

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Claire Powell, Assistant City Manager

DATE: August 16, 2021

SUBJECT: **Approval of an Economic Development Agreement Between the City of Lewisville and FR Lewisville Midway, LLC and Authorization for the City Manager to Execute the Agreement**

BACKGROUND

First Industrial (dba FR Lewisville Midway, LLC) is one of the largest owners and operators of industrial real estate across major markets in North America. Throughout those markets, they manage, lease, buy, develop, and sell regional distribution centers and other industrial facility types.

In 2018 and 2019, as part of their North Central Texas market growth strategy, First Industrial purchased just over 89 acres on the south side of Midway Road east of Holford's Prairie Road to build an industrial office park call First Park 121. Three large speculative buildings for office, warehousing, and distribution were incentivized by the City and construction was completed in 2019-20. The total property investment value for these buildings exceeded \$32 million.

First Industrial now intends to develop Phase 2 of First Park 121, which consists of the 29 acres just east of their Phase 1 development. Phase 2 includes construction of two new buildings – a 125,000 square foot building (Building C) and a 249,000 square foot building (Building D) for office, warehousing, and distribution. The minimum investment for Phase 2 is \$15.5 million.

ANALYSIS:

First Industrial has requested economic development incentives for this Phase 2 that matches the incentives previously provided for Phase 1. Based on input from City Council from the March 1, 2021 executive session, staff is proposing the following incentives for this project:

- 1) First Industrial must invest a minimum of \$15,500,000 for Phase 2 by December 31, 2023. This agreement provides a 50% grant equal to the value of the property taxes on the real property improvements paid to the City of Lewisville for 5 years.
 - a. Note: Assuming the taxable value equals the minimum investment required and our current property tax rate of 0.443301, the estimated value of this grant would be a minimum of \$34,356 per year. Over the five-year term, that would equate to a minimum of \$171,779, assuming values and rates remained constant.

- 2) For prospective tenants, economic development incentives (tenant grants) may be awarded to any tenant that occupies 90% or more of a single building on the real property improvements and invests a minimum of \$5,000,000 in business personal property value. Tenant grants are subject to separate City Council approval and would be considered in an amount equal to 50% of the value of business personal property taxes paid to the City up to 5 years of occupancy. Any tenant eligible to receive a tenant grant must contribute a minimum of \$5,000 per year during the term of the agreement to support community events.
 - a. Note: Assuming the business personal property value equals the minimum investment required, a tenant is occupying 90% or more of a single building, and our current tax rate of 0.443301, the estimated value of this grant would be a minimum of \$11,083 annually.

RECOMMENDATION:

It is City Staff's recommendation that the City Council approve and authorize the City Manager to execute the first amendment as set forth in the caption above.