



## MEMORANDUM

**Meeting Date:** July 25, 2017

**Item No.** Executive Session

**To:** Mayor and City Council

**From:** Trina Zais, AICP, MPA, Director of Public Services & Economic Development

**Subject:** **The Birch Economic Development Incentives Request**

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### **BACKGROUND**

The Economic Development Resolution 2993, adopted by the City September 21, 2010 and Resolution 3349, adopted April 2, 2013, provide 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.

In order to be eligible for designation receive tax incentives, the consideration for application must meet the following criteria:

1. Must be reasonably expected to increase the appraised value of the property in the amount specified in the agreement as per Appendix A after the period of abatement has expired.
2. Must be expected to produce annual sales over \$4 million to receive up to 100% rebate for a maximum of three years;
3. Must not be expected to solely or primarily have the effect of transferring employment from one part of Tarrant County to another;
4. Must be necessary for expansion and/or modernization because the capacity cannot be provided efficiently utilizing existing improved property when reasonable allowance is made for necessary improvements; and
5. The following classes of property shall be fully taxable and ineligible for abatement: land, inventories, supplies, vehicles, vessels, aircraft, deferred maintenance investments, residential property, property that is associated with any activity that is illegal under federal, state, or local law, property owned or used by the State of Texas or its political subdivisions, and property owned by any organization which is owned, operated, or directed by a political subdivision of the State of Texas.

## Real Estate Property Tax Grants

The City of Keller property tax rate is \$.043 per \$100 valuation. This equates to approximately 17% of the total property tax bill and the Keller Independent School District and Tarrant County (including the County, Hospital and College Districts). An applicant may apply for a rebate of all or a portion of the city's real estate property tax, at the discretion of the City Council.

### **INCENTIVES REQUESTED**

Economic Incentive Summary				
MINIMUM CAPITAL INVESTMENT	PROPERTY TAX GRANT (REBATE) DURATION	GRANT (REBATE)	INFRASTRUCTURE IMPROVEMENTS	AMOUNT OF CREDITED FEES*
<ul style="list-style-type: none"><li>Annual sales over \$4 million-up to 100% rebate for a maximum of three years;</li><li>Participation in the cost of public infrastructure considered case by case;</li><li>Grant or rebate all or a portion of related fees, including but not limited to: building and development fees, connection fees and impact fees.</li></ul>	1 <sup>ST</sup> year	<b>100%</b> ~\$16,749	Sewer NTE \$153,000 Drainage NTE \$121,000	100%*
	2 <sup>nd</sup> year	<b>90%</b> ~\$15,375		-
	3 <sup>rd</sup> year	<b>80%</b> ~\$13,940		-
	4 <sup>th</sup> year	0		-
	5 <sup>th</sup> year	0		-
<b>TOTAL</b>	<b>\$380,964</b>	<b>~\$46,064</b>	<b>NTE \$274,000</b>	<b>~\$60,900*</b>
*EXCLUDES FEES/PAYMENTS TO THIRD-PARTY CONSULTANTS OR PASS THRU FEES; <b>NTE \$60,900</b>				

The Birch Request	In Compliance	City Policy
3 years declining Property Tax Grant (Rebate)	Yes	Discretionary
100% waiver of building/ development fees (excluding third party)	Yes	Discretionary
100% Reimbursed Road, Water, Sewer Impact Fees	Yes	Discretionary
Fast Track Permitting	Yes	If the project needs and justifies the reduced time

### **RECOMMENDATION**

My professional opinion is for approval of the request, as presented, for the following reasons:

1. The request meets each aspect of the Economic Development mission statement;
2. There is a very good return on investment expected at nearly a 39% annual rate of return in the first three years and is expected to be fully recouped in the 26th month;
3. This is a very low risk investment, as the infrastructure costs will be recouped either through this development's economic benefits or a future developer's repayment through a developer's agreement. The remaining incentives are performance based and therefore are dollars otherwise not realized.

The Keller Economic Development Board recommended approval.