

To the Mayor and Members of the City Council**September 29, 2015**

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**SUBJECT: COMPREHENSIVE INCENTIVES POLICY REVIEW**

The Economic Development Department utilizes a number of incentive programs to facilitate corporate relocations, business retention and redevelopment projects in accordance with the City Council's objectives of strengthening the economic base and creating quality job opportunities. The two most widely used tools to accomplish these objectives are tax abatements and economic development program chapter 380 agreements. The City is required to adopt a Tax Abatement Policy every two years, in accordance with Chapter 312 of the Texas Tax Code. The Council passed a resolution establishing the Chapter 380 program in 2001 and subsequently expanded the program in 2009. Although a formal policy applying to the Chapter 380 has not been approved, the City uses the Tax Abatement Policy as a guideline when utilizing Chapter 380 as an incentive tool. While the existing tax abatement policy must be updated before June 2016, the Economic Development Department proposes to undertake a more comprehensive review of the existing and currently utilized incentive tools. This will include research and best practices from comparable cities in Texas and nationally, developing a more detailed cost/benefit analysis of existing projects and anticipated growth, and reviewing ongoing practices to gauge appropriateness in the current economy and environment.

Staff's recommendation is to utilize a process that includes an advisory committee with representatives from the business community, other economic development stakeholder groups, citizens and elected officials to gather input on the effectiveness of our incentive programs and discuss any revisions that should be considered. Specific topics for consideration of the committee would include:

- Project eligibility criteria to qualify for a tax incentive including but not limited to:
 - amount of private investment,
 - number of jobs to be created/retained,
 - location of the development
 - average salary for employees.
- Development of a formal Chapter 380 policy with specific guidelines.
- Review of need to have separate policies for Economic Development versus Community/Neighborhood Development
- Determine if and how existing tools may be more strategically utilized within targeted areas including urban villages, Neighborhood Empowerment Zones, commercial corridors, and within Census tracts that have higher rates of unemployment and/or poverty.
- Provide recommendations on whether incentives should be utilized for specific targeted outcomes including:
 - development of density in specific targeted growth areas,
 - construction of LEED certified buildings,
 - inclusion of public open spaces within private developments ,
 - development of Permanent Supportive Housing units in mixed income areas.

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- Provide recommendations on incentive levels and length on various types of projects to include feedback on:
 - public to private ratios,
 - inclusion of permit fees waivers,
 - outlining maximum incentive percentages.

The proposed advisory committee, selected by the City Manager, would be comprised of 10 members, and would include a representative from each of the following:

- Fort Worth Chamber of Commerce
- Fort Worth Black Metropolitan Chamber of Commerce
- Fort Worth Hispanic Chamber of Commerce
- Downtown Fort Worth Inc.
- Fort Worth South, Inc.
- Southeast Fort Worth, Inc.
- Real Estate Council of Greater Fort Worth
- Commercial Real Estate for Women
- 2 citizens at large

The review will be led by the Economic Development staff with participation from staff from Planning & Development and Neighborhood Services. The committee will be established by the end of October 2015 with the first meeting occurring soon after and running through March 2016. It is anticipated that preliminary recommendations will be brought forward in April, 2016. Any policy revisions would be enacted upon consideration and adoption of the new tax abatement policy in June.

We will update the City Council as specific committee members are identified and agree to participate. If you have any questions please contact Jay Chapa, Assistant City Manager or Robert Sturns, Interim Director of Economic Development.

David Cooke
City Manager