

Fort Worth



1964 • 1993 • 2011

**Mayor**

Betsy Price

**Council Members**

Sal Espino, District 2

W. B. Zimmerman, District 3

Danny Scarth, District 4

Gyna Bivens, District 5

Jungus Jordan, District 6

Dennis Shingleton, District 7

Kelly Allen-Gray, District 8

Joel Burns, District 9

**Property Tax Abatement and  
Economic Development  
Program Grant Review**

May 30, 2014



**City of Fort Worth  
Department of Internal Audit**

1000 Throckmorton Street  
Fort Worth, Texas 76102

**Audit Staff**

Patrice Randle, City Auditor

Terry Holderman, Assistant City Auditor

Chris Saunders, Audit Manager

Esmeralda Ontiveras, Internal Auditor

Edwin Marin, Internal Auditor

Blake Widmoyer, Intern

# Table of Contents

---

Executive Summary ..... 1

Background..... 2

Objective..... 3

Scope ..... 3

Methodology ..... 4

Results..... 5

Acknowledgements..... 10



**The Property Tax Abatement and Economic Development Program Grant Review was conducted as a part of the Department of Internal Audit's Fiscal Year 2014 Annual Audit Plan.**

**Objectives**

The objective of this review was to determine whether Fort Worth business entities complied with requirements imposed by the City Council in return for providing property tax abatements and/or grants.

**Scope**

Our review covered the 12-month period ended December 31, 2013.

---

**Executive Summary**

---

The Department of Internal Audit conducted an audit of 19 of the 44 active property tax abatements/Chapter 380 agreements between the City of Fort Worth and various business entities located throughout the city. Based on documents reviewed by the Department of Internal Audit, three (3) companies were eligible to receive the full property tax abatement/economic development grant available. Fifteen companies did not meet all requirements, and one company did not participate.

Companies with documentation supporting their eligibility to receive the full property tax abatement/economic development grant included:

- Commercial Metals Company;
- GrandMarc (GM Westberry, LLC); and,
- Wal-Mart Stores Texas, LLC.

Companies with documentation supporting their eligibility to receive a portion of the property tax abatement/economic development grant included those listed below.

- Alcon
- Allied Electronics
- ATCLE
- BrandFX Body Company
- Chase/Bank One
- Coca-Cola
- CUNA Mutual Insurance Society
- GE Manufacturing Solutions, LLC
- HCA Alliance
- KXAS/NBC-5
- Lancaster Properties, LLC
- Museum Place
- Pier 1
- Pratt Industries
- West 7<sup>th</sup> Development

The City of Fort Worth executed an agreement with Buck's Wheel & Equipment Company. Buck's Wheel & Equipment Company withdrew from the agreement and was, therefore, not eligible to receive any property tax abatement.

Since this review was to report on the extent by which Fort Worth businesses complied with the City of Fort Worth's abatement and economic grant agreements, the Department of Internal Audit did not deem it necessary to obtain any responses from management.

## Background

---

The City of Fort Worth's Housing and Economic Development Department (HEDD) administers programs that are designed to promote economic development within the city. Three programs administered by HEDD include property tax abatements, relocation tax abatements and economic development program grants (EDPGs).

*Property Tax Abatements:* Chapter 312 of the Texas Tax Code allows the City of Fort Worth to grant tax abatements on the value added to properties that meet eligibility requirements. A tax abatement is the full or partial exemption from ad valorem taxes on eligible properties - for a period of up to 10 years and an amount of up to 100% of the increase in appraised value. Eligible tax abatements result from improvements begun after the execution of the tax abatement agreement.

*Relocation Tax Abatements:* Chapter 312 of the Texas Tax Code also allows the City of Fort Worth to offer abatements as an incentive for businesses displaced by major infrastructure projects in accordance with the City's Relocation Incentives Policy.

