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**Economic Development  
Program Agreement Review  
(Trademark Property  
Company)**

March 2, 2018



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

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Fort Worth, Texas 76102

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## Background

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The City of Fort Worth's Economic Development Department (ED) administers programs that are designed to promote economic development within the city. Three programs administered by ED 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 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 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.

As authorized by the City Council, a percentage of property taxes is abated based on the businesses' compliance or non-compliance with contractual requirements (i.e., number of employees, supplies and service expenses, construction expenses, etc.).



## Objective

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The objective of this review was to determine whether the Trademark Property Company complied with requirements imposed by the City Council, in return for receiving Chapter 380 program grants.

## Scope

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Our review covered calendar years 2015, 2016, and 2017. The scope of our review consisted of City of Fort Worth agreement with Trademark Property Company (developer for the Waterside Project) and requirements for the first year of the projects related to construction expenses and square footage.

## Methodology

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The Department of Internal Audit performed the following:

- reviewed pay applications, vendor invoices, construction billings, check copies, bank statement information, and other applicable documentation to ensure compliance with construction spending requirements;
- verified vendor addresses via City of Fort Worth Geographic Information System (GIS);
- reviewed M/WBE certification forms and documentation from the North Central Texas Regional Certification Agency to verify M/WBE compliance requirements; and,
- reviewed Tarrant Appraisal District (TAD) records to verify square footage requirements.



## Audit Results

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The Economic Development Program Agreement Review for Trademark Property Company was conducted as a part of the Department of Internal Audit's Fiscal Year 2018 Annual Audit Plan. This company was selected for review because it was in the first year of a Chapter 380 agreement.

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

The following chart depicts the results of our analysis for the Trademark Property Company:



## Audit Results (continued)

Contractual Requirements	Trademark Property Company (Year 1 of 15 of the 380 Agreement)
<b>Total Employees</b>	N/A for year 1
<b>Fort Worth Residents</b>	N/A for year 1
<b>Central City Residents</b>	N/A for year 1
<b>Total Supply/Service</b>	N/A for year 1
<b>Fort Worth Spending</b>	N/A for year 1
<b>FW M/WBE Spending</b>	N/A for year 1
<b>Total Construction</b>	
Required Total Construction Costs	\$90,000,000
Actual Total Construction Costs	\$90,074,574
Required residential square footage	325,000
Actual residential square footage	352,500
Required commercial square footage	140,000
Actual commercial square footage	164,958
Max. Available Abatement	50.00%
Eligible Abatement	50.00%
<b>Hard Construction Cost</b>	
Actual	\$62,477,549
<b>FW Construction Spending</b>	
Required	\$18,743,265
Actual	\$17,161,514
Max. Available Abatement	25.00%
Eligible Abatement	22.90%
<b>FW M/WBE Construction Spending</b>	
Required	\$15,619,387
Actual	\$8,201,868
Max. Available Abatement	25.00%
Eligible Abatement	13.13%
<b>New Taxable Tangible Personal Property</b>	
Required	N/A
Actual	N/A
Max. Available Abatement	N/A
Eligible Abatement	N/A
<b>Reduction for not completing Phase II/III</b>	N/A
<b>TOTAL AVAILABLE ABATEMENT</b>	100.00%
<b>TOTAL ELIGIBLE ABATEMENT</b>	86.03%



## Acknowledgements

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The Department of Internal Audit would like to thank the Economic Development Department and the Trademark Property Company for their time, cooperation and assistance.