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**Economic Development
Program Agreement Review
(Tanger Fort Worth, LLC)**

May 3, 2019 / (Modified September 27, 2019)



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

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MODIFICATION: The Economic Development Program Agreement Review (Tanger Fort Worth, LLC) [released on May 3, 2019] did not include a statement that the Department of Internal Audit complied with GAGAS. Since the Department of Internal Audit conducted the review in accordance with GAGAS, page 2 of the initial report has been modified to include the required compliance statement. Results included in the initial report remain unchanged since the inadvertent omission had no impact on our results.

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Background

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

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 Agreements: Economic Development Program Agreements (EDPAs) are made in accordance with Texas Local Government Code Chapter 380, which authorizes the City of Fort Worth to administer economic development programs that promote local economic development. The purpose of these local agreements 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 EDPAs to promote business development projects that:

- result in the creation of new full-time jobs for Fort Worth 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.

As authorized by the City Council, a percentage of Economic Program Grant is based on the businesses' compliance or non-compliance with contractual requirements (e.g., minimum investment amount, minimum square feet of retail space, completion deadline, minimum employment, supply and service spending, construction expenses, etc.).

In 2016, the City of Fort Worth entered into an EDPA with Tanger Fort Worth, LLC, to construct a commercial development consisting primarily of retail uses of up to 400,000 square feet on the development of an outlet mall, to be located at the southwest corner of Interstate 35 and Highway 114. The contract includes construction-related requirements, in addition to non-construction requirements, that will be verified by the EDD. In return, the City agreed to provide Tanger Fort Worth, LLC with program grants. The contract with Tanger Fort Worth, LLC referenced two phases for the project, with completion deadlines of December 31, 2018 and December 31, 2021. Tanger Fort Worth, LLC completed both phases of the project by October 27, 2017. The project completion submittal letter noted that given the 2017 completion year, 2018 is the 1st operating year, and 2019 is the 1st program year. Therefore, only construction cost requirements were applicable in the first program year, which is 2019.



Objective

The objective of this review was to determine whether Tanger Fort Worth, LLC complied with construction-related requirements imposed by the City Council, in return for receiving Chapter 380 Program grants.

Scope

Our review covered construction spending reported from commencement of the project through project completion in 2017. The scope of our review consisted of the City of Fort Worth's Chapter 380 Economic Development Program Agreement with Tanger Fort Worth, LLC.

Review procedures were limited to verifying mathematical accuracy of invoices and proof of payment, as well as verifying Fort Worth vendor locations and Fort Worth M/WBE vendor certifications.

Methodology

The Department of Internal Audit performed the following:

- reviewed payment applications, vendor invoices, construction billings, check copies, bank statements and other applicable documentation to ensure compliance with construction spending requirements;
- verified vendor addresses via the City of Fort Worth's Geographic Information System;
- verified M/WBE compliance requirements; and,
- reviewed building permit data from the City's Planning and Development Department's files, to verify square footage requirements.

We were not engaged to evaluate the effectiveness of the City's economic development program agreement nor assess the effectiveness of internal controls. We, therefore, do not express an opinion or a conclusion, and had we performed additional procedures, other matters may have come to our attention that would have been reported. The sufficiency of the agreed upon procedures is solely the responsibility of management. We, therefore, disclaim responsibility for the sufficiency of those procedures.



Results

The EDPA review of Tanger Fort Worth, LLC was conducted as a part of the Department of Internal Audit's Fiscal Year 2019 Annual Audit Plan. Tanger Fort Worth, LLC was selected for review because it was in the first program year of a Chapter 380 agreement.

Since this review was to report on the extent by which Tanger Fort Worth, LLC complied with the City of Fort Worth's EDPA, the Department of Internal Audit did not deem it necessary to obtain responses from management.

The following chart depicts the results of our analysis for the Tanger Fort Worth, LLC EDPA Review.

Contractual Requirements	Tanger Fort Worth, LLC (Year 1 of Agreement)
Total Employees	To be determined by the EDD
Total Supply/Service	To be determined by the EDD
Total Construction	
Required	\$80,000,000
Actual	\$86,569,086
Required commercial square footage	400,000
Actual commercial square footage	420,859
Maximum Available Tax Abatement	50.00%
Eligible Tax Abatement	50.00%
Hard Construction Cost	
Actual	\$62,589,382
Fort Worth Construction Spending	
Required	\$18,776,815
Actual	\$24,770,800
Maximum Available Tax Abatement	25.00%
Eligible Tax Abatement	25.00%
Fort Worth M/WBE Construction Spending	
Required	\$15,647,346
Actual	\$10,465,726
Maximum Available Tax Abatement	25.00%
Eligible Tax Abatement	16.72%
TOTAL AVAILABLE CONSTRUCTION INCENTIVE	100.00%
TOTAL ELIGIBLE CONSTRUCTION INCENTIVE	91.72%

NOTE: Totals include Phase I and Phase II, since both phases were completed.



Acknowledgements

The Department of Internal Audit would like to thank the Economic Development Department and Tanger Fort Worth, LLC for their time, cooperation and assistance.