

To the Mayor and Members of the City Council**August 2, 2016**

Page 1 of 1

**SUBJECT: AMENDMENT TO ECONOMIC DEVELOPMENT PROGRAM AGREEMENT WITH AMERICAN AIRLINES, INC. TO MODIFY THE PAYMENT TERMS**

On June 10, 2014, the City Council authorized a one-year Tax Abatement Agreement with American Airlines, Inc. (City Secretary Contract No. 46132) and a 14-year Economic Development Program Agreement (City Secretary Contract No. 46133) for the development of a new Integrated Operations Center on approximately 47 acres of property adjacent to its Southern Reservations Office located at 4700 American Boulevard. Under the Tax Abatement Agreement, American would receive its sole tax abatement for the 2016 tax year and then 14 annual economic development grants beginning in 2018.

The Tax Abatement Agreement required American to spend at least \$55 million in real property improvements on the project and at least \$33 million in business personal property to be installed in the new facility, for a total minimum investment of \$88 million. During an audit of the project this year, City staff determined that American actually spent \$69 million for the facility, but that the value of the business personal property installed in the facility equaled only \$24.5 million. As a result, although American exceeded its overall minimum investment commitment by approximately \$14 million, under the terms of the Tax Abatement Agreement, American is not eligible to receive a tax abatement this year because the cost of the business personal property will be less than the \$33 million breakout specified in the Agreement.

American has explained that the cost of the business personal property it installed in the new facility was less than originally anticipated due to cost breaks and lower IT expenses. Because American actually exceeded the overall investment commitment, American has requested that the Economic Development Program Agreement be amended to allow American to receive the full incentive that the parties originally anticipated. City staff agrees with this request, and recommends that the Economic Development Program Agreement be amended to allow American to receive 15 annual grants, instead of 14, and that payment of those grants begin in 2017 instead of 2018. This would allow American to receive a grant in 2017 that is equal to the value of the abatement it would have received in 2016. The amendment would also establish the project simply as an overall \$88 million investment, rather than dividing that investment out between real property improvements and business personal property expenditures (\$55 million/\$33 million).

Staff will place an M&C for City Council consideration on the August 9, 2016 agenda.

If you have any questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-212-2663 or robert.sturns@fortworthtexas.gov.

David Cooke
City Manager