

# CHAPTER 23: FINANCIAL INCENTIVES

Fort Worth offers a variety of incentives to help stimulate development and redevelopment. Many have been discussed in previous chapters, especially in the programs listed in the Economic Development, Housing, and Historic Preservation chapters.

## BACKGROUND

Many economic development specialists believe that public incentives help encourage and leverage private investment, enhance the local business environment, strengthen the economy, and increase local employment. The City of Fort Worth utilizes incentive strategies as an integral part of its economic development program in an attempt to influence decision makers considering relocating, starting, or improving an existing commercial, industrial and/or residential asset and to encourage the growth of Fort Worth in accordance with the Comprehensive Plan. Financial incentives are also available to certain property owners and/or nonprofit organizations to promote restoration, rehabilitation, or repair of existing housing structures. These incentives promote the creation of new jobs and lead to positive economic growth and stabilization.

Incentives are evaluated on a case-by-case basis and are based on the merits of individual projects. The City of Fort Worth monitors incentives to ensure that commitments are met and are proportionate to the economic benefit to the City.

## GUIDING PRINCIPLES

The City uses the following guiding principles in assessing projects seeking financial assistance:

- Promote development that conforms to the community’s vision as expressed in the Comprehensive Plan and other widely accepted community plans.
- Significantly advance City Council goals such as job creation, retention of Fort Worth residents, utilization of Fort Worth-based companies (including certified Fort Worth M/WBE companies), the provision of affordable housing, historic preservation, and balanced and fiscally responsible growth.
- Provide preference for projects in targeted areas (e.g., growth centers, urban villages, neighborhood empowerment zones, Model Blocks, and Community Development Block Grant eligible areas, etc.).
- Avoid negative financial impacts to the funding of general government operations and effectively leverage private dollars.
- Provide assistance for eligible projects that have verifiable financing gaps at a level not to exceed incremental dollars generated by the planned investment.
- Create opportunities for the utilization of minority-owned businesses and woman-owned businesses.
- Capitalize on near or mid-term market opportunities.

## 2003-2006 Active Tax Abatements

| Project  | Development Type                                 | Job Creation/Retention  | Investment     |
|--|--|-------------------------|----------------|
| TLC Greenfield, L.P.                           | Residential and Retail                           | To Be Determined        | \$50 million   |
| Coca-Cola Enterprises                          | Beverage Bottling and Distribution               | 591 retained<br>48 new  | \$23.5 million |
| Stockyards Station Hotel                       | Hotel  | 35 new                  | \$7.2 million  |
| Kimco Montgomery Plaza                         | Retail and Commercial                            | 265 new                 | \$42.5 million |
| Trinity Bluff Development, Ltd.                | Residential                                      | To Be Determined        | \$25 million   |
| Phoenix Property, Inc.                         | Residential, Retail, and Parking                 | 6 new                   | \$47 million   |
| OBIM Holding Company, LLC                      | Fruit Processing                                 | 246 retained<br>150 new | \$3.1 million  |
| Allied Electronics                             | Corporate Headquarters and Distribution Facility | 275 retained<br>300 new | \$18 million   |
| CUNA Mutual                                    | Customer Care Facility                           | 500 new                 | \$12 million   |
| ConAgra Foods, Inc.                            | Food Manufacturing and Distribution Center       | 400 new                 | \$75 million   |
| Lancaster Avenue Ltd (Oakland Shopping Center) | Commercial & Retail Shopping Center              | 20 new                  | \$2.5 million  |

The above active tax abatement agreements were entered into between 2003 and 2006. Abatements begin January 1 following the issuance of a Certificate of Occupancy and are limited to 10 years. (Source: Economic and Community Development Department, 2007.)

