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**Property Tax Abatement Review
(Parker Products, Inc.)**

January 30, 2019



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

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Table of Contents

Background 1

Objective 3

Scope 3

Methodology 3

Audit Results 4

Acknowledgements 6

Background

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 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, supply and service expenses, construction expenses, etc.).

In 2016, the City of Fort Worth entered into a Tax Abatement Agreement with Parker Products, Inc. to construct a multi-purpose facility that would include a corporate office, warehouse, research and development and manufacturing space; and to install taxable business personal property on the land. There were construction costs, employment, and supply and service requirements that the company had to meet. In return, the City agreed to provide the company with tax abatements



for a term of ten (10) consecutive years. Parker Products, Inc. completed the project in 2018. Therefore, only construction cost requirements were applicable in the first operating year, which was 2018.



Objective

The objective of this review was to determine whether Parker Products, Inc. complied with requirements imposed by the City Council, in return for receiving tax abatements for the 10-year period January 2019 through December 2028.

Scope

Our review covered calendar years 2017 and 2018. The scope of our review consisted of the City of Fort Worth's agreement with Parker Products, Inc. and requirements for the first year of the project.

Methodology

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 the City of Fort Worth's Geographic Information System;
- verified M/WBE compliance requirements; and,
- reviewed Certificate of Occupancy data from the City's Planning and Development Department's files, to verify square footage requirements.



Audit Results

The Property Tax Abatement Review for Parker Products, Inc. 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 property tax abatement agreement.

Since this review was to report on the extent by which Parker Products, Inc. complied with the City of Fort Worth's Tax Abatement 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 Parker Products, Inc. Tax Abatement Agreement Review.



Audit Results (continued)

Contractual Requirements	Parker Products, Inc. (Year 1 of 10 for Tax Abatement Agreement)
Total Employees	
Required	N/A
Actual	N/A
Max. Available Tax Abatement	N/A
Eligible Tax Abatement	N/A
Fort Worth Residents	
Required	N/A
Actual	N/A
Max. Available Tax Abatement	N/A
Eligible Tax Abatement	N/A
Central City Residents	
Required	N/A
Actual	N/A
Max. Available Tax Abatement	N/A
Eligible Tax Abatement	N/A
Total Supply/Service	
Required	N/A
Actual	N/A
Max. Available Tax Abatement	N/A
Eligible Tax Abatement	N/A
Fort Worth Spending	
Required	N/A
Actual	N/A
Max. Available Tax Abatement	N/A
Eligible Tax Abatement	N/A
FW M/WBE Spending	
Required	N/A
Actual	N/A
Max. Available Tax Abatement	N/A
Eligible Tax Abatement	N/A
Total Construction	
Required	\$15,000,000
Actual	\$21,471,243
Required commercial square footage	85,000
Actual commercial square footage	90,606
Max. Available Tax Abatement	10.00%
Eligible Tax Abatement	10.00%
Hard Construction Cost	
Actual	\$21,463,166
FW Construction Spending	
Required	\$5,365,792
Actual	\$4,696,283
Max. Available Tax Abatement	5.00%
Eligible Tax Abatement	4.38%
FW M/WBE Construction Spending	
Required	\$3,219,475
Actual	\$0
Max. Available Tax Abatement	5.00%
Eligible Tax Abatement	0.00%
New Taxable Tangible Personal Property	
Required	\$2,000,000.00
Actual	TBD by ED *
Max. Available Tax Abatement	N/A
Eligible Tax Abatement	N/A
TOTAL AVAILABLE TAX ABATEMENT	20.00%
TOTAL ELIGIBLE TAX ABATEMENT	14.38%

* To be determined by Economic Development



Acknowledgements

The Department of Internal Audit would like to thank the Economic Development Department and Parker Products, Inc. for their time, cooperation and assistance.