

Memorandum



CITY OF DALLAS

DATE November 14, 2014

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

SUBJECT **Ulta Inc.**

On December 10, 2014, the City Council will be asked to consider authorization of (1) a ten-year 90 percent abatement of the taxes on added value to the real property Prologis, L.P. ("Prologis"), (2) a \$1,000,000 Chapter 380 economic development grant agreement with Ulta Inc., a Delaware Corporation ("Ulta") and (3) a Chapter 380 economic development grant agreement with Ulta Inc. to provide a ten-year rebate of 50 percent of sales taxes collected between July 1, 2016 and June 30, 2026, followed by a potential additional five-year rebate of 25 percent of sales taxes collected between July 1, 2026 and June 30, 2031 by the City of Dallas from e-commerce sales originating at a new distribution and warehouse facility to be located on the east side of the 4800 block of Mountain Creek Parkway, north of Merrifield Road in Dallas, Texas.

For the past several months, city staff has been in discussions with Prologis, L.P. ("Prologis") and Ulta Inc., a Delaware Corporation ("Ulta") regarding development of a new 670,000 square foot build-to-suit distribution and warehouse facility in the Mountain Creek area of Southern Dallas. Prologis, the property owner, will develop and lease the facility to Ulta subject to favorable City Council consideration of the requested development incentives.

Ulta Inc., through its retail shop Ulta Beauty, is the largest beauty retailer that provides one-stop shopping for cosmetic and salon products, as well as salon services in the United States. Ulta Beauty offers over 20,000 beauty products through its retail stores and e-commerce website. As of August 2, 2014, the Company operates 715 retail stores across 47 states and also distributes its products through the Company's e-commerce website.

Prologis has committed that approximately \$18 million in real property improvements, including hard and soft costs will be spent to develop the site to accommodate Ulta's operational needs. Further, Ulta anticipates the employment of at least 450 full-time equivalent (FTE) employees at the facility. The employment will be achieved with the following schedule; at least 125 FTE employees by December 31, 2016, 250 FTE employees by December 31, 2017, 350 FTE employees by December 31, 2018, and 450 FTE employees by December 31, 2019.

Prologis and Ulta request City Council consideration of the proposed 10-year 90 percent tax abatement and economic development grants. The tax abatement agreement will require substantial completion of the proposed facility by December 31, 2015. The \$1 million economic development grant will be paid in two installments of \$500,000 after verification of jobs in December of 2016 and 2017. Additionally, both the tax abatement and the economic development grants will require that Ulta meet the job creation requirements described above or the incentives will be reduced as follows. For any given year that Ulta would maintain less than the required jobs but at least 50 percent of the required jobs, then the potential tax abatement and economic development grants will be reduced by half. However, should Ulta maintain less than 50 percent of the jobs required in a given year, the company will not be eligible for the described incentives in that year. A failure to maintain a minimum of 50 percent of the jobs for two successive years will result in termination of the agreement(s).

Ulta anticipates annual taxable e-commerce (on-line) sales to begin at approximately \$13.9 million in year one of the facility and exceed \$100 million by year fifteen. Total taxable sales over the fifteen-year period is anticipated to exceed \$1.1 billion with approximately \$11.2 million (or one percent) anticipated to be collected as revenue by the City of Dallas. As such, the 15-year sales tax rebate (inclusive of sales taxes paid during or after July 2016), is

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Ulta Inc.

estimated to result in approximately \$4.1 million being repaid to Ulta over the fifteen-year period with the City retaining approximately \$7.1 million in sales tax. Annual sales taxes paid by Ulta will be collected during each year and funding to pay the grant will be subject to annual appropriations.

Ulta is currently negotiating a lease with Prologis and is considering between a 130 month base lease (10 years and 10 months) with a five year extension option and a 190 month lease (15 years and 10 months). The City's 10 year 50 percent sales tax rebate will only be extended to 15 years (at 25 percent for years 11-15) if Ulta operates on the property for the 190 month term.