*Economic Development Program Grants:* Economic Development Program grants are made in accordance with Texas Local Government Code 380, which authorizes the City of Fort Worth to administer economic development programs that promote local economic development. The purpose of these local grants is to reimburse private developers for the range of expenses that may contribute to a financing gap yielding projects financially infeasible.

The City of Fort Worth provides property tax abatements and EDPGs to promote business development projects that:

- result in the creation of new full-time jobs for Fort Worth residents and Central City residents;
- are located in the Central City;
- result in development with little or no additional cost to the City while producing a positive economic impact to the tax paying citizens of Fort Worth;
- have a positive impact on Fort Worth companies and Fort Worth certified Minority/Women Business Enterprise (M/WBE) companies; and,
- promote quality, affordable housing and/or mixed income development.

Under each referenced program, abatements/grants for which the business was eligible due to compliance in one or more categories could be decreased because of non-compliance in another category(ies).



## Objective

---

The objective of this review was to determine whether Fort Worth business entities complied with requirements imposed by the City Council in return for providing property tax abatements and/or grants.

## Scope

---

The scope of our review consisted of the following 19 (of 44) active agreements between the City of Fort Worth and various businesses located throughout the city.

- Alcon
- Allied Electronics
- ATCLE
- BrandFX Body Company
- Buck's Wheel & Equipment
- Chase/Bank One
- Coca-Cola
- Commercial Metals Company
- CUNA
- GE Manufacturing Solutions, LLC
- GrandMarc (GM Westberry, LLC)
- HCA Alliance
- KXAS/NBC-5
- Lancaster Properties, LLC
- Museum Place
- Pier One
- Pratt Industries
- Wal-Mart Stores Texas, LLC
- West 7<sup>th</sup> Development

Our review covered calendar year 2013.

## Methodology

---

The Department of Internal Audit performed the following:

- reviewed documentation to ensure compliance with construction spending requirements;
- reviewed documentation, such as W-4s and I-9s, to ensure compliance with employee requirements; and,
- reviewed documentation to ensure compliance with supply and service spending requirements.



## Results

	Alcon (Year 0 of 10)	Wal-Mart Stores Texas, LLC (Year 0 of 3)	ATCLE (Year 0 of 10)	Commercial Metals Company (Year 0 of 8)	KXAS/NBC-5 (Year 0 of 25)	Lancaster Properties, LLC (Year 0 of 5)
<b>Total Construction</b>						
Required	\$3,000,000	\$10,000,000	\$1,000,000	N/A	\$8,000,000	\$23,252,000
Actual	\$8,105,706	\$16,519,357	\$3,822,945	N/A	\$14,786,047	\$17,596,679
Max. Available Abatement	20%	50%	15%	N/A	40%	25%
Eligible Abatement	20%	50%	15%	N/A	40%	0%
<b>FW Construction Spending</b>						
Required	\$2,431,712	N/A	\$1,338,031	N/A	\$3,696,512	\$6,975,600
Actual	\$2,317,631	N/A	\$1,622,736	N/A	\$7,775,869	\$0
Max. Available Abatement	5.00%	N/A	5%	N/A	20%	10%
Eligible Abatement	4.77%	N/A	5%	N/A	20%	0%
<b>FW M/WBE Construction Spending</b>						
Required	\$2,026,427	N/A	\$955,736	N/A	\$3,696,512	\$5,813,000
Actual	\$0	N/A	\$268,121	N/A	\$1,801,132	\$0
Max. Available Abatement	5%	N/A	5.00%	N/A	5.00%	10%
Eligible Abatement	0%	N/A	1.40%	N/A	2.43%	0%
<b>New Taxable Tangible Personal Prpty.</b>						
Required	\$8,000,000	N/A	N/A	N/A	\$8,000,000	N/A
Actual	NOTE 1	N/A	N/A	N/A	\$15,584,650	N/A
Max. Available Abatement	N/A	N/A	N/A	N/A	N/A	N/A
Eligible Abatement	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Construction Square Footage</b>						
Required	N/A	N/A	N/A	\$26,000	N/A	N/A
Actual	N/A	N/A	N/A	\$26,625	N/A	N/A
Max. Available Abatement	N/A	N/A	N/A	100%	N/A	N/A
Eligible Abatement	N/A	N/A	N/A	100%	N/A	N/A
<b>TOTAL AVAILABLE ABATEMENT</b>	<b>30.00%</b>	<b>50%</b>	<b>25.00%</b>	<b>100%</b>	<b>65.00%</b>	<b>45%</b>
<b>TOTAL ELIGIBLE ABATEMENT</b>	<b>24.77%</b>	<b>50%</b>	<b>21.40%</b>	<b>100%</b>	<b>62.43%</b>	<b>0%</b>
NOTE 1: The number reported had not been certified by the Tarrant Appraisal District at the time of this audit						



