



## MEMORANDUM

**Meeting Date:** December 6, 2022

**Item No.** Executive Session and H-7

**To:** Mayor and City Council

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

**Subject:** **Penguin Patch Economic Development Incentives Request**

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### **BACKGROUND**

City Staff has been working with the owners of the Penguin Patch since late 2021 as they considered relocating their business to Keller from Fort Worth. Their initial plans included a metal building to house their operations. However, upon discussions with city staff and in consideration of the surrounding residential neighborhood, a new building was designed to meet the design standards of Class A Office Space, as outlined in the Tech/Flex future land use category. City Council approved an SUP request for the warehousing component of the business on August 2, 2022.

Staff received an incentive application for the project on November 8, 2022.

The proposed incentive request was first presented to City Council in executive session on November 15, 2022.

The Keller Economic Development Board reviewed the proposal and recommended approval of the incentive at their November 21, 2022 meeting with a vote of 6-0.

### **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>Ad Valorem*</b>				<b>Other</b>		
<b>Year/Phase</b>	<b>Percent</b>	<b>Revenue</b>	<b>Request</b>	<b>Building Permit &amp; Plan Review Fees** -</b>	<b>Keller Impact Fees*** - 100%</b>	<b>Total Request</b>
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
<b>Total</b>			<b>\$ 142,973.84</b>	<b>\$ 28,267.31</b>	<b>\$ 63,043.82</b>	<b>\$ 234,284.98</b>

\*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

**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.

<b>ECONOMIC INCENTIVE RECOMMENDATION</b>			
<b>Other</b>			
<b>Year/Phase</b>	<b>Building Permit &amp; Plan Review Fee** - 100%</b>	<b>Keller Impact Fees*** - 100%</b>	<b>Total</b>
Construction Phase	\$ 28,267.31	\$ 63,043.82	\$ 91,311.13
Year 1	\$ -	\$ -	\$ -
Year 2	\$ -	\$ -	\$ -
Year 3	\$ -	\$ -	\$ -
Year 4	\$ -	\$ -	\$ -
Year 5	\$ -	\$ -	\$ -
Year 6	\$ -	\$ -	\$ -
Year 7	\$ -	\$ -	\$ -
Year 8	\$ -	\$ -	\$ -
Year 9	\$ -	\$ -	\$ -
Year 10	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 28,267.31</b>	<b>\$ 63,043.82</b>	<b>\$ 91,311.13</b>

\*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

The Keller Economic Development Board unanimously recommended approval of this incentive package as presented at the Regular Meeting on November 21, 2022.

The professional opinion is for approval of the request for incentives totaling approximately **\$91,311.13**, as presented, for the following reasons:

1. The project meets the goals of the adopted incentive policy.
2. The project is located in a high priority geographic area: TIRZ #2.
3. A full return on investment is realized in the 5<sup>th</sup> year, following construction completion.