



MEMORANDUM

Meeting Date: April 26, 2022

Item No. Executive Session and H-3

To: Mayor and City Council

From: Mary M. Culver, Director of Economic Development

Subject: **Project Orion Economic Development Incentives Request**

BACKGROUND

Suburban Life Hospitality Group and Realty Capital first presented the proposed restaurant concepts to City Council during executive session on March 22, 2022. The proposal includes three, 7,000 square foot buildings that are full-service, dine-in restaurants located around the community lawn within the Keller Center Stage development. Suburban Life Hospitality Group will be the operator of the restaurants concepts: Los Caminos Cocina y Cantina, Base Camp Kitchen & Comforts, and Osteria Toscana Pizzeria. The applicant for the incentive is KCS Hospitality Group, Ltd., who will be the landowner for the development.

The Keller Economic Development Board reviewed the proposal and recommended approval of the incentive at their April 18, 2022 meeting with a vote of 7-0. The City Council reviewed the proposed incentive during executive session on April 19, 2022.

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	Ad Valorem*			Personal Property**			Sales***			Other		
	Percent	Revenue	Request	Percent	Revenue	Request	Percent	Sales	Request	Permit Fees, Connection Fees - 100%	Keller Impact Fees - 100%	Total Request
Construction Phase										\$ 44,201.25	\$ 57,455.52	\$ 101,656.77
Year 1	50%	\$ 36,344.96	\$ 18,172.48	50%	\$ 6,590.50	\$ 3,295.25	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 92,342.73
Year 2	50%	\$ 37,253.59	\$ 18,626.79	50%	\$ 6,755.27	\$ 3,377.63	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 92,879.43
Year 3	50%	\$ 38,184.92	\$ 19,092.46	50%	\$ 6,924.15	\$ 3,462.07	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 93,429.54
Year 4	50%	\$ 39,139.55	\$ 19,569.77	50%	\$ 7,097.25	\$ 3,548.63	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 93,993.40
Year 5	50%	\$ 40,118.04	\$ 20,059.02	50%	\$ 7,274.68	\$ 3,637.34	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 94,571.36
Year 6	50%	\$ 41,120.99	\$ 20,560.49	50%	\$ 7,456.55	\$ 3,728.28	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 95,163.77
Year 7	50%	\$ 42,149.01	\$ 21,074.51	50%	\$ 7,642.96	\$ 3,821.48	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 95,770.99
Year 8	50%	\$ 43,202.74	\$ 21,601.37	50%	\$ 7,834.04	\$ 3,917.02	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 96,393.39
Year 9	50%	\$ 44,282.81	\$ 22,141.40	50%	\$ 8,029.89	\$ 4,014.94	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 97,031.35
Year 10	50%	\$ 45,389.88	\$ 22,694.94	50%	\$ 8,230.64	\$ 4,115.32	50%	\$ 141,750.00	\$ 70,875.00	\$ -	\$ -	\$ 97,685.26
Total			\$ 203,593.24			\$ 36,917.97			\$ 708,750.00	\$ 44,201.25	\$ 57,455.52	\$ 1,050,917.97

*based on projected property value of \$11,019,679 with annual inflation of 2.5%

**based on value \$1,837,118 private property value with annual inflation of 2.5%

***based on projected annual sales of \$14,750,000

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	Ad Valorem*			Personal Property**			Sales***			Other		
	Percent	Revenue	Request	Percent	Revenue	Request	Percent	Revenue	Request	Permit Fees, Connection Fees - 100%	Keller Impact Fees - 100%	Total Request
Construction Phase			\$ -							\$ 44,201.25	\$ 57,455.52	\$ 101,656.77
Year 1	100%	\$ 36,344.96	\$ 36,344.96	100%	\$ 6,590.50	\$ 6,590.50	100%	\$ 141,750.00	\$ 141,750.00	\$ -	\$ -	\$ 184,685.47
Year 2	90%	\$ 37,253.59	\$ 33,528.23	90%	\$ 6,755.27	\$ 6,079.74	90%	\$ 141,750.00	\$ 127,575.00	\$ -	\$ -	\$ 167,182.97
Year 3	80%	\$ 38,184.92	\$ 30,547.94	80%	\$ 6,924.15	\$ 5,539.32	80%	\$ 141,750.00	\$ 113,400.00	\$ -	\$ -	\$ 149,487.26
Year 4	70%	\$ 39,139.55	\$ 27,397.68	70%	\$ 7,097.25	\$ 4,968.08	70%	\$ 141,750.00	\$ 99,225.00	\$ -	\$ -	\$ 131,590.76
Year 5	60%	\$ 40,118.04	\$ 24,070.82	60%	\$ 7,274.68	\$ 4,364.81	60%	\$ 141,750.00	\$ 85,050.00	\$ -	\$ -	\$ 113,485.63
Year 6		\$ 41,120.99	\$ -		\$ 7,456.55	\$ -		\$ 141,750.00	\$ -	\$ -	\$ -	\$ -
Year 7		\$ 42,149.01	\$ -		\$ 7,642.96	\$ -		\$ 141,750.00	\$ -	\$ -	\$ -	\$ -
Year 8		\$ 43,202.74	\$ -		\$ 7,834.04	\$ -		\$ 141,750.00	\$ -	\$ -	\$ -	\$ -
Year 9		\$ 44,282.81	\$ -		\$ 8,029.89	\$ -		\$ 141,750.00	\$ -	\$ -	\$ -	\$ -
Year 10		\$ 45,389.88	\$ -		\$ 8,230.64	\$ -		\$ 141,750.00	\$ -	\$ -	\$ -	\$ -
Total			\$ 151,889.63			\$ 27,542.45			\$ 567,000.00	\$ 44,201.25	\$ 57,455.52	\$ 848,088.85

*based on projected property value of \$11,019,679 with annual inflation of 2.5%

**based on value \$1,837,118 private property value with annual inflation of 2.5%

***based on projected annual sales of \$14,750,000

A minimum performance requirement will be included in the Chapter 380 agreement, totaling 50% of the projections included for the property valuations and total annual sales.

The Keller Economic Development Board unanimously recommended approval of this incentive package as presented at the Regular Meeting on April 18, 2022.

The professional opinion is for approval of the request for incentives totaling approximately **\$848,089**, as presented, for the following reasons:

1. The project meets the goals of the adopted incentive policy including, but not limited to:
 - a. attracting high quality full-service restaurants,
 - b. experiential retail that is family-friendly and will attract visitors to Keller to enjoy a unique experience,
 - c. small employers with high-paying jobs that match our resident's demographics,
 - d. business that have a limited impact on the natural environment and
 - e. high sales tax generators.
2. The project is located in a high priority geographic area: TIRZ #2.
3. The total projected ROI at the end of the 5-year term is 930%;
4. This is a very low risk investment, as the incentives are all performance based and only revenue actually generated by these businesses would be used to fulfill the incentive agreement.