## Results (cont'd)

	BrandFX Body Company (Year 1 of 5)	GE Manufacturing Solutions, LLC (Year 1 of 10)	HCA Alliance (Year 2 of 10)	W. 7th Development (Year 2 of 15)	Pratt Industries, Inc (Year 3 of 10)	Museum Place (Year 4 of 15)
<b>Total Employees</b>						
Required	65	280	20	N/A	140	N/A
Actual	197	455	37	N/A	173	N/A
Max. Available Abatement	20%	5%	5%	N/A	10%	N/A
Eligible Abatement	20%	5%	5%	N/A	10%	N/A
<b>Fort Worth Residents</b>						
Required	98.5	136.5	11.1	N/A	43	N/A
Actual	92	143	22	N/A	21	N/A
Abatement Reduction	N/A	N/A	N/A	N/A	N/A	N/A
Max. Available Abatement	15%	2.5%	5%	N/A	10%	N/A
Eligible Abatement	0%	2.5%	5%	N/A	0%	N/A
<b>Central City Residents</b>						
Required	59.1	45.5	5.6	N/A	17	N/A
Actual	68	33	1	N/A	11	N/A
Abatement Reduction	N/A	N/A	N/A	N/A	N/A	N/A
Max. Available Abatement	10%	2.5%	5%	N/A	10%	N/A
Eligible Abatement	10%	1.8%	0%	N/A	0%	N/A
<b>Total Supply/Service</b>						
Required	N/A	N/A	N/A	N/A	N/A	N/A
Actual	N/A	N/A	N/A	N/A	N/A	N/A
Max. Available Abatement	N/A	N/A	N/A	N/A	N/A	N/A
Eligible Abatement	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fort Worth Spending</b>						
Required	N/A	\$3,865,940	\$50,000	\$100,000	N/A	\$30,000
Actual	N/A	\$5,495,442	\$85,858	\$1,753,226	N/A	\$0
Abatement Reduction	N/A	N/A	N/A	N/A	N/A	N/A
Max. Available Abatement	N/A	2.5%	5%	3.5%	N/A	5%
Eligible Abatement	N/A	2.5%	5%	3.5%	N/A	0%
<b>FW M/WBE Spending</b>						
Required	\$276,456	\$1,288,647	\$25,000	\$75,000	\$1,495,797	\$20,000
Actual	\$41,255	\$161,049	\$37,515	\$60,256	\$20,627	\$0
Abatement Reduction	N/A	N/A	N/A	N/A	N/A	N/A
Max. Available Abatement	15%	2.5%	5%	3.5%	5%	5%
Eligible Abatement	0%	0.3%	5%	2.8%	0%	0%
<b>Total Construction</b>						
Required	N/A	\$100,000,000	\$3,200,000	\$165,000,000	\$3,000,000	\$50,000,000
Actual	N/A	\$231,453,468	\$5,803,984	\$178,436,068	\$3,580,848	\$50,693,371
Max. Available Abatement	N/A	35%	40%	35%	15%	50%
Eligible Abatement	N/A	35%	40%	35%	15%	50%
<b>Hard Construction Cost</b>						
Actual	N/A	N/A	N/A	\$94,569,529	N/A	\$46,559,345