Net fiscal impact from the project after incentives is estimated at \$1,958,359 over 10 years and \$21,684,103 over 20 years. This proposed project conforms with the City's Public/Private Partnership Program guidelines and criteria as it has a private investment exceeding \$1 million. Staff recommends the proposed incentives be approved.

ESTIMATED SCHEDULE OF THE PROJECT

Estimated Begin Construction	December 1, 2014
Estimated Complete Construction	December 31, 2015

FISCAL INFORMATION

\$1,000,000 - Financing: Public/Private Partnership Funds

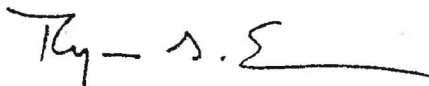
Sales Tax Rebate – Financing: General Funds, Subject to Future Appropriations

The project Fiscal and Economic Impact Analysis is attached.

MAP

Attached.

Should you have any questions, please contact me at 214-670-3302.



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
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Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

General Fund 10-Year Fiscal and Economic Impact



Description

Ulta Inc warehouse/distribution.

Council District

Private Investment	\$	283,422,792
Public Investment	\$	2,290,000
Total Investment	\$	285,712,792
Direct Facility Jobs (Maximum)	\$	500
Average Salary of New Jobs	\$	32,406

Project Impact

Direct Economic Impact	\$	17,800,000
I+I Economic Impact	\$	14,240,000
Total Economic Impact	\$	32,040,000
Indirect + Induced Jobs		200
Total Citywide Job Impact (D+I+I)		700
Construction Jobs		383
Total New Residents		-
Total Visitors		-
Total City GF Revenue Generated	\$	10,642,140
Total City GF Service Costs	\$	6,393,781
Net Impact Before Incentives	\$	4,248,359
Incentives	\$	2,290,000
Net City Fiscal Impact After Incentives	\$	1,958,359

Assumptions / Qualitative Factors

Time Period	2016-2025
Property Appreciation Rate	4%
Industry Job Multiplier	1.4
Industry Output Multiplier	1.8
Industry Wage Growth Rate	3%
Jobs Assumed New to Dallas	100%

General Fund 20-Year Fiscal and Economic Impact



Description

Ulta Inc warehouse/distribution.

Council District		
Private Investment	\$	1,037,972,939
Public Investment	\$	2,290,000
Total Investment	\$	1,040,262,939
Direct Facility Jobs (Maximum)	\$	500
Average Salary of New Jobs	\$	32,406

