

Memorandum

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CITY OF DALLAS

DATE January 30, 2015

TO Members of the Economic Development Committee:
Rick Callahan (Vice-Chair), Jerry R. Allen, Scott Griggs, Adam Medrano, Lee Kleinman

SUBJECT **Economic Development Committee**
Monday, February 2, 2015, 9:00 – 10:30 a.m.
1500 Marilla Street, City Hall, Room 6ES, Dallas, Texas 75201

AGENDA

1. Approval of January 2, 2015 Minutes of the Economic Development Committee
2. Love Field Hotel Project
Maple/Mockingbird TIF District
Karl Zavitkovsky, Director
Office of Economic Development
(Estimated time 20 minutes)
3. Upcoming agenda items:
 - United Parcel Service – Texas Enterprise Zone Nomination
 - Pauls Mountain Creek Project
 - Rest Break Ordinance Update
 - Upcoming Agenda Item #A-2: DTG Rental Car Lease at Dallas Love Field – February 11, 2015

Tennell Atkins, Chair
Economic Development Committee

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Ryan Evans, First Assistant City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Note: A quorum of the Dallas City Council may attend this Council Committee meeting.

A closed session may be held if the discussion on any of the above agenda items concerns one of the following:

1. Contemplated or pending litigation, or matters where legal advice is requested to the City Attorney. Section 551.071 of the Texas Open Meetings Act.
2. The purchase, exchange, lease or value of real property, if the deliberation in an Open Meeting would have a detrimental affect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
3. A contract for a prospective gift or donation to the City, if deliberation in an Open Meeting would have a detrimental affect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
4. Personnel matters involving appointments, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
5. The deployment or specific occasions for implementation of security personnel or device. Section 551.076 of the Texas Open Meetings Act.
6. Deliberations regarding Economic Development negotiations. Section 551.087 of the Texas Open Meeting Act.

Economic Development Committee **DRAFT**

Meeting Record January 20, 2015

The Economic Development Committee meetings are recorded. Agenda materials and audiotapes may be reviewed/copied by contacting the Office of Economic Development, Staff Coordinator at 214-670-1686.

Meeting Date: January 20, 2015 **Meeting Start time:** 9:04 AM

Committee Members Present:

Tennell Atkins
Rick Callahan
Jerry R. Allen
Adam Medrano
Lee Kleinman

Other Council Members Present:

Jennifer S. Gates

Staff Present:

Ryan Evans, First Assistant City Manager,
City Manager Office
Karl Zavitkovsky, Director, Office of Economic
Development
J. Hammond Perot, Assistant Director, Office
of Economic Development
Frank Camp, Director, Office of Environmental
Quality
Kevin Lefebvre, Senior Environmental
Coordinator, Office of Environmental Quality
Mark Duebner, Director, Aviation

Other Presenters:

1. Approval of January 20, 2015 Minutes of the Economic Development Committee

Presenter(s):

Action Taken/Committee Recommendation(s): Motion made to approve the minutes

Motion made by: Mr. Allen

Motion seconded by: Mr. Callahan

Item passed unanimously: X

Item passed on a divided vote:

Item failed unanimously:

Item failed on a divided vote:

Follow-up (if necessary):

2. Upcoming Agenda Items

Presenter(s): J. Hammond Perot, Assistant Director, Office of Economic
Development

- Project Cypress Health Economic Development Grant
- Chapter 56"Dallas Electrical Code" and Chapter 52"Administrative Procedures for the Construction Codes" Building Codes Amendments
- Posting Notification Signs Development Code Amendment

Action Taken/Committee Recommendation(s): Motion made to recommend item to full council for approval

Motion made by: Mr. Allen

Motion seconded by: Mr. Kleinman

Item passed unanimously: X

Item passed on a divided vote:

Item failed unanimously:

Item failed on a divided vote:

Follow-up (if necessary):

3. Update of Economic Opportunities of Sustainable Food Systems

Presenter(s): Frank Camp, Director, Office of Environmental Quality

Action Taken/Committee Recommendation(s): No Action Taken

Motion made by:

Item passed unanimously: _____

Item failed unanimously: _____

Follow-up (if necessary):

Motion seconded by:

Item passed on a divided vote: _____

Item failed on a divided vote: _____

Meeting Adjourned: 10:11 AM

Approved By: _____

Memorandum



DATE January 30, 2015

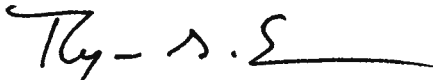
TO Members of the Economic Development Committee:
Tennell Atkins (Chair), Rick Callahan (Vice Chair) Scott Griggs, Adam Medrano,
Jerry R. Allen, Lee Kleinman

SUBJECT **Love Field Hotel Project - Maple/Mockingbird TIF District**

On Monday, February 2, 2015 the Economic Development Committee will be briefed on the Maple/Mockingbird TIF District – Love Field Hotel Project.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.



Ryan S. Evans
First Assistant City Manager

c: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
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Dallas, the City that Works: Diverse, Vibrant, and Progressive.