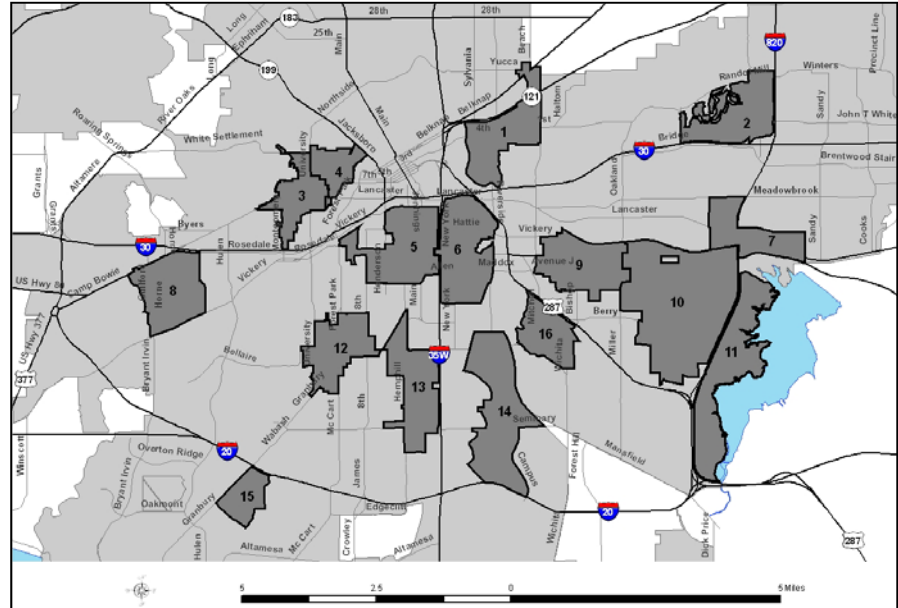
- Provide financial assistance for the minimum possible length of time.

## PROJECT PREFERENCE AREAS

The City acknowledges that different geographic areas face varying degrees of challenges in attracting private sector capital for quality business and housing development. Fort Worth's central city, in particular, has demonstrated a range of challenges related to retrofitting the existing urban fabric which may not exist in "greenfield" development outside the city's built environment. Therefore, while projects outside these areas might prove worthy, the City has specifically targeted its incentives to provide greater assistance to catalyst projects in areas of Fort Worth where market support has lagged behind community needs and goals. The following are the City's project preference areas. Additional information about the following geographical areas is provided in Chapter 10: Economic Development.

- **Community Development Block Grant (CDBG) Eligible Areas** — CDBG eligible areas have twenty percent or more poverty and may also be blighted. The program is intended to benefit low and moderate-income persons. CDBG funds are used to benefit low-income persons and revitalize lower-income neighborhoods by expanding affordable housing, generating economic opportunities, and improving community facilities and services.
- **Central City** — The City Council designated the area located within Interstate Highway Loop 820 that contains all CDBG eligible census block groups, all state designated enterprise zones, and all census block groups that are contiguous by 75 percent or more of their perimeter to CDBG eligible block groups or enterprise zones as the central city. The central city has a high concentration of poverty and unemployment compared to Fort Worth as a whole.
- **Enterprise Zones** — This designation is reserved for areas of high poverty and unemployment targeted for business redevelopment, including creation of jobs and economic revitalization. Amendments to the state enterprise zone program allow for census block groups with a poverty rate of at least 20 percent to automatically become enterprise zones.
- **Neighborhood Empowerment Zones** — A Neighborhood Empowerment Zone (NEZ) is an area created to promote 1) the development and rehabilitation of affordable housing within the zone; 2) an increase in economic development within the zone; and 3) an increase in the quality of social services, education, or public safety provided to residents of the zone.
- **Commercial Corridors** — Revitalization of older commercial districts in the central city is an important component of the City's economic development efforts. The City has identified 31 commercial corridors in need of revitalization. The following seven corridors are high priority: Berry Street, North Main Street, East Rosedale Street, Downtown and East Lancaster Avenue, Hemphill Street, Camp Bowie Boulevard, and West 7th Street.
- **Urban Villages** — The City promotes the development of urban villages, which are strategic commercial districts designated along commercial corridors within the central city. The premise behind the selection of villages is that

