



MEMORANDUM

Meeting Date: October 3, 2023

Item No. Executive Session and H-1

To: Mayor and City Council

From: Mary M. Culver, Director of Economic Development

Subject: **Pickleball Kingdom Economic Development Incentives Request**

BACKGROUND

Pickleball Kingdom first presented the proposed indoor recreational pickleball facility to City Council during executive session on September 19, 2023. The proposal includes a 44,000 square foot facility with 17 professional courts, locker rooms, event space, a mezzanine lounge and a pro-shop to be built at 957 Keller Parkway. The goal of Pickleball Kingdom is to be the go-to indoor destination for Pickleball enthusiasts in Keller and surrounding areas. The business aims to foster a sense of community among players of all skill levels and contribute to the growth and popularity of the sport in the region.

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

ECONOMIC INCENTIVE REQUEST SUMMARY			
Year/Phase	Building Permit Fee** - 100%	Keller Impact Fees*** - 100%	Total Request
Construction Phase	\$ 20,208.75	\$ 167,428.50	\$ 187,637.25
Year 1	\$ -	\$ -	\$ -
Year 2	\$ -	\$ -	\$ -
Year 3	\$ -	\$ -	\$ -
Year 4	\$ -	\$ -	\$ -
Year 5	\$ -	\$ -	\$ -
Year 6	\$ -	\$ -	\$ -
Year 7	\$ -	\$ -	\$ -
Year 8	\$ -	\$ -	\$ -
Year 9	\$ -	\$ -	\$ -
Year 10	\$ -	\$ -	\$ -
Total	\$ 20,208.75	\$ 167,428.50	\$ 187,637.25

**based on a 44,000 sf building with a construction value of \$5,000,000

***based on 2021 Impact Fee Schedule

RECOMMENDATION

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

ECONOMIC INCENTIVE RECOMMENDATION			
Year/Phase	Building Permit Fee** - 100%	Keller Impact Fees*** - 50%	Total
Construction Phase	\$ 20,208.75	\$ 83,714.25	\$ 103,923.00
Year 1	\$ -	\$ -	\$ -
Year 2	\$ -	\$ -	\$ -
Year 3	\$ -	\$ -	\$ -
Year 4	\$ -	\$ -	\$ -
Year 5	\$ -	\$ -	\$ -
Year 6	\$ -	\$ -	\$ -
Year 7	\$ -	\$ -	\$ -
Year 8	\$ -	\$ -	\$ -
Year 9	\$ -	\$ -	\$ -
Year 10	\$ -	\$ -	\$ -
Total	\$ 20,208.75	\$ 83,714.25	\$ 103,923.00

**based on a 40,000 sf building with a construction value of \$5,000,000

***based on 2021 Impact Fee Schedule

Revenues Generated									
Incentive Request	Ad Valorem Tax*	Business Personal Property Tax**	City Sales Tax***	Building Permits & Impact Fees****	Gross Annual Benefit	Base Revenue	Incentive	Total Net Benefit	ROI
Construction Phase	\$ 1,797.23	\$ -	\$ -	\$ 103,923.00	\$ 105,720.23	\$ 1,797.23	\$ 103,923.00	\$ -	-100%
Year 1	\$ 13,802.77	\$ 312.00	\$ 8,000.00	\$ -	\$ 22,114.77	\$ 1,842.16	\$ -	\$ 20,272.61	-80%
Year 2	\$ 14,147.84	\$ 319.80	\$ 8,000.00	\$ -	\$ 22,467.64	\$ 1,888.21	\$ -	\$ 20,579.43	-61%
Year 3	\$ 14,501.54	\$ 327.80	\$ 8,000.00	\$ -	\$ 22,829.33	\$ 1,935.42	\$ -	\$ 20,893.91	-41%
Year 4	\$ 14,864.07	\$ 335.99	\$ 8,000.00	\$ -	\$ 23,200.06	\$ 1,983.80	\$ -	\$ 21,216.26	-20%
Year 5	\$ 15,235.68	\$ 344.39	\$ 8,000.00	\$ -	\$ 23,580.07	\$ 2,033.40	\$ -	\$ 21,546.67	1%
Year 6	\$ 15,616.57	\$ 353.00	\$ 8,000.00	\$ -	\$ 23,969.57	\$ 2,084.23	\$ -	\$ 21,885.33	22%
Year 7	\$ 16,006.98	\$ 361.82	\$ 8,000.00	\$ -	\$ 24,368.81	\$ 2,136.34	\$ -	\$ 22,232.47	43%
Year 8	\$ 16,407.16	\$ 370.87	\$ 8,000.00	\$ -	\$ 24,778.03	\$ 2,189.75	\$ -	\$ 22,588.28	65%
Year 9	\$ 16,817.34	\$ 380.14	\$ 8,000.00	\$ -	\$ 25,197.48	\$ 2,244.49	\$ -	\$ 22,952.98	87%
Year 10	\$ 17,237.77	\$ 389.65	\$ 8,000.00	\$ -	\$ 25,627.41	\$ 2,300.61	\$ -	\$ 23,326.81	109%
Total	\$ 156,434.94	\$ 3,495.46	\$ 80,000.00	\$ -	\$ 343,853.40	\$ 22,435.65	\$ 103,923.00	\$ 217,494.74	

*based on projected property value of \$5,000,000 with annual inflation of 2.5%

**based on business personal property value of \$100,000 with annual inflation of 2.5%

***based on annual taxable sales of \$400,000

****based on a 44,000 sf building with a construction value of \$5,000,000 & the 2021 Impact Fee Schedule

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 **\$103,923**, as presented, for the following reasons:

1. The project meets the goals of the adopted incentive policy including:
 - a. experiential retail that is family-friendly and will attract visitors to Keller to enjoy a unique experience,
 - b. business that have a limited impact on the natural environment and
2. A full return on investment is anticipated in Year 5, as demonstrated in the table above.
3. This tract has been very difficult to attract a developer, as it is the second tier of retail along Keller Pkwy and the flood plain on half of the property has dissuaded many potential developers as the seller will only sell the full 5.5 acres.
4. This is a low risk investment, as the incentives are all performance based and only revenue actually generated by the development of the building would be used to fulfill the incentive agreement.
5. The demand for pickleball facilities has been high and the development of a private indoor facility will help reduce the demand for publicly funded amenities.