Love Field Hotel Project

Maple/Mockingbird TIF District

Economic Development Committee
February 2, 2015



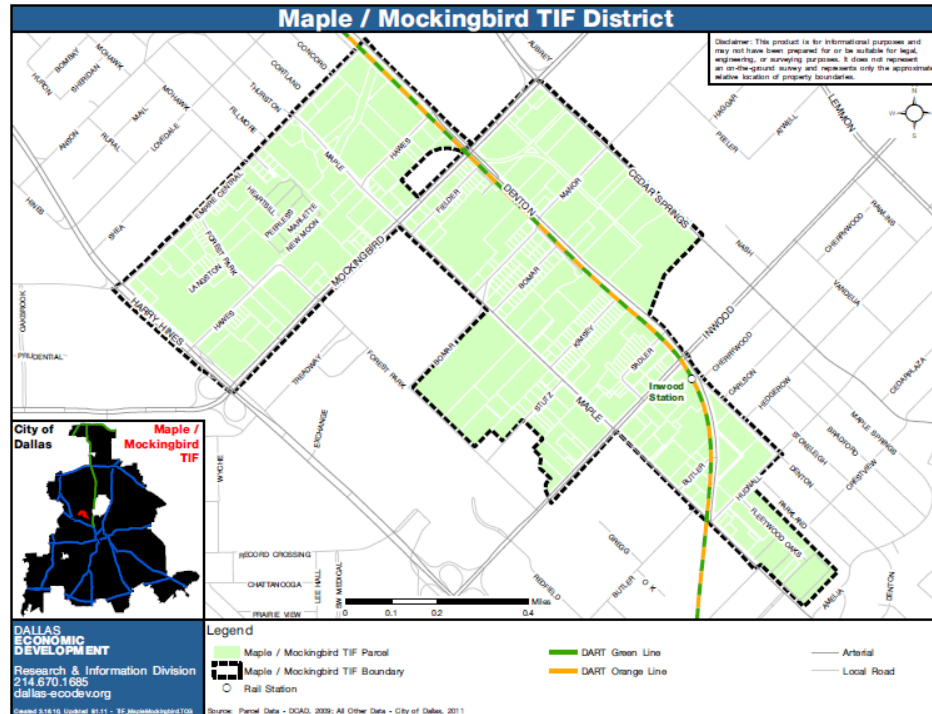
Purpose

- Provide background information on the Maple/Mockingbird TIF District
- Review the Love Field Hotel Project
- Obtain the Economic Development Committee's approval for consideration of the Love Field Hotel project by City Council on February 11, 2015

Maple/Mockingbird TIF District

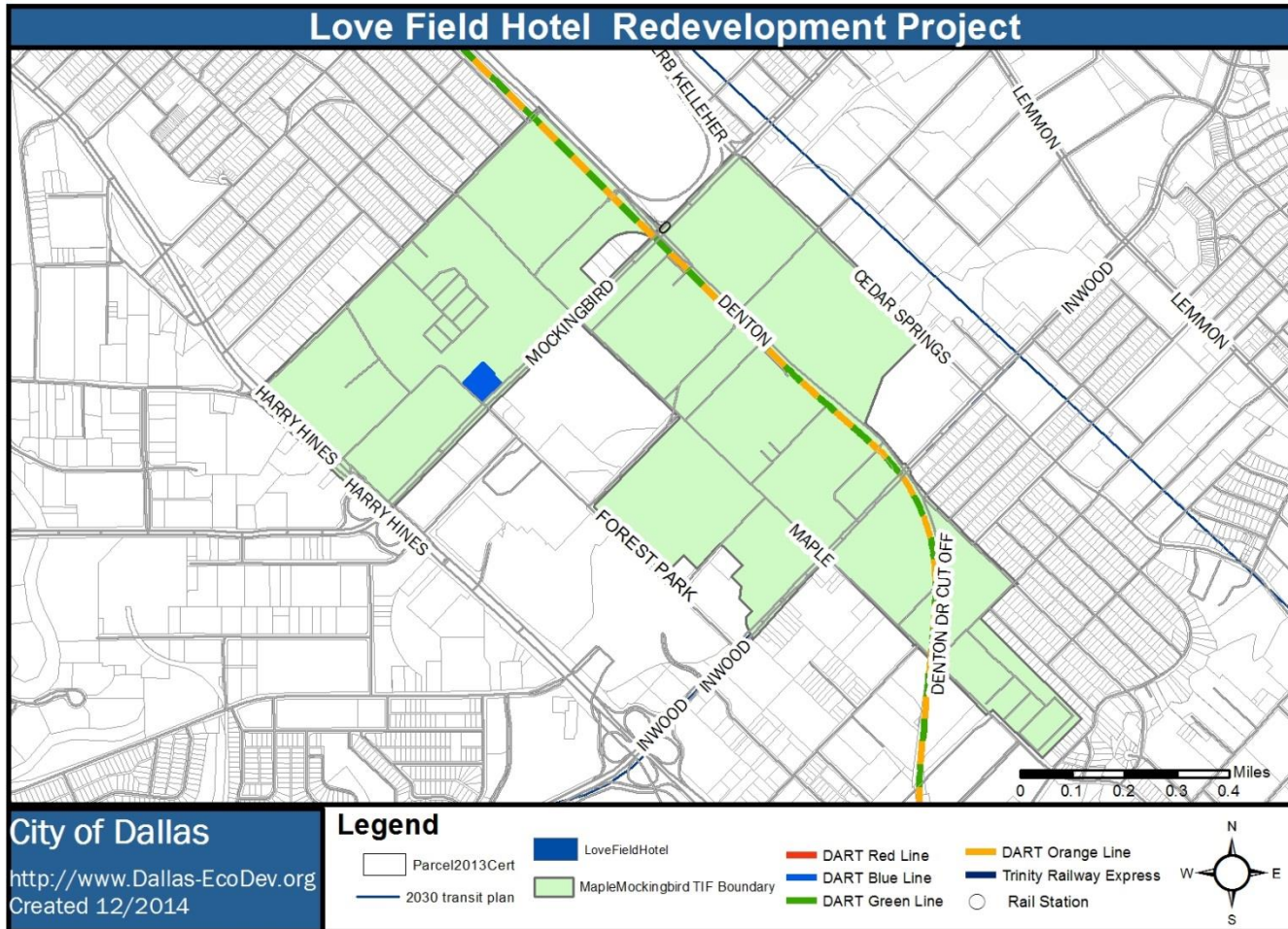
Background

- Created in December 2008
- Project Plan and Reinvestment Zone Financing Plan approved September 2009
- Expires on December 31, 2033, or when \$58.4 million in TIF increment has been collected (NPV of \$27.9 million)
- The district was created to take full advantage of the expanding DART light rail system and area resources such as Love Field Airport and the Southwestern Medical District



Love Field Hotel Project

Location Map



Love Field Hotel Project

Description

- Starwood Hotels dual-branded hotel
- Aloft/Element
- 224-room, upscale hotel
- Located at 2345 West Mockingbird Lane (northeast corner of Maple Avenue and Forest Park Road)
- Eight Stories with 29,000 square feet of common area (including retail and ready to serve dining)



