

Item H-7

Consider a resolution approving a Chapter 380 Economic Development Program Agreement, pursuant to Chapter 380 of the Texas Local Government Code, and pursuant to the City's Economic Development Incentive Policy, with R&K Sales, Inc dba Penguin Patch., at 721 Chisholm Trail on 4.07 acres legally described as Abstract 457 Tract 14C03 of John Edmonds Survey, Keller, Texas; and authorizing the City Manager to execute said documents on behalf of the City of Keller, Texas.

Penguin Patch

- 721 Chisholm Trail
- 36,010-square-foot light manufacturing/warehouse building
- Located within TIRZ #2



ECONOMIC INCENTIVE REQUEST SUMMARY

Year/Phase	Ad Valorem*			Other		Total Request
	Percent	Revenue	Request	Building Permit & Plan Review Fees** - 100%	Keller Impact Fees*** - 100%	
Construction Phase				\$ 28,267.31	\$ 63,043.82	\$ 91,311.13
Year 1	100%	\$ 21,992.76	\$ 21,992.76	\$ -	\$ -	\$ 21,992.76
Year 2	100%	\$ 22,542.58	\$ 22,542.58	\$ -	\$ -	\$ 22,542.58
Year 3	80%	\$ 23,106.15	\$ 18,484.92	\$ -	\$ -	\$ 18,484.92
Year 4	80%	\$ 23,683.80	\$ 18,947.04	\$ -	\$ -	\$ 18,947.04
Year 5	60%	\$ 24,275.89	\$ 14,565.54	\$ -	\$ -	\$ 14,565.54
Year 6	60%	\$ 24,882.79	\$ 14,929.67	\$ -	\$ -	\$ 14,929.67
Year 7	40%	\$ 25,504.86	\$ 10,201.94	\$ -	\$ -	\$ 10,201.94
Year 8	40%	\$ 26,142.48	\$ 10,456.99	\$ -	\$ -	\$ 10,456.99
Year 9	20%	\$ 26,796.04	\$ 5,359.21	\$ -	\$ -	\$ 5,359.21
Year 10	20%	\$ 27,465.95	\$ 5,493.19	\$ -	\$ -	\$ 5,493.19
Total			\$ 142,973.84	\$ 28,267.31	\$ 63,043.82	\$ 234,284.98

*based on projected property value of \$6,000,000 with annual inflation of 2.5%

**based on a 36,010 sf building with a construction value of \$5,200,000

***based on 2015 Impact Fee Schedule

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Incentive Policy Compliance

- ✓ Meets Incentive Policy Goals (Section 1)
- ✓ Meets General Eligibility (Section 3)
- ✓ Meets High Priority Geographic Areas (Section 4.1.1)
 - TIRZ #2
- ✓ Meets High Priority Businesses (Section 4.2.1)
 - Small employers with high-paying jobs that match our residents' demographics
 - Businesses that generate high-paying jobs
 - Businesses that have a limited impact on the natural environment
- ✓ Meets Minimum Performance Requirements (Section 6)
 - Minimum New Construction Cost of \$500,000
 - Minimum New FTE Employees of 15

ECONOMIC INCENTIVE RECOMMENDATION

Year/Phase	Ad Valorem*			Other		Total Recommendation
	Percent	Revenue	Request	Building Permit & Plan Review Fee**-100%	Keller Impact Fees*** - 100%	
Construction Phase				\$ 28,267.31	\$ 63,043.82	\$ 91,311.13
Year 1		\$ 21,992.76	\$ -	\$ -	\$ -	\$ -
Year 2		\$ 22,542.58	\$ -	\$ -	\$ -	\$ -
Year 3		\$ 23,106.15	\$ -	\$ -	\$ -	\$ -
Year 4		\$ 23,683.80	\$ -	\$ -	\$ -	\$ -
Year 5		\$ 24,275.89	\$ -	\$ -	\$ -	\$ -
Year 6		\$ 24,882.79	\$ -	\$ -	\$ -	\$ -
Year 7		\$ 25,504.86	\$ -	\$ -	\$ -	\$ -
Year 8		\$ 26,142.48	\$ -	\$ -	\$ -	\$ -
Year 9		\$ 26,796.04	\$ -	\$ -	\$ -	\$ -
Year 10		\$ 27,465.95	\$ -	\$ -	\$ -	\$ -
Total			\$ -	\$ 28,267.31	\$ 63,043.82	\$ 91,311.13