## Neighborhood Empowerment Zones



|   |                     |    |                                |
|---|---------------------|----|--------------------------------|
| 1 | Riverside           | 9  | Polytechnic/Wesleyan           |
| 2 | Woodhaven           | 10 | Stop Six & Expansion Areas 1-3 |
| 3 | West 7th/University | 11 | Lake Arlington                 |
| 4 | Trinity Park        | 12 | Berry/University               |
| 5 | Magnolia            | 13 | Hemphill/Berry                 |
| 6 | Evans & Rosedale    | 14 | Rolling Hills                  |
| 7 | Handley             | 15 | Wedgwood Square                |
| 8 | Ridglea/Como        | 16 | Berryhill Mason Heights        |

As of May 2007, 16 NEZs have been designated by the City Council.  
(Sources: Housing Department, Planning and Development Department, 2007.)

concentrating resources in these prime areas will have a positive economic ripple effect along the corridors where they are located, as well as in the surrounding residential neighborhoods.

- Model Blocks — Model Blocks neighborhoods are CDBG eligible areas that have received the \$1.2 million Model Blocks award.

## INCENTIVES

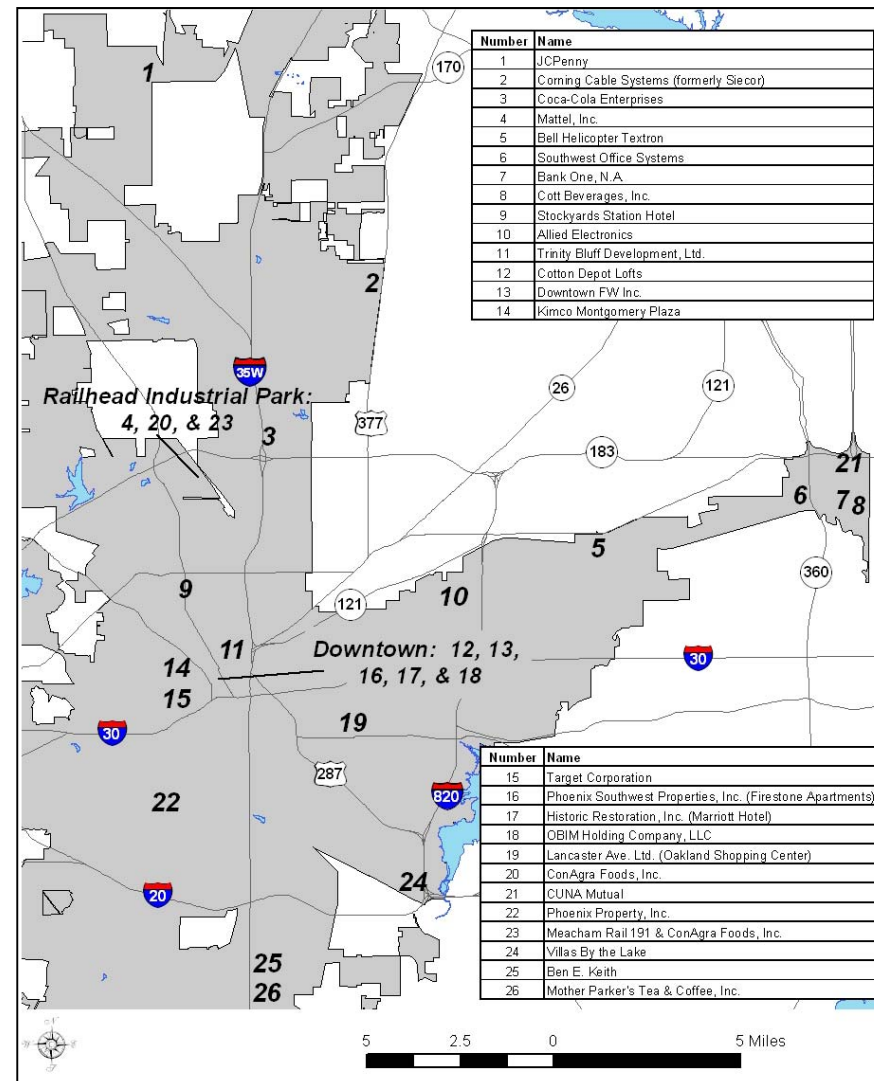
### Tax Incentives

- Tax Abatement — Texas law permits a city to grant property tax abatements to projects located within a reinvestment zone for up to 10 years if the project meets the economic goals and objectives as outlined in the City’s Tax Abatement Policy (refer to Appendix H). As of January 2007, the City has 26 tax abatement projects that represent a combined investment amount of \$892.6 million with projected new and retained jobs at 3,517 and 2,928, respectively.
- Tax Increment Financing (TIF) — TIF is a financing tool that uses revenues from tax increments to pay for improvements that stimulate future development or redevelopment in designated reinvestment zones. The total value of taxable real property located within the zone is calculated for the year the zone is created to obtain the tax increment base. The amount by which future total value exceeds the tax increment base is the captured appraised value, from which tax increment revenues are generated for improvement projects.
- Historic Site Tax Exemption — The City freezes the assessed value of Historic and Cultural Landmark designated property for 10 years for owners who spend an amount equal to 30 percent or more of the pre-renovation assessed value of the improvement on rehabilitation. Owners of Highly Significant Endangered designated property who similarly rehabilitate their property qualify for exemption from City taxes on the improvement and a freeze of the land value for 10 to 15 years.

### Financing Incentives

- Public Improvement Districts (PIDs) — PIDs are special districts and special-purpose units of local government created to provide a service or services to a specific group of constituents. Authorized by Chapter 372 of the Local Government Code, public improvement districts allow a City to levy and collect special assessments on property to fund a variety of enhanced services in the PID.
- Private Activity Bonds — The State of Texas Private Activity Bond Program is designed to provide taxable and tax-exempt low-interest and long-term bond financing for eligible projects that include multi-family or economic development projects. Private activity bonds are administered by the Texas Bond Review Board.