Love Field Hotel Project

Description (continued)

- The Maple/Mockingbird TIF District was created to improve urban form around Love Field
- This project is the catalyst for this effort
- Site improvements include: new utilities, upgrade of existing utilities, and storm water upgrade
- Currently zoning requires a setback for the hotel building based on its proposed height
 - The Urban Design Peer Review Panel (UDPRP) requested developer request a zoning change to move the building closer to Mockingbird Lane
- Based on the approval of the zoning change, the project will get either a total of \$3,000,000 (Option 1 without the zoning change) or \$5,000,000 (Option 2 with the approved zoning ordinance)

Love Field Hotel Project

Description (continued)

- With the zoning change, the total costs of the project will increase to reflect changes to the project. These changes include:
 - Screening surrounding the building due to proximity to Mockingbird
 - Relocation of an existing billboard, located next to Mockingbird (Property of Clear Channel)
 - Redesign of architectural plans
 - Utilities replacement
- Estimated cost:
 - \$40.8 million (Option 1 without the zoning change)
 - \$42.9 million (Option 2 with the zoning change)

Love Field Hotel Project Elevation – Front View



Love Field Hotel Project Elevation – West Side View



Love Field Hotel Project Elevation – East Side View



Love Field Hotel Project - Interiors

ALOFT



WXYZ bar



Remix



Refuel



Lounge

ELEMENT



Meeting



Lounge



Reception



Dining

Love Field Hotel Project

Strategic Importance

- Sets urban design standards to the future development in the Mockingbird Lane corridor
- Activates a key redevelopment location in the Maple/Mockingbird District
- Provides needed hotel space to serve the Love Field Airport and Medical District audiences
- Adds higher quality meeting social gathering space to the district

Love Field Hotel Project

Funding Sources and Uses

Project Sources of Funding and Uses - Option 1

Sources	Amount	%	Uses
Senior Loan	\$22,180,000	54.36%	Construction
EB-5 Mezzanine Loan	\$12,500,000	30.64%	Acquisition and Construction
Equity	\$8,270,000	20.27%	Construction
\$42,950,000			

Project Sources of Funding and Uses - Option 2

Sources	Amount	%	Uses
Senior Loan	\$22,180,000	54.36%	Construction
EB-5 Mezzanine Loan	\$12,500,000	30.64%	Acquisition and Construction
Equity	\$6,120,000	15.00%	Construction
\$40,800,000			

Love Field Hotel Project

Proposed TIF Funding

- The proposed TIF funds will reimburse the costs of infrastructure and utility improvements. The TIF grant is critical to make the project financially viable
- The final TIF amount is contingent on the approval of a zoning change to the Planned Development District's Height Setback restriction

Description	With Zoning Chg.	As Recommended
<i>Infrastructure/Utility Improvements</i> (Including paving, site, streetscape and utility improvements, and expanding and enhancing pedestrian and vehicle continuity in the corridor)	\$ 1,650,000	\$ 1,650,000
<i>Economic Development TIF Grant</i> (Grant for Increased Density Project)	\$ 3,350,000	\$ 1,350,000
Total TIF Funding Proposed	\$ 5,000,000	\$ 3,000,000

Love Field Hotel Project

TIF Board Recommendation

- On December 8, 2014, the Maple/Mockingbird TIF District Board of Directors reviewed and approved TIF funding for the Love Field Hotel project in an amount not to exceed \$5,000,000, of which \$3,350,000 is in the form of an Economic Development TIF Grant

Love Field Hotel Project

Recommendations/Next Steps

- Request Economic Development Committee Approval for consideration by City Council at its February 11, 2015 meeting of a Development Agreement with M&M Hotel Venture, LLC for a TIF Reimbursement not to exceed \$5,000,000, of which \$3,350,000 is in the form of an Economic Development TIF Grant

APPENDICES

Appendix A: Love Field Hotel Project

Zoning Status

- The Development Team will close on the property in March. They are purchasing the property from Mockingbird Venture Partners.
- Next, the Development Team will submit their zoning case to request a change to the height requirement for the Planned Development District.
- Based on discussions with Planning staff, the Zoning change request will be presented to the Board of Adjustment in late Spring.
- Depending on the BOA's decision, the zoning case will be submitted for approval to the Plan Commission and then City Council by late summer.

Appendix B: Project Requirements/Other Information

Love Field Hotel Project Facts		
	Option 1	Option 2
Minimum Retail Space	30,000 SF	30,000 SF
Minimum Hotel Space	116,000 SF	116,000 SF
Parking Spaces	285	285
Required Private Investment - (site acquisition, construction hard and soft costs)	Min. \$35,000,00	Min. \$35,000,000
Expected Total Project Cost	\$42,800,000	\$40,800,000
TIF Funding	\$5,000,000	\$3,000,000
% TIF funds to total project cost	12%	7%
Return on Cost without TIF	7.7%	7.7%
Return on Cost with TIF	8.7%	8.3%
Deadline to Obtain Building Permit	December 31, 2015	December 31, 2015
Deadline to Obtain Final CO	December 31, 2017	December 31, 2017

Appendix C: Highlights of TIF Funding Conditions

- Minimum private investment of at least \$35,000,000 for the project for land acquisition, hard, and construction related soft costs.
- Construction shall include the following associated with the “Project”:
 - A minimum of 116,000 of hotel space (approximately 220 guest rooms)
 - And 29,000 square feet of back of house/common space.
- Start construction and/or demolition for the project December 1, 2015.
- Obtain a Certificate of Occupancy (CO) for the Project by December 31, 2017. Construction shall be in general conformance with site plans approved by the Urban Design Peer Review Panel, Maple-Mockingbird TIF Board of Directors and Dallas City Council.
- Submit quarterly status report for ongoing work on the project.
- Project shall comply with the Business Inclusion and Development goal of 25% MWBE participation for TIF reimbursable improvements; 25% Good Faith Effort for private construction.
- Project deadline can be extended up to 6 months, subject to the Office of Economic Development Director’s and Maple/Mockingbird TIF District Board of Directors’ approval.

