their respective roles
- Resources should be allocated to this ongoing effort
- Ways & Means should consider integrating DPD as a member of its TSA Task Force in a supporting capacity