- Industrial Revenue Bonds — The State of Texas Industrial Revenue Bond Program is designed to provide taxable and tax-exempt bond financing for land and depreciable property for industrial or manufacturing projects. Industrial revenue bonds are administered by the Office of the Governor Economic Development and Tourism.

## Tax Abatement Agreements



As of January 2007, the City of Fort Worth has 26 active agreements representing a combined private investment amount of \$892.6 million with projected new and retained jobs at 3,517 and 2,928, respectively. (Source: Economic and Community Development Department, 2007.)

### **Grants and Loan Incentives**

- Federal and State Grants — If awarded, the City will provide this type of support to projects to close a demonstrable funding gap, or to leverage private investment. Grant funding can generally be used for infrastructure improvements, environmental remediation, pedestrian and streetscape enhancements in the public right-of-way, and other costs as appropriate to the funding source. The City or private sector may provide any required local matching funds.
- Low Interest Loans — The purpose of this incentive is to provide development funds to developers at a lower interest rate compared to conventional loans. Loans can be used to support commercial, residential or mixed-use real estate development projects, for both rehabilitation and new construction related expenses. The types of loans available include predevelopment, interim financing and bridge.
- Local Grants — Chapter 380 Economic Development Program grants are made in accordance with Texas Local Government Code 380 and the City's policy as outlined in M&C G-13144. The purpose of Chapter 380 grants is to reimburse private developers for the range of expenses which may contribute to a financing gap yielding projects financially infeasible.

### **Real Estate, Regulatory, and Infrastructure Incentives**

- Land Transactions — The land transactions incentive is intended to assist developers with land acquisition and assemblage for meritorious projects in targeted infill areas. The City maintains an inventory of properties, that fall within two distinct categories: tax-foreclosed properties, and surplus properties. The City continues to review how to better use its surplus (tax-foreclosed and fee owned) property to promote housing and strategic economic development.
- Fee and Lien Waivers — The purpose of this incentive is to encourage investment through the regulatory framework by waiving development fees or delaying development fees until the developer sees a positive cash flow. The City will waive or delay development impact fees on a case-by-case basis.
- Mixed-Use Zoning Assistance — The purpose of this incentive is to assist individual property owners and interested community groups in rezoning to mixed-use in designated mixed-use growth centers and urban villages. In using a petition process or Council-initiated process, the City initiates the rezoning at no cost to the property owners.
- Enhanced Community Facility Agreement (CFA) — The City will consider paying for a greater percentage of project-related public infrastructure costs than what is currently called for in the existing CFA Policy.
- Development Approval Assistance — The service provides a single staff contact to work with other departments as necessary, in order to facilitate a streamlined process for projects in pre-development on issues related to construction, platting, zoning and permitting. This service is for projects currently receiving economic or housing development incentives.