Appendix C: Highlights of TIF Funding Conditions *(continued)*

- On October 24, 2014, the design for the project was reviewed by the Urban Design Peer Review Panel (the "UDPRP"), an independent group of design, engineering, and/or planning professionals selected by the Dallas City Manager and required for all Maple-Mockingbird TIF District projects.
- Recommendations by the UDPRP related to the Project are:
 - Increase the density and urbanity of the Medical District and Dallas Love Field areas as part the proposed plan, especially as it compares to the current urban environment, or lack thereof for.
 - Consider designing the landscape, streetscape, and parking along Forest Park Boulevard and other related vehicular drives in the character of more urban streets.
 - Encourage the appropriate City departments to minimize the parking requirements to reflect the needs of the hotel operator or brand which are less stringent than current city regulations.
 - Consider alternative orientation to the drive and drop off that fronts on Mockingbird Lane to allow for a more pedestrian environment, avoiding a “street next to a street” public realm condition and improving vehicular flow at the front of the hotel.
 - Consider as alternatives the “two front door” setups as observed at the Dallas Melrose or Stoneleigh Hotels.

Appendix D: Love Field Hotel

Project Proforma

Love Field Hotel Pro Forma Maple - Mockingbird TIF District																																																																																					
PROJECT DESCRIPTION:		Love Field Hotel																																																																																			
PROJECT TYPE:		Restaurant/Hospitality																																																																																			
CONSTRUCTION START DATE:		December 31, 2015																																																																																			
PROJECT SCHEDULE:		December 31, 2017																																																																																			
Use Breakdown		SF		Total Leasable SF																																																																																	
Hotel		116,000			145,000																																																																																
Common Areas/Back of Office		29,000																																																																																			
Total Building Square Footage		145,000			145,000																																																																																
Project Costs		Option 1	Option 2	Option 1	Option 2																																																																																
Hard Cost		\$30,925,000	\$29,275,000																																																																																		
Soft Cost		\$3,600,000	\$3,100,000																																																																																		
Interest/Carry Costs		\$2,404,000	\$2,404,000																																																																																		
Land Costs/Acquisition		\$6,021,000	\$6,021,000																																																																																		
Total Project Cost (without City \$)		\$42,950,000	\$40,800,000																																																																																		
Total Project Cost		\$42,950,000	\$40,800,000																																																																																		
TIF Assistance		\$5,000,000	\$3,000,000																																																																																		
Net Cost to Developer (after TIF reimbursement)		\$37,950,000	\$37,800,000																																																																																		
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<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: center;">Option 1</th> <th style="text-align: center;">Option 2</th> </tr> </thead> <tbody> <tr> <td colspan="2">Income*</td> <td></td> <td></td> </tr> <tr> <td colspan="2">Income (Annual)</td> <td></td> <td></td> </tr> <tr> <td>Gross Rent</td> <td style="text-align: right;">\$11,093,197</td> <td style="text-align: right;">\$11,093,197</td> <td style="text-align: right;">\$11,093,197</td> </tr> <tr> <td>Vacancy</td> <td style="text-align: right;">(\$2,993,372)</td> <td style="text-align: right;">(\$2,993,372)</td> <td style="text-align: right;">(\$2,993,372)</td> </tr> <tr> <td>Concessions</td> <td style="text-align: right;">\$597,000</td> <td style="text-align: right;">\$597,000</td> <td style="text-align: right;">\$597,000</td> </tr> <tr> <td>Other (Includes Market</td> <td style="text-align: right;">\$349,000</td> <td style="text-align: right;">\$349,000</td> <td style="text-align: right;">\$149,000</td> </tr> <tr> <td>Effective Gross Revenue</td> <td style="text-align: right;">\$9,245,825</td> <td style="text-align: right;">\$9,245,825</td> <td style="text-align: right;">\$8,845,825</td> </tr> <tr> <td></td> <td style="text-align: right;">\$0</td> <td></td> <td></td> </tr> <tr> <td colspan="2">Expenses*</td> <td></td> <td></td> </tr> <tr> <td>Rooms</td> <td style="text-align: right;">\$1,620,000</td> <td style="text-align: right;">\$1,620,000</td> <td style="text-align: right;">\$1,620,000</td> </tr> <tr> <td>Food and Beverage</td> <td style="text-align: right;">\$418,000</td> <td style="text-align: right;">\$418,000</td> <td style="text-align: right;">\$418,000</td> </tr> <tr> <td>Other (Includes Market)</td> <td style="text-align: right;">\$22,000</td> <td style="text-align: right;">\$22,000</td> <td style="text-align: right;">\$22,000</td> </tr> <tr> <td>Total Expenses</td> <td style="text-align: right;">\$2,060,000</td> <td style="text-align: right;">\$2,060,000</td> <td style="text-align: right;">\$2,060,000</td> </tr> <tr> <td>Undistributed</td> <td style="text-align: right;">\$2,483,000</td> <td style="text-align: right;">\$2,483,000</td> <td style="text-align: right;">\$2,483,000</td> </tr> <tr> <td>Gross Operating Profit</td> <td style="text-align: right;">\$4,502,825</td> <td style="text-align: right;">\$4,502,825</td> <td style="text-align: right;">\$4,302,825</td> </tr> <tr> <td>Fixed Charges</td> <td style="text-align: right;">\$636,000</td> <td style="text-align: right;">\$636,000</td> <td style="text-align: right;">\$636,000</td> </tr> <tr> <td>Fees</td> <td style="text-align: right;">\$353,000</td> <td style="text-align: right;">\$353,000</td> <td style="text-align: right;">\$353,000</td> </tr> <tr> <td>Replacement Reserve</td> <td style="text-align: right;">\$227,000</td> <td style="text-align: right;">\$227,000</td> <td style="text-align: right;">\$177,000</td> </tr> <tr> <td>NOI</td> <td style="text-align: right;">\$3,286,825</td> <td style="text-align: right;">\$3,286,825</td> <td style="text-align: right;">\$3,136,825</td> </tr> </tbody> </table>								Option 1	Option 2	Income*				Income (Annual)				Gross Rent	\$11,093,197	\$11,093,197	\$11,093,197	Vacancy	(\$2,993,372)	(\$2,993,372)	(\$2,993,372)	Concessions	\$597,000	\$597,000	\$597,000	Other (Includes Market	\$349,000	\$349,000	\$149,000	Effective Gross Revenue	\$9,245,825	\$9,245,825	\$8,845,825		\$0			Expenses*				Rooms	\$1,620,000	\$1,620,000	\$1,620,000	Food and Beverage	\$418,000	\$418,000	\$418,000	Other (Includes Market)	\$22,000	\$22,000	\$22,000	Total Expenses	\$2,060,000	\$2,060,000	\$2,060,000	Undistributed	\$2,483,000	\$2,483,000	\$2,483,000	Gross Operating Profit	\$4,502,825	\$4,502,825	\$4,302,825	Fixed Charges	\$636,000	\$636,000	\$636,000	Fees	\$353,000	\$353,000	\$353,000	Replacement Reserve	\$227,000	\$227,000	\$177,000	NOI	\$3,286,825	\$3,286,825	\$3,136,825
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*Using Year 1 Numbers for stabilization

