



## MEMORANDUM

**Meeting Date:** October 17, 2023

**Item No.** Executive Session and H-2

**To:** Mayor and City Council

**From:** Mary M. Culver, Director of Economic Development

**Subject:** **Houghton Horns Economic Development Incentives Request**

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### **BACKGROUND**

Staff first presented the proposed business expansion of Houghton Horns to include a performance hall to City Council during executive session on September 19, 2023. The proposal includes the renovation of a 5,685 square foot building to include a performance hall at 137 Hill Street in Old Town Keller. Converting the planned showroom of the retail facility into a performance hall requires the installation of a fire suppression system as the occupancy load of the building would change to an assembly use. The applicant has stated that this cost is prohibitive to the project and the conversion to a performance hall will not happen without the requested incentive.

On October 3, 2023, the owners of Houghton Horns, Dennis Houghton & Derek Wright, presented to City Council during executive session with details on the business plan of the performance hall. This plan includes a 40-week concert series with classical and some jazz artists, a 32-week master class series and some rental options for outside organizations including the Keller Area Youth Jazz Orchestra. Ticket prices for the events are intended to be affordable to encourage attendance and cultivate an interest in the arts, especially for students. The proposed events would be the only organized offerings of their type in Tarrant County at this time and they anticipate that they will draw an audience from all over the metroplex into Old Town Keller.

The Keller Economic Development Board reviewed the proposal and recommended approval of the incentive at their September 18, 2023 meeting with a vote of 7-0.

### **CITY OF KELLER ADOPTED INCENTIVE POLICY**

The City Resolution 4471, adopted by the City on January 18, 2022, provides a comprehensive policy of guidelines and criteria for economic development incentives, in

accordance with Chapter 380 of the Texas Local Government Code; Chapter 311 of the Texas Tax Code; and Chapter 312 of the Texas Property Tax Code.

**INCENTIVES REQUESTED**

<b>ECONOMIC INCENTIVE REQUEST SUMMARY</b>			
<b>Year/Phase</b>	<b>Building Permit Fee* - 100%</b>	<b>Cash Grant**</b>	<b>Total Request</b>
Construction Phase	\$ 993.75	\$ 195,644.80	\$ 196,638.55
Year 1	\$ -	\$ -	\$ -
Year 2	\$ -	\$ -	\$ -
Year 3	\$ -	\$ -	\$ -
Year 4	\$ -	\$ -	\$ -
Year 5	\$ -	\$ -	\$ -
Year 6	\$ -	\$ -	\$ -
Year 7	\$ -	\$ -	\$ -
Year 8	\$ -	\$ -	\$ -
Year 9	\$ -	\$ -	\$ -
Year 10	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 993.75</b>	<b>\$ 195,644.80</b>	<b>\$ 196,638.55</b>

\* based on a building construction value of \$151,700

\*\*request includes full cost of construction and equipment

**RECOMMENDATION**

ED Staff countered the initial request to arrive at the final agreement presented in the Chapter 380 Agreement contract and illustrated in the table below.

<b>ECONOMIC INCENTIVE RECOMMENDATION</b>			
<b>Year/Phase</b>	<b>Building Permit Fee - 0%</b>	<b>Cash Grant*</b>	<b>Total</b>
Construction Phase	\$ -	\$ 130,000.00	\$ 130,000.00
Year 1	\$ -	\$ -	\$ -
Year 2	\$ -	\$ -	\$ -
Year 3	\$ -	\$ -	\$ -
Year 4	\$ -	\$ -	\$ -
Year 5	\$ -	\$ -	\$ -
Year 6	\$ -	\$ -	\$ -
Year 7	\$ -	\$ -	\$ -
Year 8	\$ -	\$ -	\$ -
Year 9	\$ -	\$ -	\$ -
Year 10	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ 130,000.00</b>	<b>\$ 130,000.00</b>

\*recommended cash grant only includes cost of fire suppression system installation (including full encapsulation insulation)