**Pier 1 Imports Headquarters**



The new Pier 1 Imports headquarters is a major catalyst project for future development along the Trinity River. This project received a Chapter 380 Economic Development Program grant. (Sources: Economic and Community Development Department and [www.FortWorthArchitecture.com](http://www.FortWorthArchitecture.com), 2007.)

### **Residential Incentives**

- Dispersed Housing Assistance — The City offers assistance to developers of residential communities that help to disperse affordable housing units throughout the City. The emphasis in impacted areas is on the rehabilitation, stabilization and replacement of existing affordable housing units with a mix of affordable and market rate units. In non-impacted areas, the emphasis is on construction of new and conversion of existing affordable housing.

### **Relocation Incentives Policy**

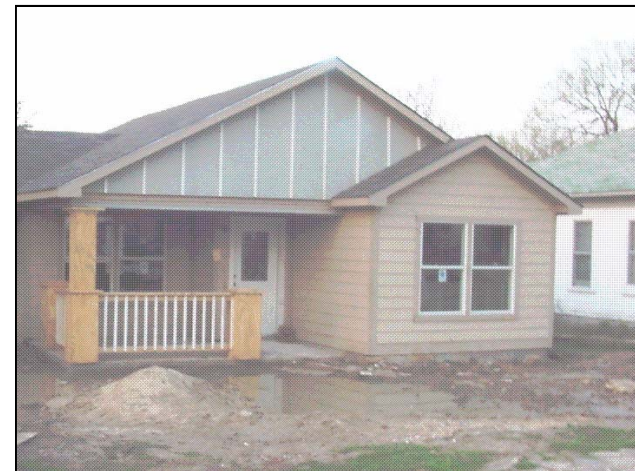
- On December 20, 2005, (M&C G-15045) the City Council adopted a Relocation Incentives Policy to provide greater assistance to businesses that are required to relocate as a result of a Major Public Infrastructure Project. As outlined in the Policy, the City Council must specifically designate all projects that are deemed Major Public Infrastructure Projects in order for displaced businesses to qualify for incentives. All incentives to be provided to impacted businesses will require approval of the City Council.

### **Major Programs of Federal and State Agencies**

In conjunction with local incentives, the City utilizes an array of federal and state programs to supplement funding for various economic development, housing, and historic preservation projects. The following federal and state programs are ones most frequently utilized by the City.

- Economic Development Administration (EDA) funds — These federal funds fall under the Department of Commerce and are tied to job creation and business expansion. The City has used EDA funds for several projects including the Guinn School renovation, wherein an abandoned school was converted to office space, including a business incubator (Tech Fort Worth), infrastructure improvements in the Stockyards, streetscape enhancements in the Evans & Rosedale Business and Cultural District, and a small business revolving loan fund program.
- Office of Economic Adjustment (OEA) — OEA funds fall under the Department of Defense and are used for communities adversely impacted by significant Defense program changes, such as base closures or realignments. The City received OEA funds to address the local defense downsizing including the closure of Carswell Air Force Base that occurred in the early 1990s. The grant funds assisted the City in developing an economic diversification strategy that led to the creation of the Fort Worth Business Assistance Center, which is located at the renovated James E. Guinn School Complex.
- Department of Housing and Urban Development (HUD) — The City of Fort Worth has used the following HUD programs:
  - ◇ Community Development Block Grant Funds (CDBG) — Federal block grant funds may be used for economic development activities in eligible areas. These activities include the acquisition, construction, reconstruction,

### **Reuse of City Surplus Property**



The City uses its surplus property as an incentive to rebuild communities in the central city. The conveyance of surplus property is a key tool for encouraging the development of affordable housing. In 2001, Colonial Savings acquired the property shown above through the City's Housing Finance Corporation to build single-family homes in the Polytechnic Heights Educational Corridor on Avenue E. (Source: Housing Department, 2007.)

rehabilitation, or installation of commercial or industrial buildings, structures, and other real property and equipment. The City has used CDBG funds for several projects, including a small business micro loan program that is managed by the Fort Worth Economic Development Corporation.