Project Impact

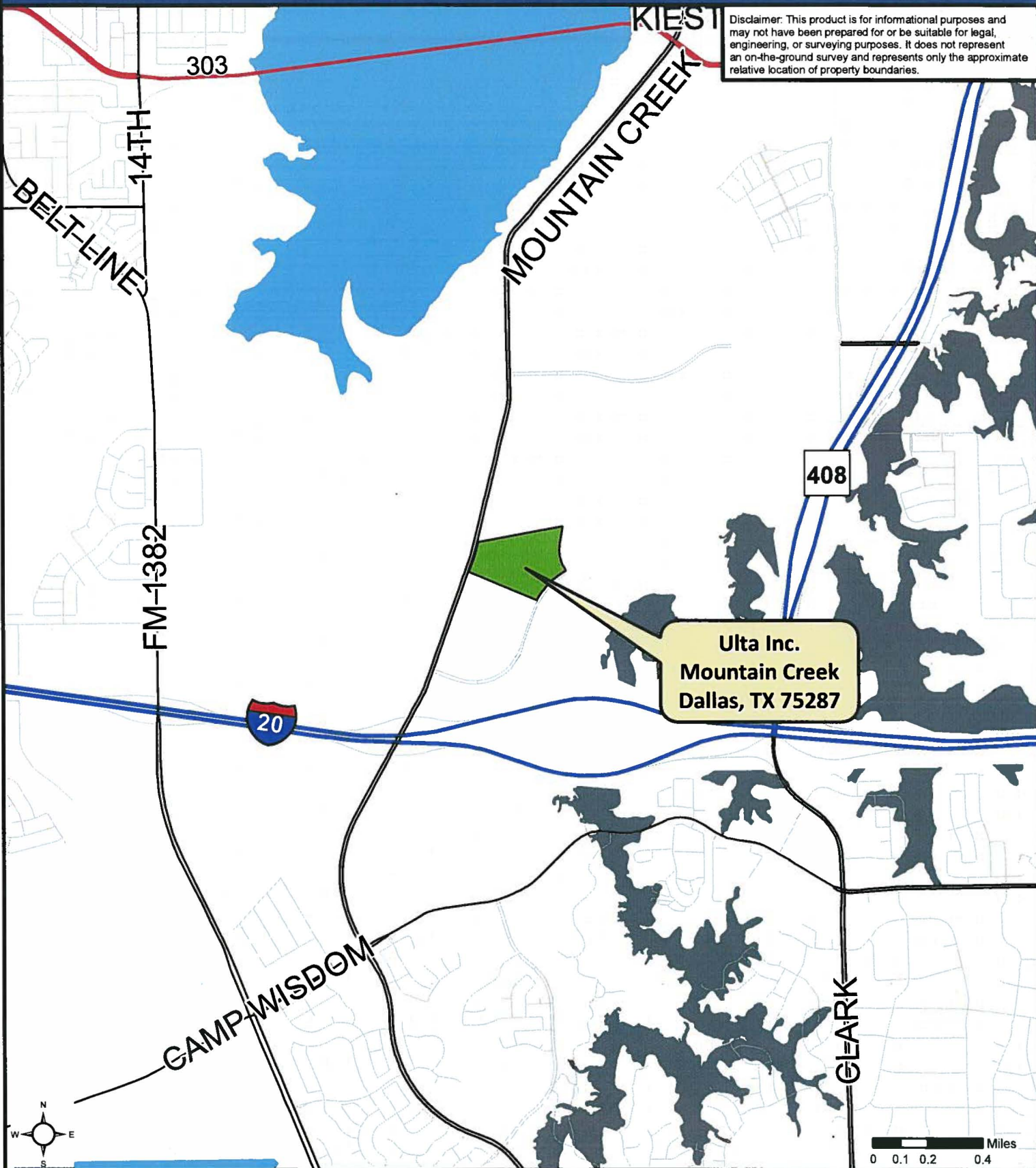
Direct Economic Impact	\$	17,800,000
I+I Economic Impact	\$	14,240,000
Total Economic Impact	\$	32,040,000
Indirect + Induced Jobs		200
Total Citywide Job Impact (D+I+I)		700
Construction Jobs		383
Total New Residents		-
Total Visitors		-
Total City GF Revenue Generated	\$	37,718,884
Total City GF Service Costs	\$	13,744,781
Net Impact Before Incentives	\$	23,974,103
Incentives	\$	2,290,000
Net City Fiscal Impact	\$	21,684,103

Assumptions / Qualitative Factors

Time Period	2016-2035
Property Appreciation Rate	4%
Industry Job Multiplier	1.4
Industry Output Multiplier	1.8
Industry Wage Growth Rate	3%
Jobs Assumed New to Dallas	100%

Exhibit B: Ulta Inc.

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.



Ulta Inc.
Mountain Creek
Dallas, TX 75287

DALLAS ECONOMIC DEVELOPMENT
Research & Information Division
214.670.1685
dallas-ecodev.org
Created: 10/31/14, Last Updated: 10/31/14
FileName: Mountain Creek - Ulta

Legend
 Site Development

Dallas Area Roads
— Freeway — Arterial
— Highway — Local Road

Data Source - City of Dallas Enterprise GIS

Memorandum



CITY OF DALLAS

DATE November 14, 2014

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

SUBJECT **Serta Dormae - Southfield Park 35**

On December 10, 2014, the City Council will be asked to consider authorization of (1) a ten-year 90 percent abatement of the taxes on added value to the real property with US Real Estate Limited Partnership ("US Real Estate") and (2) a \$63,726 Chapter 380 economic development grant agreement with Seefried Industrial Properties ("Seefried") for the purpose of assisting in the development of a new office, production and warehouse distribution facility located south of IH-20, in the 9200 Block of Old Hickory Trail within the Southfield Park 35 Industrial Park.