## Results (cont'd)

	BrandFX Body Company (Year 1 of 5)	GE Manufacturing Solutions, LLC (Year 1 of 10)	HCA Alliance (Year 2 of 10)	W. 7th Development (Year 2 of 15)	Pratt Industries, Inc (Year 3 of 10)	Museum Place (Year 4 of 15)
<b>FW Construction Spending</b>						
Required	N/A	\$25,000,000	\$1,741,195	\$28,370,859	N/A	\$13,967,804
Actual	N/A	\$0	\$5,196,376	\$30,594,469	N/A	\$41,657,660
Max. Available Abatement	N/A	2.5%	10%	14%	N/A	20%
Eligible Abatement	N/A	0%	10%	14%	N/A	20%
<b>FW M/WBE Construction Spending</b>						
Required	N/A	\$25,000,000	\$1,450,996	\$23,642,382	\$750,000	\$11,639,836
Actual	N/A	\$0	\$8,441	\$15,350,133	\$1,181,313	\$36,269,150
Max. Available Abatement	N/A	2.5%	5%	14.0%	10.0%	20%
Eligible Abatement	N/A	0%	0%	9.1%	10.0%	20%
<b>New Taxable Tangible Personal Prpty.</b>						
Required	\$1,300,000	\$55,000,000	\$2,000,000	N/A	\$25,000,000	N/A
Actual	\$4,583,046	\$66,729,668	\$1,403,075	N/A	\$26,419,796	N/A
Max. Available Abatement	30%	N/A	N/A	N/A	N/A	N/A
Eligible Abatement	30%	N/A	N/A	N/A	N/A	N/A
<b>Reduction for not completing Phase II</b>						
Max. Available Abatement	N/A	N/A	N/A	N/A	N/A	70%
<b>Reduction for not meeting Phase II/III</b>						
Max. Available Abatement	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Construction Square Footage</b>						
Required	N/A	N/A	N/A	N/A	N/A	N/A
Actual	N/A	N/A	N/A	N/A	N/A	N/A
Max. Available Abatement	N/A	N/A	N/A	N/A	N/A	N/A
Eligible Abatement	N/A	N/A	N/A	N/A	N/A	N/A
<b>TOTAL AVAILABLE ABATEMENT</b>	<b>90%</b>	<b>55.0%</b>	<b>80%</b>	<b>70.0%</b>	<b>60%</b>	<b>100%</b>
<b>TOTAL ELIGIBLE ABATEMENT</b>	<b>60%</b>	<b>47.1%</b>	<b>70%</b>	<b>64.4%</b>	<b>35%</b>	<b>20%</b>