- ◇ HOME funds — A portion of these funds is used locally to provide gap financing for eligible single family or multi-family development projects. The City offers such incentives through various programs, including the Community Housing Development Organization (CHDO) Program Fund, the Affordable Housing Development Fund, and the Predevelopment Loan Fund for CHDOs. Funds can be used towards closing costs, down payments and deferred payment loans for qualified households.
- ◇ Section 108 Loan Guarantees — Section 108 is the loan guarantee provision of the CDBG program. The City borrows loan funds directly from HUD backed by its current and future CDBG allocations. The City then re-loans that money to support projects that benefit low and moderate income communities. Loan proceeds can be used for site acquisition, site improvements, and construction, or it may capitalize an economic development loan fund. The development of Minyard Food Store in Southeast Fort Worth and supporting business development activity for the Mercado revitalization project along North Main Street are two examples of projects utilizing Section 108 loan guarantees.
- ◇ Economic Development Initiative (EDI) funds — A grant program created by HUD, EDI it is an extra incentive for cities to use Section 108 loan funds. It is for infrastructure and other costs that cannot be covered under the Section 108 loan program. The City has received EDI grants for the Minyard's grocery store, the Mercado, and the Evans & Rosedale Business and Cultural District.
- ◇ Brownfield Economic Development Initiative (BEDI) funds — Similar in purpose to the EDI grant, this HUD grant provides funds and loan guarantees to clean up and redevelop environmentally contaminated industrial and commercial sites, commonly known as brownfields. Grantees must use at least 70 percent of funds for projects that benefit low- or moderate-income individuals or neighborhoods. As with EDI grants, projects using BEDI grants must leverage private investment and be used in conjunction with Section 108 loan guarantees.
- Small Business Administration (SBA) — The U.S. Small Business Administration (SBA) aids, assists and counsels small businesses. One of the agency's primary roles is to act as a loan guarantor to qualified small businesses that cannot obtain financing from traditional lenders. The following SBA programs are the major ones offered in Fort Worth:
  - ◇ 7(a) Small Business Loan reduces risks to lenders by guaranteeing major portions of loans made to small and medium-sized businesses. This enables a lender to provide financing when funding would otherwise be unavailable. Loans can be used for expanding or renovating facilities, equipment

## Tech Fort Worth



The Tech Fort Worth business and technology incubator, located at I-35W and Rosedale in the James E. Guinn School Complex, facilitates the growth and development of emerging technology companies in Fort Worth. This redevelopment project was funded in part by EDA funds. (Source: Tech Fort Worth, 2007.)

purchases, leasehold improvements, refinancing existing debt, financing lines of credit and more. One variation of the 7(a) loans is the LowDoc loans with minimal paperwork.

