



MEMORANDUM

Meeting Date: October 2, 2018

To: Mayor and City Council

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

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

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;
2. Must be expected to produce annual sales over \$4 million to receive up to 100% sales tax 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 grant: 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 proposed to be \$.041325 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 DURATION	PROPERTY TAX GRANT	AMOUNT OF IMPACT FEE GRANT* at 50%	AMOUNT OF DEVELOPMENT FEES GRANTED*
<ul style="list-style-type: none"> \$20 million Real Estate; \$3 million Personal Property 120 Employees; Average Salary \$65,000 Average 100 visitors/day Average in-patient stay - 14 days 	1 ST year	100% ~\$82,650	Sewer* NTE** \$40,346+ Water* NTE** \$43,031+ Roadway NTE** \$93,298+	Building Permit Fee* \$74,959+ Plan Review Fee* \$48,723 + PW Inspection Fee* \$5,000+
	2 nd year	80% ~\$66,120		-
	3 rd year	70% ~\$57,855		-
	4 th year	60% ~\$49,590		-
	5 th year	50% ~\$41,325		-
TOTAL		~\$297,540	NTE \$176,675*	~\$128,682*
*EXCLUDES FESS/PAYMENTS TO THIRD PARTY CONSULTANTS OR PASS THRU FEES;				
**Not To Exceed (NTE)				
†ESTIMATE ONLY BASED ON INFORMATION PROVIDED - ACTUAL AMOUNT MAY VARY ONCE PLANS ARE SUBMITTED AND APPROVED				

The Everest Request	In Compliance	City Policy
Decreasing Real Property Tax Grant	Yes	Discretionary
100% waiver of building/ development fees (excluding third party)	Yes	Discretionary
50% 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 for incentives totaling approximately **\$602,897**, 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 7% rate of return in the first year based on primary impact and actual estimated dollars coming to the city;
3. The overall economic impact is expected to be over \$10 million in the first year.
4. This is a very low risk investment, as the incentives are primarily performance based and therefore are dollars otherwise not realized.