Appendix E: Maple/Mockingbird TIF District

Budget Status

Budget values may fluctuate as a result of district property value changes as provided by DCAD, completion of projects within the district, changes in tax rates for taxing jurisdictions, etc.

Maple/Mockingbird TIF District			
Projected Increment Revenue of Retire TIF Fund Obligations			
Category	TIF Budget¹	Allocated	Balance
Infrastructure/Utility Improvements - design and engineering; street paving construction and resurfacing; utility improvement, relocation and burial; streetscape; open space	\$33,228,244	\$945,000	\$32,283,244
Environmental Remediation and Demolition	\$4,731,870	\$315,000	\$4,416,870
Affordable Housing	\$8,937,977	\$4,400,000	\$4,537,977
Retail/High Density Grant Program	\$8,527,882	\$2,340,000	\$6,187,882
Administration and Implementation²	\$2,997,636	\$126,527	\$2,871,109
Total Project Costs	\$58,423,609	\$8,126,527	\$50,297,082
<p>¹Budget shown in total dollars. TIF Project Plan shows the budget in Net Present Value.</p> <p>² TIF administration fee include funds expended of committed through FY 2014</p>			

Appendix F: Love Field Hotel Project

Development Team

- M&M Hotel Venture, LLC is a special purpose joint venture entity of Civitas Alternative Investments and Atlantic Hotels Group.
- **Civitas Alternative Investments (CAI)**, a Civitas Capital Group Company, is a real estate development and investment company.
- The CAI team has worked on hotel development and renovation projects totaling over \$400 million, as well as the evaluation and acquisition of several individual hotel and portfolio transactions, of which over \$250 million have closed (*Caroline and David Perel*).
- **Atlantic Hotels Group (Atlantic)** is a hotel developer, owner, and operator (*Salim Molubhuy and Perry Molubhuy*).
- Founded in 2000, Atlantic has nearly 15 years of hospitality development experience and has developed over \$75 million worth of hotels in the DFW Metroplex. Atlantic currently owns and operates five hotels and is currently operating franchise licenses with Intercontinental Hotels Group (IHG) and Marriott, internationally two of the most recognizable and respected hotel brands.

Appendix F: Love Field Hotel Project

Development Team (Continued)

- **Caroline Lerner Perel**, Managing Director of CAI, is responsible for management of the firm's hotel and real estate development group. Ms. Lerner has spent her 18-year career in the hospitality industry serving in senior positions with Gatehouse Capital (largest developer of W hotels), Phillips Hotel Group, TravelClick, and Fairmont Hotels.
- **David Perel**, Managing Director of CAI, is responsible for direction of investment analysis for Civitas' hotel and real estate development group. Mr. Perel has a 20-year background in capital markets and hotel investments, holding senior positions with Gatehouse Capital, and in the Investment Banking groups of ABN Amro, ING Barings, Furman Selz, and Bear Stearns.
- **Perry Molubhoy**, CEO of Atlantic Hotels Group, is a co-founder and is responsible for the general management and strategic direction of Atlantic Hotels Group. Mr. Molubhoy has nearly 15 years of experience in hotel operations and development. Prior to founding Atlantic Hotels Group, Mr. Molubhoy founded two other very successful businesses – Atlantic Oil and Gas, the largest distributor of Fina Oil in the DFW Metroplex., and Atlantic Video, the largest Asian Indian video distributor in the US and Canada.
- **Salim Molubhoy**, CCO of Atlantic Hotels Group, is a co-founder and is responsible for the strategic planning and growth strategies for Atlantic Hotels Group. Over the past 15 years with Atlantic Hotels, Mr. Molubhoy has developed a deep knowledge of hotel construction and design. Prior to founding Atlantic Hotels Group, Mr. Molubhoy was involved in several other businesses, including Atlantic Oil and Gas, Atlantic Video. Mr. Molubhoy is also the master franchisee of Papa John's Pizza in Pakistan.

Questions?



Memorandum



DATE January 30, 2015

TO Members of the Economic Development Committee:
Tennell Atkins (Chair), Rick Callahan (Vice Chair), Adam Medrano, Scott Griggs,
Lee Kleinman, Jerry R. Allen

SUBJECT **United Parcel Service – Texas Enterprise Zone Nomination**

BACKGROUND

The City Council is asked to authorize a public hearing to take place on February 25, 2015, for the purpose of receiving citizen comments on the city's participation in the Texas Enterprise Zone Program as required by the Texas Enterprise Zone Act, Chapter 2303 Texas Government Code. Upon completing the public hearing, Council will then be asked to approve an ordinance to authorize City of Dallas' participation in the Texas Enterprise Zone Program. The recent adoption of new guidelines and criteria for the Public/Private Partnership Program necessitates the new ordinance and public hearing.

The City of Dallas has been approached by United Parcel Service, Inc. (UPS) to nominate by ordinance its application for an Enterprise Project designation to the Governor's Office of Economic Development and Tourism. The designation will allow for a rebate of state sales and use tax refunds on qualified expenditures of up to \$2,500 per job created or retained. UPS currently employs over 993 full time and 1,648 part time jobs at its Dallas facility and plans to apply for the Retention designation of the Enterprise Zone program. This project has no cost consideration to the City of Dallas.