- ◇ 7(m) Microloan Program offers small businesses short-term loans of up to \$25,000 for the purchase of machinery and equipment, working capital, and other expenses. In addition to financing services, this program offers technical assistance.
  - ◇ Certified Development Company (Section 504) Program provides long-term, fixed rate financing through certified development companies (CDCs) to small businesses to acquire real estate, machinery and equipment for expansion of business or facility modernization. Most CDCs are private, nonprofit corporations designed to support economic development activities in the area they serve. The Fort Worth Economic Development Corporation (FWEDC) (also known as Alliance Lending Corporation) serves the entire state of Texas. The FWEDC's headquarters is located at the James E. Guinn School Complex. In addition, the corporation has a satellite office in Dallas.
  - ◇ Small Business Development Centers (SBDCs) offer one-stop assistance to small businesses by providing a wide variety of information and guidance. The program is a cooperative effort of the private sector, the educational community and federal, state and local governments. SBDCs enhance economic development by providing small businesses with management and technical assistance. The Fort Worth SBDC is overseen by Tarrant County College and is located at the James E. Guinn School Complex.
  - ◇ HUBZone Empowerment Contracting Program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone (Historically Underutilized Business Zone) certification in part by employing staff who live in a HUBZone. The company must also maintain a "principal office" in one of these specially designated areas. Fort Worth has several HUBZone qualified census tracts.
- Texas Mezzanine Fund (TMF) — Introduced to Tarrant County in October 1999, the Texas Mezzanine Fund serves as an interim lender that supplements bank loans by providing terms rarely offered by banks. TMF's target market is growing companies that are located in low and moderate income communities or that provide jobs for low to moderate income persons. The TMF provides financing from \$50,000 to \$500,000 for business development, affordable housing, and community facilities.
  - Freeport Tax Exemption (FTE) — Freeport exemption became a part of the Texas Constitution in November 1989. The governing body of each taxing entity must pass an ordinance electing to offer FTE in its jurisdiction. After the ordinance is passed, the exemption is applied to all properties which meet the requirements. FTE helps reduce costs associated with inventory taxes. The exemption allows products and goods to be moved through the state without incurring inventory taxes, if those products are held for less than 175 days. The

### Minyard Grocery Store



The Minyard Grocery Store at 4245 E. Berry Street serves as the anchor in this retail center that is a source of employment in Southeast Fort Worth. The project was a collaboration with Minyard Food Stores. It was the first full-service grocery store constructed in southeast Fort Worth in 30 years. The retail center includes a Domino's Pizza, gas station, and other small retail shops. The project was funded in part by HUD Section 108 and EDI funds. (Source: Planning and Development Department, 2007.)

City of Fort Worth and the Fort Worth Independent School District offer FTE.

- **Foreign Trade Zones (FTZs)** — FTZs provide special customs procedures to U.S. plants engaged in international trade-related activities. Duty-free treatment is accorded items that are processed in a FTZ and then reexported, and duty payment is deferred on items until they are brought out of the FTZ for sale in the U.S. market. This helps to offset customs advantages available to overseas producers who compete with domestic industry. FTZs are administered by the U.S. Department of Commerce. Fort Worth has one FTZ located in the Alliance Corridor.
- **New Markets Tax Credits (NMTC)** — Established by Congress in 2000, the NMTC program permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments that go toward financing community development projects, stimulate economic opportunity, and create jobs in low-income areas. The investor's credit totals 39 percent of the value of the investment and is claimed over a seven-year credit allowance.
- **Federal Tax Credits for Historic Property** — Federal income tax credits for 20 percent of the rehabilitation costs of a certified historic structure are available if proper procedure is followed. This credit can be applied only to commercial, industrial, agricultural, or rental residential properties. Certified historic structures are buildings that are either listed individually in the National Register of Historic Places, or are located in a registered historic district and certified by the National Park Service as contributing to the historic significance of that district. A 10 percent income tax credit is available for rehabilitation of a non-historic building built before 1936.
- **Low Income Housing Tax Credit** — Administered by the Texas Department of Housing and Community Affairs, this federal income tax credit is an incentive available to persons who build or rehabilitate rental units and rent a certain percentage to low and moderate-income households.
- **Secondary Mortgage Lenders** — In January 2004, the Federal National Mortgage Association (Fannie Mae) pledged to help six million families become first-time homeowners over the next decade. Fannie Mae works with lenders, nonprofits, mortgage insurers, community groups, state and local housing finance agencies, and others, including employers, to share information and create funding opportunities. The Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) have similar housing programs.

### Villas by the Lake



Financial incentives, such as low income housing tax credits and tax abatements, have stimulated development such as the Villas by the Lake in southeast Fort Worth near Lake Arlington. (Sources: Housing Department, Humphreys & Partners Architects, 2007.)