

October 15, 2022

Via Email Only

Ms. Kelly Violette
Tomball Economic Development Corporation
P.O. Box 820
Tomball, TX 77377-0820

RE: Costco Wholesale Corporation request for Development Assistance, Tomball, TX

Dear Ms. Violette:

As you are aware, Costco Wholesale Corporation, a Washington Corporation, is considering the construction of a new retail facility generally at the NEC of Holderreith and Hwy. 249. Given very detailed demographic research, corresponding sales projections and the cost of the undertaking, the company's hurdle rate will not be achieved in the absence of municipal participation/assistance in the amount of \$6M. Accordingly, we have completed the Grant Assistance Application with your department (to the best of our abilities) that hopefully, combined with the below, allows you to complete your impact analysis. We are hereby supplying the following additional information:

1. **Intent.** We have placed land under contract and intend to build a prototypical Costco w/ a fueling facility.
2. **Transaction Details.** A Letter of Intent was executed 12/01/2021. The Purchase Agreement effective date is 2/21/2022 with approvals waiver 12/14/2022.
3. **Due Diligence & Feasibility Results.** Due diligence physical studies have been completed on site. Historical data indicate that the Site consisted of agricultural land dating back to the mid-1940s with oil and gas activity on surrounding properties. Oil and gas production was developed on the site during the 1960s when an oil well was drilled on the western portion of the site. A total of four (4) natural gas pipelines span the property and appear to have been installed between 1970 & 1990. Three (3) natural gas pipelines traversing east to west along the south-central portion of the property are owned by Tandem Energy Corporation and one (1) natural gas pipeline spanning north and south along the west edge of the Site is owned by Pelican Reserve Pipeline Company. A 30-foot easement associated with two (2) Tandem Energy Corporation pipelines is depicted on the Terra Surveying Co. survey. The Developer is currently working with the pipeline company to

relocate the existing pipelines crossing west to east. They are also working on vacation of the north to south pipeline which is not in use or connected to other pipelines. Based on a review of the Texas Railroad Commission (RRC) Public GIS Map Viewer, the Site once contained an oil well on the west-central portion of the property owned by Exxon Corp. and a dry gas well in the south-central portion of the property. The Site had been primarily wooded from the late 1980s until 2006 when it was cleared for potential future development. Based upon historical aerial photography (1944 – 2020), the proposed site is undeveloped and was once densely covered with trees. The site was cleared in 2006 and it appears grading activity was performed that year; however, no further development took place, and the property has since reverted to grass and tree cover. The site is currently within the regulatory FEMA floodplain. In conjunction with excavation for a regional stormwater facility nearby the Developer used the excavated material to raise portions of the site above the 100-year flood elevation. Portions of the site are still up to twelve inches below the 100-year flood elevation. The excavated soil material from the required onsite stormwater management basin is anticipated to generate enough soil to raise the site above the flood elevations, including the required safety factor. Loosely placed soils up to ten feet in depth were identified within the building pad area. To provide the required bearing capacity the geotechnical engineer is recommending removal of the material and replacing it using proper compaction methods.

4. **Entitlements & Land Use.** Costco is purchasing a +/-26 acre parcel located at the NE corner of Holderrieth Road and 249 Frontage Road/Tomball Parkway. The parcel is currently zoned PD-8 for a mixed-use residential/retail development. The 2021 Future Land Use Map shows the parcel as “Commercial Corridor”. The parcel would need to be re-zoned to C-Commercial District zoning which allows all Costco’s uses. The PSA prohibits any zoning changes taking effect prior to Costco closing on the property. We anticipate zoning approval being ready in time for an anticipated closing date in December. Discussions have been had with the City staff, and they stated they would support re-zoning back to C-Commercial District. A Concept Site Plan was submitted to the planning staff and preliminary comments received that were minor. Currently it is anticipated that, except for minor deviations that can be approved by staff, Costco will not require any major approvals for variances or deviations from code. An Outlot of approximately 1.9 acres is being planned with the project. The property is planned to be re-platted later.
5. **Access.** Access to the property is proposed via one full access driveway and one right-in-right-out driveway onto Holderrieth Road, and a single right-in-right-out driveway onto Tomball Parkway. Holderrieth Road is currently a two-lane road across the Costco property. The County is currently in the final stages of planning to widen Holderrieth Road to a four-lane road with a wide median. Construction is anticipated to start late 2022 and be complete in Spring 2024. We are working with the County to have them construct the median break and turn lane for the full access to the Costco site. The County has also indicated they are open to a signal if the traffic warrants it. A Traffic Impact Study is currently under way.
6. **Plans, Permits & Bids.** Proposed schedule for consideration is as follows: Trigger CD’s 6/6/2022; Submit for Permits 8/1/2022; Anticipate permits 10/15/2022. Pricing Exercise

Out 8/16/2022, Pricing Exercise Due 9/8/2022. Opening date subject to County completion of Holderrieth Road widening and Costco Operator input.