UPS anticipates spending approximately \$11,000,000 on an expansion of its Hub operations and a site improvement to accommodate the pipeline upgrade for the Compression Natural Gas ("CNG") station located at 10155 Monroe Drive in Dallas. This Hub is used to sort packages to go out to other states and other cities within Texas. This upgrade will result in an additional work shift to be filled with approximately 350 new part-time jobs, the retention of existing full-time jobs, and a total capital investment of approximately \$11,000,000. Specifically, \$3.5 million will be allocated to the building renovation and \$2.5 million will be allocated to machinery and equipment. The upgrade will substantially increase sorting capacity and technology to better serve customers. Additionally, \$5 million will be allocated to a site improvement to accommodate the pipeline upgrade for the CNG station.

This project conforms with the Public Private Program Guidelines and Criteria in that it involves an investment of over \$10 million and more than 100 jobs.

The Texas Enterprise Zone Program is an economic development tool for local communities to partner with the State of Texas to promote job creation and significant

private investment that will assist economically distressed areas of the state. Approved projects are eligible to apply for state sales and use tax refunds on qualified expenditures. The level and amount of refund is related to the capital investment and jobs created at the qualified business site. The Enterprise Zone Program is administered by the Economic Development Bank of the Office of the Governor,.

The program allows for a 90-day period prior to the application being submitted, and a five-year window of benefit for a project. The 90-day window for this project started October 14, 2014 and the end of the Project Designation will end March 3, 2020. This project involves 500 jobs allocated to the program and a maximum refund of \$2,500 per job. The company anticipates receiving a maximum available benefit of \$1,250,000 should it receive a designation.

Projects may be physically located in or outside of an Enterprise Zone and qualify for the program. If located within an Enterprise Zone, the company must commit that at least 25 percent of their new employees will meet economically disadvantaged or enterprise zone residence requirements. If located outside of a zone, the company must commit that at least 35 percent of their new employees will meet economically disadvantaged or enterprise zone residency requirements. This site is located within an Enterprise Zone.

Owner

United Parcel Service, Inc.

Brenda Fountain

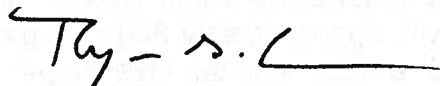
West Region Tax Director

Staff

J. Hammond Perot, Assistant Director

Christopher O'Brien, Sr. Coordinator

Staff recommends approval of the subject item. Please contact me if you have any questions at 214-670-3296.



Ryan S. Evans

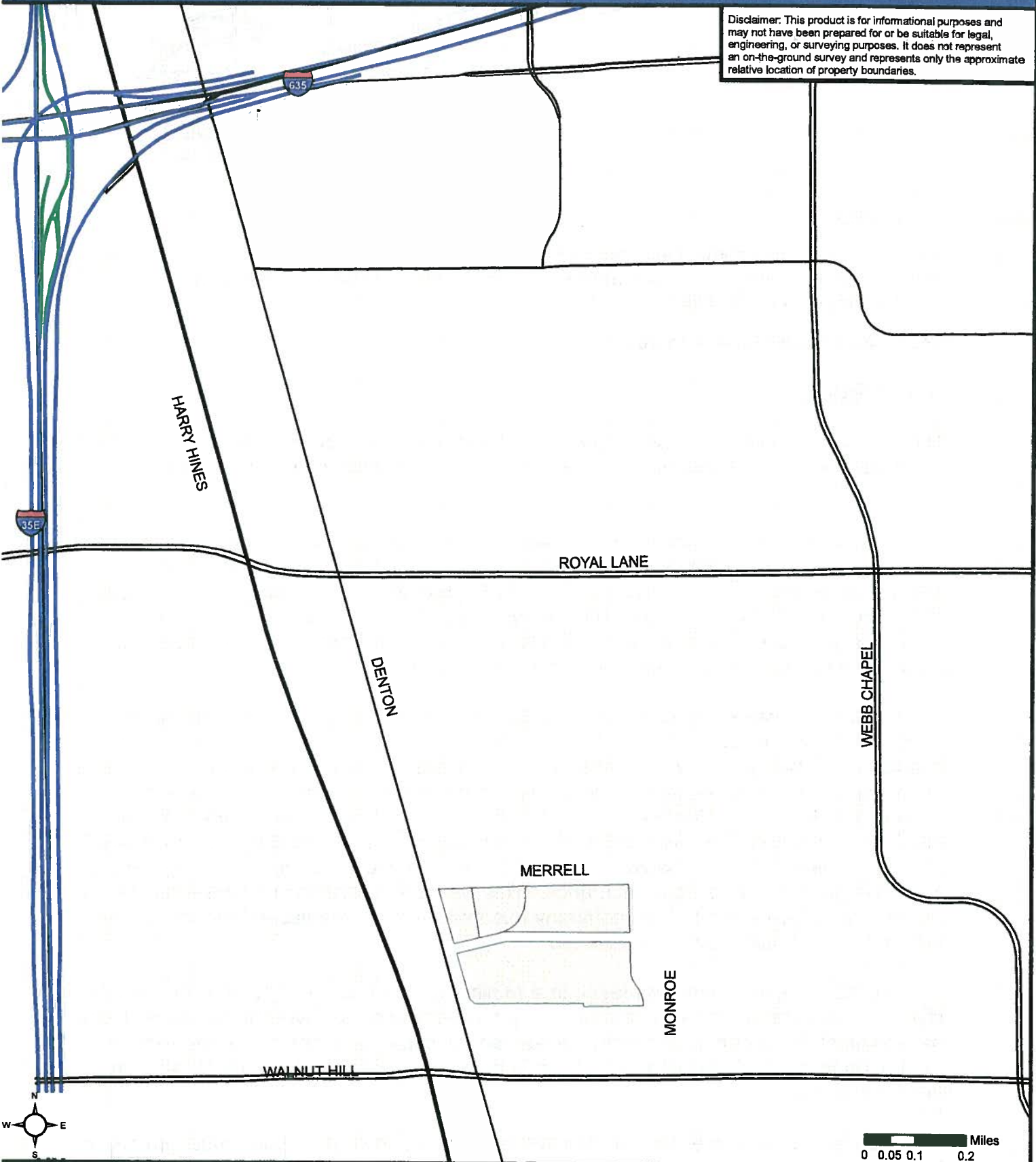
First Assistant City Manager

c: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager

Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Exhibit A

Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.