Revenues Generated										
Incentive Request	Ad Valorem Tax*	TIRZ #2	Business Personal Property Tax**	City Sales Tax	Building Permits Fee***	Gross Annual Benefit	Base Revenue	Incentive	Total Net Benefit	ROI
Construction Phase	\$ 1,482.00	\$ -	\$ -	\$ -	\$ 993.75	\$ 2,475.75	\$ 1,482.00	\$ 130,000.00	\$ (129,006.25)	-199%
Year 1	\$ 4,290.00	\$ 2,808.00	\$ 1,382.16	\$ 38,761.14		\$ 47,241.30	\$ 1,519.05		\$ 45,722.25	-164%
Year 2	\$ 4,378.73	\$ 2,896.73	\$ 1,416.71	\$ 38,761.14		\$ 47,453.30	\$ 1,557.03		\$ 45,896.28	-129%
Year 3	\$ 4,469.67	\$ 2,987.67	\$ 1,452.13	\$ 38,761.14		\$ 47,670.61	\$ 1,595.95		\$ 46,074.66	-93%
Year 4	\$ 4,562.88	\$ 3,080.88	\$ 1,488.44	\$ 38,761.14		\$ 47,893.34	\$ 1,635.85		\$ 46,257.49	-58%
Year 5	\$ 4,658.43	\$ 3,176.43	\$ 1,525.65	\$ 38,761.14		\$ 48,121.65	\$ 1,676.75		\$ 46,444.90	-22%
Year 6	\$ 4,756.37	\$ 3,274.37	\$ 1,563.79	\$ 38,761.14		\$ 48,355.66	\$ 1,718.67		\$ 46,637.00	14%
Year 7	\$ 4,856.75	\$ 3,374.75	\$ 1,602.88	\$ 38,761.14		\$ 48,595.53	\$ 1,761.63		\$ 46,833.89	50%
Year 8	\$ 4,959.65	\$ 3,477.65	\$ 1,642.95	\$ 38,761.14		\$ 48,841.39	\$ 1,805.67		\$ 47,035.71	86%
Year 9	\$ 5,065.11	\$ 3,583.11	\$ 1,684.03	\$ 38,761.14		\$ 49,093.39	\$ 1,850.81		\$ 47,242.58	122%
Year 10	\$ 5,173.21	\$ 3,691.21	\$ 1,726.13	\$ 38,761.14		\$ 49,351.70	\$ 1,897.09		\$ 47,454.61	159%
<b>Total</b>	<b>\$ 48,652.80</b>	<b>\$ 32,350.80</b>	<b>\$ 15,484.87</b>	<b>\$ 387,611.40</b>		<b>\$ 485,093.62</b>	<b>\$ 18,500.50</b>	<b>\$ 130,000.00</b>	<b>\$ 336,593.12</b>	

\*based on projected property value of \$1,800,000 with annual inflation of 2.5%

\*\*based on business personal property value of \$443,000 with annual inflation of 2.5%

\*\*\* based on a building construction value of \$151,700

The Keller Economic Development Board unanimously recommended approval of this incentive package as presented at the Regular Meeting on September 18, 2023.

The professional opinion is for approval of the request for incentives totaling approximately **\$130,000**, as presented, for the following reasons:

1. The project meets the goals of the adopted incentive policy including:
  - a. located in the high priority geographic area of TIRZ No 2
  - b. experiential retail that is family-friendly and will attract visitors to Keller to enjoy a unique experience,
  - c. business that have a limited impact on the natural environment and
  - d. high sales tax generators
2. This building has been sitting vacant for over 6 years and has fallen into disrepair. We have anticipated the need for incentives to bring this building up to it's full potential and have approved similar incentives related to this building in the past.
3. The expansion of a long-time Keller business indicates the success they have seen in Keller and their ability to follow through with the vision of the project.
4. We wish to encourage further expansion of that business to utilize this building in a way that meets the council's vision for Old Town Keller as a shopping, dining and entertainment destination.
5. A full return on investment is anticipated in Year 6, as demonstrated in the table above.