

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Jason Moore, Economic Development Manager

DATE: August 6, 2018

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 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 bulk and regional distribution centers, light industrial, and other industrial facility types.

As part of their North Central Texas market growth strategy, First Industrial purchased just over 56 acres on the south side of Midway Road just east of the Coyote Drive-in Theatre and are looking to develop 28 acres as part of their phase-one plan.

As part of that plan, they intend to construct two large speculative buildings for office, warehousing and distribution uses on their light-industrial zoned property. As they complete the design of the two buildings, they will actively seek larger companies to lease the property.

The project will consist of a new 219,800 square foot building (Building A) and a new 125,200 square foot building (Building B), with a total minimum investment of \$13,000,000. The buildings and other real property improvements will be constructed by December 31, 2019.

ANALYSIS

As part of their proposed construction, First Industrial is seeking an economic development incentive for the project. Based on the City's Economic Incentive Policy, Section G(6)(a), speculative projects may be considered with a maximum incentive of 75% of real and personal property for a period of 5 years. Based on City Council direction from their March 19, 2018 executive session, staff is proposing the following incentives for this project as described below:

- 1) First Industrial must invest a minimum of \$13,000,000 for the entire development of Phase 1 by December 31, 2019. 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 0.436086, the estimated value of this grant would be a minimum of \$28,346 per year. Over the five-year term, that

would equate to a minimum of \$141,730, 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 0.436086, the estimated value of this grant would be a minimum of \$10,902 annually. The tenant, then, would also be required to contribute a minimum of \$5,000 per year to support community events, therefore the annual grant would be valued closer to a minimum of \$5,902.

The proposed agreement has been reviewed by the City Attorney and signed by First Industrial staff. It is attached for your review and consideration.

RECOMMENDATION

That the City Council approve the agreement and authorize the City Manager to execute the agreement.