



GKN Aerospace

Michael Hennig
Economic Development Department
October 18, 2022

Company Background

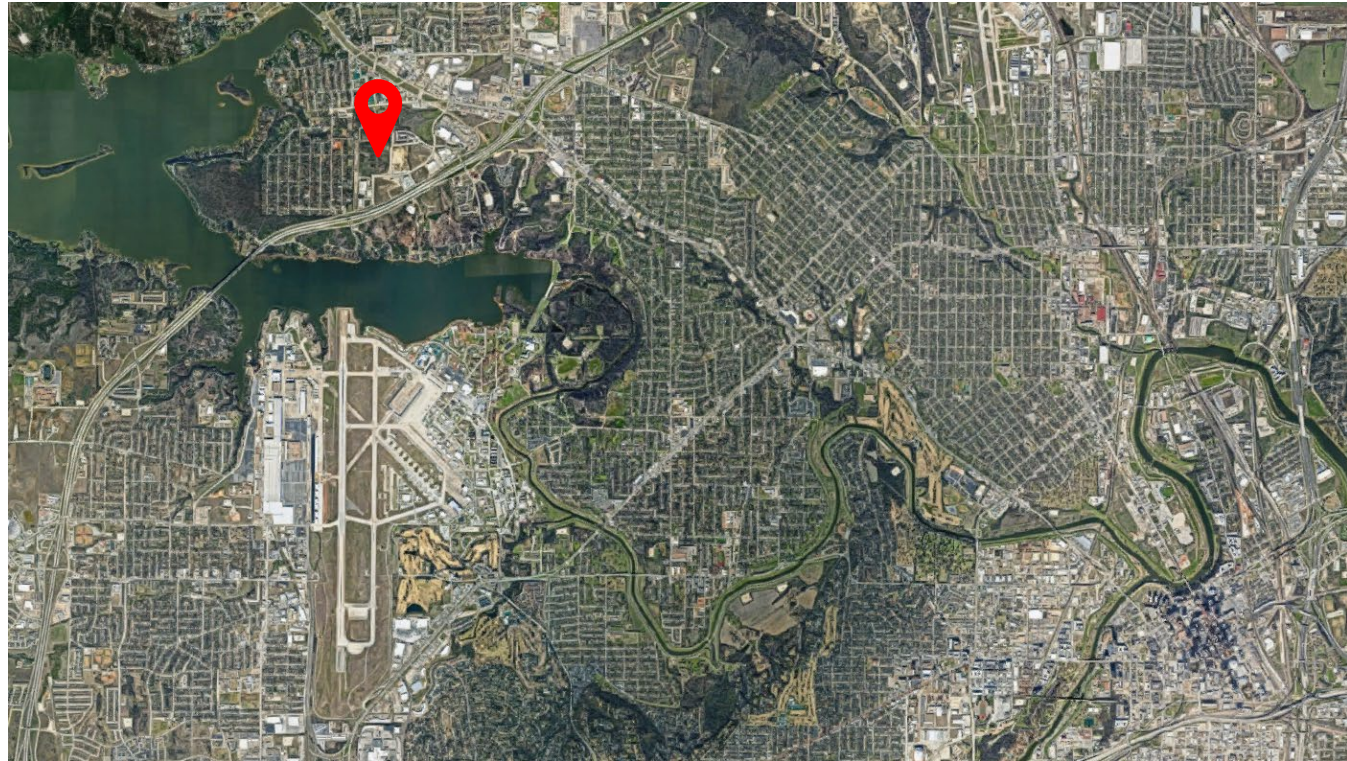
- Aerospace manufacturing company that develops, builds & supplies an extensive range of advanced aerospace systems
- Industry leader in additive manufacturing for aerospace materials, engines, and other technologies
- Based in United Kingdom
- More than 15,000 employees globally
- 38 manufacturing sites in 12 countries
 - Includes onsite research and partnership with Oakridge National Laboratory (Tennessee)
- Consideration of Fort Worth driven by R&D Credit Program



Proposed Project Overview

- Competitive national site selection process for company's **Global Technology Center (GTC)**
- GTC will be center for all of company's R&D activity in North America
- Approximately 100,000 sq. ft. industrial space
- Considering sites in:
 - Arlington
 - McKinney
 - Missouri
 - Oak Ridge, Tennessee
- Approx. **\$40.5 million in total R&D costs** over 5-year period

Proposed Project Site – Lone Star Commerce Center



Proposed Project Improvements



City of Fort Worth's R&D Credit Program

- **Created in response to 2019 Strategic Plan** to compete for R&D intensive projects
 - R&D-intensive projects are highly competitive due to economic / strategic value
 - Fort Worth's R&D Credit Program provides a way to compete
- Projects in **target industries** eligible to earn **380 grants for R&D activity** in Fort Worth
- Earned based on cost of **eligible R&D activity**, applied to **incremental property taxes**
- **Company allowed to sell and assign grant rights** to other Fort Worth commercial property owners (subject to certain restrictions)

Company Commitments

- Locate and operate **Global Technology Center** in Fort Worth by 12/31/2024
- **Min. \$4 million** in **annual R&D** costs (**\$20 million** minimum over 5-yr. period)
 - **\$40.5 million estimated total R&D** costs over 5-yr. period
- **Min. \$4.5 million** in real property Improvements
 - **Min. 15%** Hard and Soft Construction costs to **BEF companies**
- **Min. \$12.5 million** in business personal property
- **Min. 100 new jobs** by **Year 5**
 - Employment ramp-up (beginning Year 1) subject to milestones and penalties that reduce grant payments
- **Min. average annual salaries of \$125,000** at all times of agreement
- Community engagement plan

Proposed City Incentives: R&D Credit 380

- **5-year performance period** (to earn R&D credits)
 - Credits earned based on **25% of eligible annual R&D costs**
 - **Min. \$4 M annual R&D costs**
- **15-year possible grant period** (to redeem R&D credits, directly or indirectly)
- Grants capped at **\$7 Million** which would require est. **\$40.5 million R&D costs**
- Hitting \$7 M cap requires est. **\$91.6 M in new increment** from company or grant assignees
- Performance-based / Subject to Milestones



Summary

Project Commitments

- **\$40.5 M Total R&D costs to reach cap**
- Min. \$20 M Total R&D costs
- Min. \$4 M annual R&D costs
- Other Commitments
 - Min. \$4.5 M Real Improvements
 - Min. \$12.5 M BPP
 - Minimum 100 new FTEs by Year 5
 - Min. \$125,000 average annual salary

R&D Credits

- Transferable R&D credits based on 25% of R&D costs (5 yrs.)
- 380 grants require incremental property tax
- Max. Benefit (Cap): \$7,000,000
- Required incremental property value for cap: \$91,600,000
- Total Net Taxes to City at Cap: \$2,333,333

Staff Recommendation

Staff recommends:

- Entering into an Economic Development Program Agreement with GKN Aerospace through the City's R&D Credit Program to provide grants in an amount not to exceed \$7,000,000 subject to project performance and eligible tax increment
- M&C: 10/25/22

Thank you.

Questions?

