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**Economic Development
Program Agreement Review
(Wal-Mart Stores Texas, LLC - Phase I)**

September 6, 2019



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

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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 the 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 Chapter 380 of the Texas Local Government Code, 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, an economic development 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 2015, the City of Fort Worth entered into an agreement with Wal-Mart Stores Texas, LLC, for the construction of a commercial development that included a Wal-Mart Super Center of at least 182,000 square feet in size at the intersection of Golden Triangle Boulevard and Park Vista Boulevard. The contract includes construction-related requirements for the Wal-Mart Super Center, and references required road construction required under a separate Community Facilities Agreement. In return, the City agreed to provide Wal-Mart Stores Texas, LLC with economic development program grants.

The contract with Wal-Mart Stores Texas, LLC references two phases. Phase I had an initial completion deadline of December 31, 2016. However, that deadline was extended to February 28, 2019, due to infrastructure delays beyond the control of Wal-Mart. Phase I of the project was completed on July 9, 2018.



Objective

The objective of this review was to determine whether Wal-Mart Stores Texas, 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 through the project completion date. The scope of our review consisted of the City of Fort Worth's Chapter 380 Economic Development Program Agreement with Wal-Mart Stores Texas, LLC.

Procedures performed were limited to verifying mathematical accuracy, limited testing of invoices and proof of Wal-Mart Stores Texas, LLC payments.

Methodology

The Department of Internal Audit reviewed:

- contractor pay applications, payment-supporting documentation, and other applicable documentation to ensure compliance with construction spending requirements; and,
- 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 property tax abatement program 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 Economic Development Program Agreement Review for Wal-Mart Stores Texas, LLC was conducted as a part of the Department of Internal Audit's Fiscal Year 2019 Annual Audit Plan. Wal-Mart Stores Texas, 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 Wal-Mart Stores Texas, LLC complied with the City of Fort Worth's Economic Development Program Agreement, 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 Wal-Mart Stores Texas, LLC Economic Development Program Agreement Review.

Contractual Requirements	Wal-Mart Park Vista Phase 1 (Year 1 of Agreement)
Total Employees	TBD by EDD
Total Construction	
Required	\$13,000,000
Actual	\$14,986,726 ¹
Required commercial square footage	182,000
Actual commercial square footage	182,360
Maximum Available Grant	100.00%
Eligible Grant	100.00%
TOTAL AVAILABLE CONSTRUCTION INCENTIVE	100.00%
TOTAL ELIGIBLE CONSTRUCTION INCENTIVE	100.00%

¹ Walmart also reported an additional \$15.4 million in expenditures for offsite work, reportedly related to the required road construction referenced in the agreement.



Acknowledgements

The Department of Internal Audit would like to thank the Economic Development Department and Wal-Mart Stores Texas, LLC for their time, cooperation and assistance.