DALLAS
ECONOMIC
DEVELOPMENT
Research & Information Division
214.670.1685
dallas-ecodev.org
Created 10.03.14; Last Updated 10.03.14 - File Name: UPS MAP

Legend

United Parcel Service	Freeway	Arterial
	Tollway	Local Road
	Highway	

Data Source: Enterprise GIS Layers

Memorandum



CITY OF DALLAS

DATE January 30, 2015

TO Members of the Economic Development Committee:
Tennell Atkins (Chair), Rick Callahan (Vice Chair), Adam Medrano, Scott Griggs,
Lee Kleinman, Jerry R. Allen

SUBJECT **Pauls Mountain Creek Project**

BACKGROUND

On February 25, 2015 the City Council will be asked to authorize a real property tax abatement with PIHV Mountain Creek, LLC, a single asset entity of developer The Pauls Corporation.

For the past several months, City staff has been in discussion with The Pauls Corporation regarding the potential development of a 225,000 square foot speculative warehouse facility on a 15.1 acre site located within Mountain Creek Business Park. Staff recommends to City Council an eight-year, 75 percent tax abatement on the to be constructed facility. This incentive will allow this development to be competitive with other similar facilities developed in the recent past in the area.

The Pauls Corporation, headquartered in Denver, Colorado, has a thirty-year history of identifying and managing successful real estate opportunities during varied market conditions. The company has experience in three primary lines of business: land development, commercial real estate (design, construction, lease & management) and residential real estate for lease and for sale. The Pauls Corporation has long-established relationships with some of the largest institutional and private investment firms in the world, a few of which include: GE Pension Trust, Principal Financial Group, New York Life and State Farm Insurance. This will be the first industrial project in Texas for The Pauls Company, but the company has multifamily properties in Las Colinas, Fort Worth, Austin, Houston and San Antonio.

The proposed development will result in a minimum investment of \$10,000,000. As the project is speculative, there is no minimum job requirement however the developer must have at least 70 percent of the facility leased and occupied to a tenant in order to receive the tax abatement. If the required space is not leased and occupied, the abatement is lost for that year.

In order to provide the tax abatement at this location, the City must create a Neighborhood Empowerment Zone. This zone, similar to Reinvestment Zones the City has used in the past, is necessary to the authorization of the tax abatement.

PIHV Mountain Creek, LLC intends to commence vertical construction in the second quarter of 2015. The full project is anticipated to be complete in late 2016. In consideration of the proposed incentives, PIHV Mountain Creek, LLC will invest a minimum of \$10,000,000 in real property improvements.

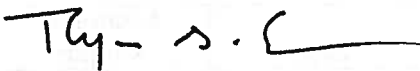
The forgone revenue from the proposed 75 percent, eight year real property abatement is \$573,840. The 10-year net fiscal impact of the proposed development after incentives is \$543,851. The twenty-year net fiscal impact of the proposed development after incentives is \$2,033,443. This project complies with the Public/Private Program guidelines in that it involves an investment of more than \$1,000,000 at this Southern Sector site.

OWNER

PIHV Mountain Creek, LLC
Christopher Manley, CFO
Staff

J. Hammond Perot, Assistant Director
Christopher O'Brien, Sr. Coordinator

Staff recommends approval of the subject item. Please contact me if you have any questions at 214-670-3296.



Ryan S. Evans
First Assistant City Manager

c: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
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Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Proposed Project Information Worksheet Economic Development Committee

A. Project Summary/Assumptions

City Council District	3	
Project/Company Name	The Pauls Corporation	
Project Location	Mountain Creek Parkway	
Project Type	Speculative Industrial	
Facilities (Square Feet)	225,000	
Construction Schedule	Begin	1-Mar-15
	Complete	30-Jun-16
Private Improvement Investment	Real Property	\$10,000,000
	Business Property	\$13,000,000
Jobs	Created	50
	Retained	NA
Average Wage Rate	Salary	\$35,000
	Hourly	NA
City Incentive Summary	Tax Abatement	8 Yr. 75%
	Infrastructure	NA
	Other - Grant	NA

B. Economic Impact Estimates (Dallas City Economy Only, \$ Million)

	10-Year		20-Year	
	Jobs	Economic Output	Jobs	Economic Output
Direct Impact	50	8,122,500	0	8,122,500
Indirect and Induced Impact*	20	6,498,000	0	6,498,000
Total Impact	70	14,620,500	0	14,620,500

C. City of Dallas General Fund Fiscal Impact (\$ Million)

(From direct, indirect and induced economic impacts)

	10-Year	20-Year
Total City GF Revenue Generated	1,939,883	4,164,575
Total City GF Service Costs	822,192	1,557,292
Net Impact Before Incentives	1,117,691	2,607,283
City Incentives	573,840	573,840
Net City Fiscal Impact	543,851	2,033,443

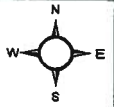
* Indirect impacts represent supplier effects, induced impacts represent spin-off household effects.

D. Other Taxing Jurisdiction 10-yr Estimated Tax Revenue

	Property Taxes	Sales Taxes
DISD	\$ 128,209	N/A
Dallas County	\$ 25,310	N/A
DCCCD	\$ 12,470	N/A
Parkland Hospital	\$ 27,600	N/A
DART	\$ -	N/A

Exhibit A: The Pauls Corporation

Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.



