STAFF REPORT

DATE: April 28, 2020

TO: Kent Cagle, City Manager

FROM: Tony D. McIlwain, AICP, CFM, Exec. Director of Planning and Development Services

SUBJECT: APPROVAL OF AN AGREEMENT FOR TAX ABATEMENT FOR FIRST NATIONAL BANK TEXAS, LOCATED IN THE I-14/ TRIMMIER ROAD REINVESTMENT ZONE

BACKGROUND AND FINDINGS:

On February 24, 2020, the Greater Killeen Chamber of Commerce forwarded the First National Bank Texas' (FNBT) tax abatement application to the City. FNBT is requesting consideration of a ten-year tax abatement incentive. The Planning and Development Services Department reviewed the application and determined that the application is complete in terms of the Guidelines and Criteria for Tax Abatement, as adopted by City Council via Resolution 20-027R, on March 24, 2020.

FNBT is proposing construction of a new 5-story, 47,653 square-feet, commercial office building that will be located at 2201 Trimmier Road, Killeen, Texas. The property is located within the proposed I-14/ Trimmier Road Reinvestment Zone. Employees from both the downtown Gray Street headquarters and the Trimmier Road branch will consolidate within the new facility. FNBT will house a total of 130 full time jobs within the new building with an average annual salary of $66,983. The full-service bank will be located on the first floor of the building, while floors two through five will house various executive level and professional support departments. The tax abatement packet contains renderings of the new, proposed building and site plan.

The total new investment for the commercial building ($12,273,012), furnishings, fixtures and equipment ($1,842,787), and architectural and engineering costs ($579,462) amounts to $14,695,261. As detailed in the table below, the adjusted new investment for the property is $11,452,641.

total new investment	**$14,695,261**
minus current appraised value at location	($1,399,833)
new incremental investment	**$13,295,428**
minus new FF&E	($1,842,787)
adjusted new investment	**$11,452,641**

The calculation of the new incremental tax revenues on which the rate of return calculation is based is as follows:

City of Killeen: **$13,295,428**/$100 x $0.07498= $99,689.12/year x 10 years= **$996,891.19**

The calculation of incentives (abated taxes) is as follows:

City of Killeen: **$11,452,641**/$100 x $0.7498= $85,871.90/year x 10 years= **$858,719.02**

<u>THE ALTERNATIVES CONSIDERED:</u>

The City Council has three (3) alternatives. The City Council may:

- Disapprove the Tax Abatement agreement;
- Amend the Tax Abatement agreement and approve it; or
- Approve the Tax Abatement agreement.

Which alternative is recommended?

Staff recommends that the City Council approve the Tax Abatement agreement as submitted.

Why? Approval of the Tax Abatement agreement accomplishes the goal of attracting substantial investment within the proposed I-14/ Trimmier Road Reinvestment Zone.

<u>CONFORMITY TO CITY POLICY:</u>

The Tax Abatement agreement conforms to city policy.

<u>FINANCIAL IMPACT:</u>

What is the amount of the expenditure in the current fiscal year? For future years?

There are no expenditures related to the Tax Abatement agreement in the current fiscal year. However, the City will abate an estimated $85,871.90 in annual property taxes for a period of ten years.

Is this a one-time or recurring expenditure?

The tax abatement is recurring over a period of ten years.

Is this expenditure budgeted?

This is not applicable.

If not, where will the money come from?

This is not applicable.

Is there a sufficient amount in the budgeted line-item for this expenditure?

This is not applicable.

RECOMMENDATION:

Staff recommends that the City Council approve the Tax Abatement agreement for FNBT as submitted.

DEPARTMENTAL CLEARANCES:

This item has been reviewed by the Legal and Finance Departments

ATTACHED SUPPORTING DOCUMENTS:

Tax Abatement Agreement
Exhibit A