*based on projected property value of \$6,000,000 with annual inflation of 2.5%

**based on a 36,010 sf building with a construction value of \$5,200,000

***based on 2015 Impact Fee Schedule

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Revenues Generated										Return on Investment		
Incentive Request	Ad Valorem Tax*	TIRZ #2	Business Personal Property Tax**	City Sales Tax	Building Permits & Impact Fees***	Gross Annual Benefit	Base Revenue	Incentive	Total Net Benefit	Cumulative	ROI	
Construction Phase	\$ 722.76	\$ -	\$ -	\$ -	\$ 91,311.13	\$ 92,033.89	\$ 722.76	\$ 91,311.13	\$ -	\$ -	0%	
Year 1	\$ 11,357.76	\$ 10,635.00	\$ 459.31	\$ -	\$ -	\$ 22,452.07	\$ 740.83	\$ -	\$ 21,711.24	\$ 21,711.24	24%	
Year 2	\$ 11,632.67	\$ 10,909.91	\$ 470.79	\$ -	\$ -	\$ 23,013.37	\$ 759.35	\$ -	\$ 22,254.02	\$ 43,965.27	48%	
Year 3	\$ 11,914.45	\$ 11,191.69	\$ 482.56	\$ -	\$ -	\$ 23,588.71	\$ 778.34	\$ -	\$ 22,810.37	\$ 66,775.64	73%	
Year 4	\$ 12,203.28	\$ 11,480.52	\$ 494.63	\$ -	\$ -	\$ 24,178.43	\$ 797.79	\$ -	\$ 23,380.63	\$ 90,156.27	99%	
Year 5	\$ 12,499.33	\$ 11,776.57	\$ 506.99	\$ -	\$ -	\$ 24,782.89	\$ 817.74	\$ -	\$ 23,965.15	\$ 114,121.42	125%	
Year 6	\$ 12,802.78	\$ 12,080.01	\$ 519.67	\$ -	\$ -	\$ 25,402.46	\$ 838.18	\$ -	\$ 24,564.28	\$ 138,685.70	152%	
Year 7	\$ 13,113.81	\$ 12,391.05	\$ 532.66	\$ -	\$ -	\$ 26,037.52	\$ 859.14	\$ -	\$ 25,178.38	\$ 163,864.09	179%	
Year 8	\$ 13,432.62	\$ 12,709.86	\$ 545.98	\$ -	\$ -	\$ 26,688.46	\$ 880.61	\$ -	\$ 25,807.84	\$ 189,671.93	208%	
Year 9	\$ 13,759.40	\$ 13,036.64	\$ 559.63	\$ -	\$ -	\$ 27,355.67	\$ 902.63	\$ -	\$ 26,453.04	\$ 216,124.97	237%	
Year 10	\$ 14,094.35	\$ 13,371.59	\$ 573.62	\$ -	\$ -	\$ 28,039.56	\$ 925.20	\$ -	\$ 27,114.37	\$ 243,239.34	266%	
Total	\$ 127,533.22	\$ 119,582.84	\$ 5,145.84	\$ -	\$ -	\$ 343,573.04	\$ 9,022.57	\$ 91,311.13	\$ 243,239.34			

*based on projected property value of \$6,000,000 with annual inflation of 2.5%
 **based on business personal property value of \$129,566 with annual inflation of 2.5%
 ***based on a 36,010 sf building with a construction value of \$5,200,000 & the 2015 Impact Fee Schedule

Summary

- Incentive request for a 36,010-square-foot building located within TIRZ #2.
- Total incentive recommendation is \$91,311.13, which yields a full return by Year 5 of the project.
- The Keller Economic Development Board recommended approval of the incentive recommendation by a vote of 6-0 at their regular meeting on Nov. 21, 2022.

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The City Council has the following options when considering an incentive request:

- Approve as submitted
- Approve with modifications or additional condition(s) including the recommendation by the Keller Economic Development Board
- Table the agenda item to a specific date with clarification of intent and purpose
- Deny



Questions?
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