## Results (cont'd)

	Allied Electronics (Year 6 of 10)	CUNA Mutual Insurance Society (Year 7 of 10)	Grandmarc Westberry, LLC (Year 8 of 10)	Chase / Bank One (Year 9 of 10)	Pier 1 (Year 9 of 20)	Coca-Cola (Year 10 of 10)
<b>Total Employees</b>						
Required	395	400	6	N/A	N/A	591
Actual	443	202	8	1,240	N/A	734
Max. Available Abatement	50%	5%	N/A	N/A	N/A	30%
Eligible Abatement	50%	0%	0%	N/A	N/A	30%
<b>Fort Worth Residents</b>						
Required	168	100	4	679	350	169
Actual	150	40	6	269	<350	282
Abatement Reduction *	34%	N/A	N/A	N/A	N/A	N/A
Max. Available Abatement	N/A	20%	N/A	35%	9%	25%
Eligible Abatement	N/A	0%	0%	0%	0%	25%
<b>Central City Residents</b>						
Required	84	40	2	213	100	81
Actual	41	13	3	69	<100	89
Abatement Reduction *	16%	N/A	N/A	N/A	N/A	N/A
Max. Available Abatement	N/A	10%	N/A	45%	9%	25%
Eligible Abatement	N/A	0%	0%	0%	0%	8%
<b>Total Supply/Service</b>						
Required	\$1,000,000	\$300,000	N/A	N/A	N/A	\$734,200
Actual	\$8,732,526	\$1,245,310	N/A	N/A	N/A	NOTE 2
Max. Available Abatement	25%	N/A	N/A	N/A	N/A	N/A
Eligible Abatement	25%	N/A	N/A	N/A	N/A	N/A
<b>Fort Worth Spending</b>						
Required	\$2,183,132	\$75,000	\$551,891	\$32,000	\$1,000,000	NOTE 2
Actual	\$1,506,304	\$0	\$624,979	\$45,984	\$2,236,844	NOTE 2
Abatement Reduction *	12.5%	N/A	0%	N/A	N/A	N/A
Max. Available Abatement	N/A	5%	N/A	5%	9%	5%
Eligible Abatement	N/A	0%	0%	5%	9%	0%
<b>FW M/WBE Spending</b>						
Required	\$2,183,132	\$45,000	\$183,964	\$32,000	\$200,000	NOTE 2
Actual	\$0	\$0	\$363,300	\$0	\$9,661,693	NOTE 2
Abatement Reduction *	12.5%	N/A	0%	N/A	N/A	N/A
Max. Available Abatement	N/A	5%	N/A	5%	9%	N/A
Eligible Abatement	N/A	0%	0%	0%	9%	N/A
<b>Total Construction</b>						
Required	N/A	\$10,000,000	\$46,000,000	N/A	\$80,000,000	N/A
Actual	N/A	\$12,738,786	\$50,519,750	N/A	\$82,608,275	N/A
Max. Available Abatement	N/A	10%	60%	N/A	54%	N/A
Eligible Abatement	N/A	10%	60%	N/A	54%	N/A
<b>Hard Construction Cost</b>						
Actual	N/A	N/A	N/A	N/A	N/A	N/A
<b>FW Construction Spending</b>						
Required	N/A	\$3,184,697	\$7,060,000	N/A	\$20,000,000	N/A
Actual	N/A	\$8,832,361	\$10,472,799	N/A	\$33,439,096	N/A
Max. Available Abatement	N/A	10%	25%	N/A	N/A	N/A
Eligible Abatement	N/A	10%	25%	N/A	N/A	N/A



## Results (cont'd)

	Allied Electronics (Year 6 of 10)	CUNA Mutual Insurance Society (Year 7 of 10)	Grandmarc Westberry, LLC (Year 8 of 10)	Chase / Bank One (Year 9 of 10)	Pier 1 (Year 9 of 20)	Coca-Cola (Year 10 of 10)
<b>FW M/WBE Construction Spending</b>						
Required	N/A	\$3,184,697	\$5,298,000	N/A	\$16,000,000	N/A
Actual	N/A	\$1,055,392	\$6,784,216	N/A	\$40,070,524	N/A
Max. Available Abatement	N/A	10%	15%	N/A	N/A	5%
Eligible Abatement	N/A	0%	15%	N/A	N/A	0%
<b>Reduction for not meeting Phase II/III</b>						
Max. Available Abatement*	N/A	N/A	N/A	N/A	N/A	10%
<b>TOTAL AVAILABLE ABATEMENT</b>	<b>75%</b>	<b>75%</b>	<b>100%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>
<b>TOTAL ELIGIBLE ABATEMENT</b>	<b>0%</b>	<b>20%</b>	<b>100%</b>	<b>5%</b>	<b>72%</b>	<b>53%</b>
* The percent by which eligible abatements are reduced due to non-compliance.						
NOTE 2: Company indicated that they could not provide information at the plant level.						



## Acknowledgements

---

The Department of Internal Audit would like to thank Housing and Economic Development Department staff and local businesses included in this review for their time, cooperation and assistance.