7. Site & Building Construction.

- a. Off-site:
 - i. Holderrieth Road improvements by County.
 - ii. Costco responsible for additional costs associated with turn lane and median opening. Costco responsible for traffic signal costs if signal is approved.
- b. Onsite:
 - i. Developer is responsible for relocation of two pipelines currently running across the middle of the property and relocating them to the perimeter property lines.
 - ii. Costco is responsible to Clear/grub, grading, 2 detention ponds, retaining walls, wet/dry utilities from proposed adjacent ROW, concrete pavement, curb/gutter, site lighting, landscape/irrigation communication conduit, cart corrals and 2 Generators with 10K gal underground diesel tank.

8. **Building/Fuel.** 161,119 SF master warehouse (151K prototype); rib metal with concrete columns at open canopy, 25.88 acres overall (Warehouse 20.98 acres, Detention 3.00 acres and Outlot 1.90 acres), 861 stalls (10' wide), 4x3-fuel facility with 12 active fueling pumps (24 fueling positions) with future expansion to 4x4 with 16 active fueling pumps (32 fueling positions), includes rib metal fascia and metal columns, steel faced smooth insulated panel controller enclosure without restroom, (2) 40K gal regular and (1) 40K premium tanks. No diesel.

9. **Sales Projections.** Costco projects the following conservative "top line" sales projections:

a. Year 1	\$196M
b. Year 2	\$225M
c. Year 3	\$256M
d. Year 4	\$276M
e. Year 5	\$297M
f. Year 6	\$300M+

10. Taxable Sales.

- a. Texas Costco statewide taxable sales percentage average for the last three fiscal years:
 - i. FY2022: 42.32%
 - ii. FY2021: 44.16%
 - iii. FY2020: 42.7%
- b. Significant contributors to the exempt sales component are several, including:
 - i. Food
 - ii. Gas
 - iii. Pharmacy
 - iv. Membership
 - v. Resale sales

- c. Costco has **not** done a review of the applicability of current regulations to the above and therefore can make no minimum representations on sales or tax receipts.

11. Employment.

- a. Attached please find the Costco Wholesale Warehouse Statistics and Compensation Study which outlines current benefits and average pay. You will find Costco among the highest retail wage payers in the world. The employees are generally split 50/50 between full time and part time and the number of employees varies dependent on store volume and other factors.
- b. Costco will strive to employ a minimum of 125 employees upon opening.

12. Construction & Project Costs

- a. We anticipate the total project costs will be more than \$20M.

In close, Costco is very excited about the possibility of expanding into the City of Tomball. Kindly let me know if there is any other information or materials that you require. Thank you.

Very truly yours,

INTREPID PROPERTIES, INC.



Michael S. Stratis
Vice President & Counsel
Agent for Costco Wholesale Corporation

cc: Bruce Coffey
Steve Cross

Costco Wholesale Warehouse Statistics and Compensation Summary

Total U.S. Headcount= 185,800, Worldwide headcount = 292,300
Total Union: WC Ee's = 11,920 (38 loc's.), EC Ee's = 4,263 (16 loc's.)

Warehouse Statistics (U.S. Stats)

Average Employee Count = 275	Hourly FT / PT Ratio = 57.4% / 42.6%
Turnover after 1 year of service = 9.2%	Average Years of Service = 10
Applications per year/per whse. = 4,420	Average Employee Age = 40

Wages

Cashier Starting Rate = \$18.50, Top Rate = \$27.95 Avg., Average Hourly Rate = \$22.84 (on-scale)
10 Year Service Clerk makes \$64,000 with bonus
Bonus amounts \$5000 – 8000 depending on years of service
Sunday Differential = 1.5x

Benefits

Enrollment:	<u>Eligible</u>	<u>Enrolled</u>	Salaried Eligibility: 1 st day of mo. after date of hire
Fytd '22	87%	97%	FT/Hrly Eligibility*: 1 st day of 2 nd mo after 250 pd. hrs.
			PT/Hrly Eligibility*: 1 st day of 2 nd mo after 450 pd. hrs.

Benefits Offered:	<u>Employee</u>	<u>Dependents</u>	Employee Medical/Dental Contributions**:
Medical	X	X	92%/8% Costco / Employee Cost Share
Dental	X	X	Avg. Monthly Medical / Dental Deduction:
Pharmacy	X	X	Single: \$50, Family***: \$167
Vision	X	X	Company Sponsored Sup Life & AD&D Ins.
Life Insurance	X	X	Flex Spending Accounts for Health & Dependent Care
AD&D Insurance	X	X	401(k) Company Match and Annual Contribution
Short Term Disability	X		11 Holidays per year (4 floating)
Long Term Disability	X		Up to 5 weeks vacation
Employee Assistance Program	X	X	College Student Retention Program
			Employee Stock Purchase Program
			Free Costco Membership with 2% Reward
			Paid Bonding M/F, Hourly/Salary

*Except Hawaii employees

**Except Hawaii and Puerto Rico Employees

***Employee, Spouse, 1 child

Updated April 2022