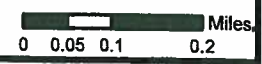
The Pauls Corporation
Mountain Creek Pkwy.
Dallas, TX 75236



GRADY NIBLO

MOUNTAIN=CREEK

MERRIFIELD



DALLAS
ECONOMIC
DEVELOPMENT
Research & Information Division
214.670.1685
dallas-ecodev.org
Created 12-23-2014 - 14-12-19 Chris O'Brien TCG

Legend

- Freeway
- Arterial
- Local Road
- Lake

Source: City of Dallas, 2014

Memorandum



CITY OF DALLAS

DATE January 30, 2015

TO Members of the Economic Development Committee: Tennell Atkins (Chair), Rick Callahan (Vice Chair), Adam Medrano, Lee Kleinman, Jerry R. Allen, Scott Griggs

SUBJECT **Rest Break Ordinance Update**

City Council discussed a Rest Break Ordinance on November 12, 2014. Council directed staff to take the topic to both the Economic Development committee and the Quality of Life & Environment committee in order to prepare an ordinance to present to City Council for consideration.

On December 1, 2014, staff updated members of the two committees on the status of the rest break ordinance: staff met separately with both representatives from Texas Workers Defense Project and the construction industry, and arranged for the two parties to meet together to find a solution for Dallas. At that time, staff reported that the meetings were productive; however, a consensus had not been reached. Since then, the two sides have not been able to reach a compromise.

On January 26, 2015, the issue was presented before the Quality of Life & Environment Committee. The committee recommended an ordinance be presented to City Council for consideration.

Attached are questions that arose throughout the discussion of this topic.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Ry - S. E." followed by a horizontal line.

Ryan S. Evans
First Assistant City Manager

C: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Mark Duebner, Director of Aviation
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Attachment 1

QUESTION 1. Who regulates health issues?

ANSWER 1. OSHA regulates workplace health standards.

QUESTION 2. Which federal agency is in charge of worker safety?

ANSWER 2. OSHA, Occupational Safety and Health Administration, which is part of the United States Department of Labor. There are ten OSHA regions in the U.S. Texas is located in Region 6.

QUESTION 3. How would OSHA and City of Dallas intersect?

ANSWER 3. OSHA requires that water be provided at construction sites when working in hot environments. OSHA does not have firm requirements regarding rest breaks. OSHA simply recommends that workers should take adequate breaks when working in the heat. The City of Dallas may choose to notify OSHA of complaints received, and recommend that construction workers call OSHA to file complaints.

QUESTION 4. What will be the cost of the ordinance, if passed?

ANSWER 4. If passed, the City of Dallas would need at least one FTE at an average salary of \$50,000. Each violation of the ordinance could potentially cost industry \$100 to \$500 per day of violation.

QUESTION 5. Does this ordinance mean that employees have to take a break?

ANSWER 5. No. However, if an employee asks for a break, an employer cannot deny that request.

QUESTION 6. Does this ordinance mean that the employers have to give employees breaks at specific times?

ANSWER 6. No. The recommendation is for employees to be able to take a 10-15 minute break within 3.5 hours of a scheduled 4 hour work shift.

QUESTION 7. Does the construction industry support the requirements of the ordinance?

ANSWER 7. No. Staff met with industry representatives and no consensus was reached.

QUESTION 8. How many other cities have similar ordinances?

ANSWER 8. In Texas, Austin is the only city that has an ordinance.

QUESTION 9. What has been the City of Austin's experience since passing their ordinance?

ANSWER 9. A total of 70-80 sites were investigated in Austin. Forty-six notices of violations and 0 citations have been issued. All sites came into compliance after the notice was given.

QUESTION 10. How many heat related deaths have occurred in Dallas?

ANSWER 10. Dallas County tracks all heat related illnesses and deaths. This past year, no deaths were reported. However, there were 229 heat related illnesses. Dallas County does not differentiate whether the person was a construction worker or not. In the state of Texas, between 2008 and 2014, there were 16 heat related deaths, 8 of which were construction workers. No deaths were reported from the DFW region. 2 deaths were from highway construction workers, which is outside the jurisdiction of the City of Dallas.

Memorandum



CITY OF DALLAS

DATE January 30, 2015

TO Members of the Economic Development Committee: Tennell Atkins (Chair), Rick Callahan (Vice Chair), Adam Medrano, Lee Kleinman, Jerry R. Allen, Scott Griggs

SUBJECT **Upcoming Agenda Item #A-2: DTG Rental Car Lease at Dallas Love Field – February 11, 2015**

On October 13, 2014, the Wright Amendment was officially lifted, allowing unrestricted flight activity to and from Dallas Love Field. Post-Wright Amendment activity has seen an immediate increase to approximately 500,000 monthly enplanements, realizing the forecasted 6 million annual enplanements / 12 million annual passengers. The increase in the number of daily flights is significantly impacting the car rental business at Love Field. DTG is forecasting a 25% increase in business, which requires more fleet to meet the customer needs. In an effort to address the end-user needs and the rental car company needs, the City Manager is requesting authorization to enter into a lease agreement with DTG Operations, Inc. for their Dollar and Thrifty car rental brands.

DTG Operations, Inc. leased property from Southwest Airlines (SWA) near the entrance to Love Field on Mockingbird Lane. In the spring of 2014, SWA informed DTG that their lease was being terminated in preparation of the expiration of the Wright Amendment, for the construction of a surface parking lot. DTG Operations currently has a car rental concession with Dallas Love Field and operates a car rental counter in the terminal building.

DOA staff began working with DTG to provide temporary space for their retail operations on airport property. DTG began operating at the temporary site in July 2014. The proposed lease facility was previously occupied by a rental car company, several years ago, however, the building requires major retrofit to make it operational. DOA will provide rent abatement in an amount not to exceed \$261,000, for a two (2) year ten (10) month term, in consideration of and conditional to DTG's commitment to retrofit the city owned buildings at their expense, with a minimum capital investment of \$750,000, but not to exceed \$1M.

In order to continue delivering convenient car rental options for Dallas Love patrons and to address the end-user needs and the rental car company needs, the City Manager is requesting authorization to enter into a lease agreement with DTG Operations, Inc. for their Dollar and Thrifty car rental brands.

A handwritten signature in black ink, appearing to read 'Ryan S. Evans'.

Ryan S. Evans
First Assistant City Manager

C: A.C. Gonzalez, City Manager
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