For the past several months, city staff have been in discussions with US Real Estate Limited Partnership ("US Real Estate"), Seefried Industrial Properties ("Seefried") and manufacturer Kar-Taub, LP/Serta Dormae ("Serta Dormae") regarding development of a new 297,000 square foot office, production and warehouse distribution facility for Serta Dormae in Southern Dallas. US Real Estate is the current property owner, with Seefried serving as developer for this project on US Real Estate's behalf. US Real Estate has a contract to sell the property and completed facility to Serta Dormae, subject to favorable City Council consideration of the requested development incentives.

Approximately \$10 million will be spent to develop the proposed 297,000 square foot facility. US Real Estate, Seefried and Serta Dormae request City Council consideration of the proposed 10-year 90 percent tax abatement assignable to Serta Dormae and a \$63,726 economic development grant to Seefried. Additionally, Serta Dormae is an applicant for a New Market Tax Credit to assist in the acquisition of the completed development. The New Market Tax Credit application request from Serta Dormae is pending and will be presented separately to the City Council for action at a later date.

To receive benefit from the proposed grant and tax abatement, the developer is required to substantially complete the facility on or before December 31, 2015 and verify that \$10 million is expended on real property improvements. Additionally, Serta Dormae is to create and maintain 100 jobs on or before December 31, 2015. Eligible project costs associated with the Chapter 380 grant will include hard and soft costs associated with land and building improvements, as well as related permitting costs.

Net fiscal impact from the project after incentives is estimated at \$313,599 over 10 years and \$2,169,224 over 20 years. This proposed project conforms with the City's Public/Private Partnership Program guidelines and criteria as it has a private investment exceeding \$1 million. Staff recommends the proposed incentives be approved.

ESTIMATED SCHEDULE OF THE PROJECT

Estimated Begin Construction
Estimated Complete Construction

November 15, 2014
July 31, 2015

FISCAL INFORMATION

\$63,726 - Financing: Public/Private Partnership Funds

The project Fiscal and Economic Impact Analysis is attached.

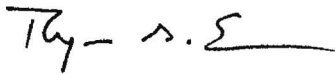
DATE
SUBJECT

November 14, 2014
Serta Dormae - Southfield Park 35

MAP

Attached.

Should you have any questions, please contact me at 214-670-3302.



Ryan S. Evans
First Assistant City Manager

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General Fund 10-Year Fiscal and Economic Impact



Description

Serta Dormae - Southfield Park 35 manufacturing, office, warehouse

Council District		
Private Investment	\$	13,000,000
Public Investment	\$	537,862
Total Investment	\$	13,537,862
Direct Facility Jobs (Maximum)	\$	100
Average Salary of New Jobs	\$	35,000

Project Impact

Direct Economic Impact	\$	1,525,000,000
I+I Economic Impact	\$	1,068,500,000
Total Economic Impact	\$	2,593,500,000
Indirect + Induced Jobs		90
Total Citywide Job Impact (D+I+I)		190
Construction Jobs		215
Total New Residents		-
Total Visitors		41
Total City GF Revenue Generated	\$	2,628,059
Total City GF Service Costs	\$	2,067,424
Net Impact Before Incentives	\$	560,635
Incentives	\$	537,862
Net City Fiscal Impact After Incentives	\$	22,773

Assumptions / Qualitative Factors

Time Period	2015-2024
Property Appreciation Rate	4%
Industry Job Multiplier	1.9
Industry Output Multiplier	1.7
Industry Wage Growth Rate	3%
Jobs Assumed New to Dallas	100%

General Fund 20-Year Fiscal and Economic Impact



Description

Serta Dormae - Southfield Park 35 manufacturing, office, warehouse

Council District		
Private Investment	\$	13,000,000
Public Investment	\$	537,862
Total Investment	\$	13,537,862
Direct Facility Jobs (Maximum)	\$	100
Average Salary of New Jobs	\$	35,000

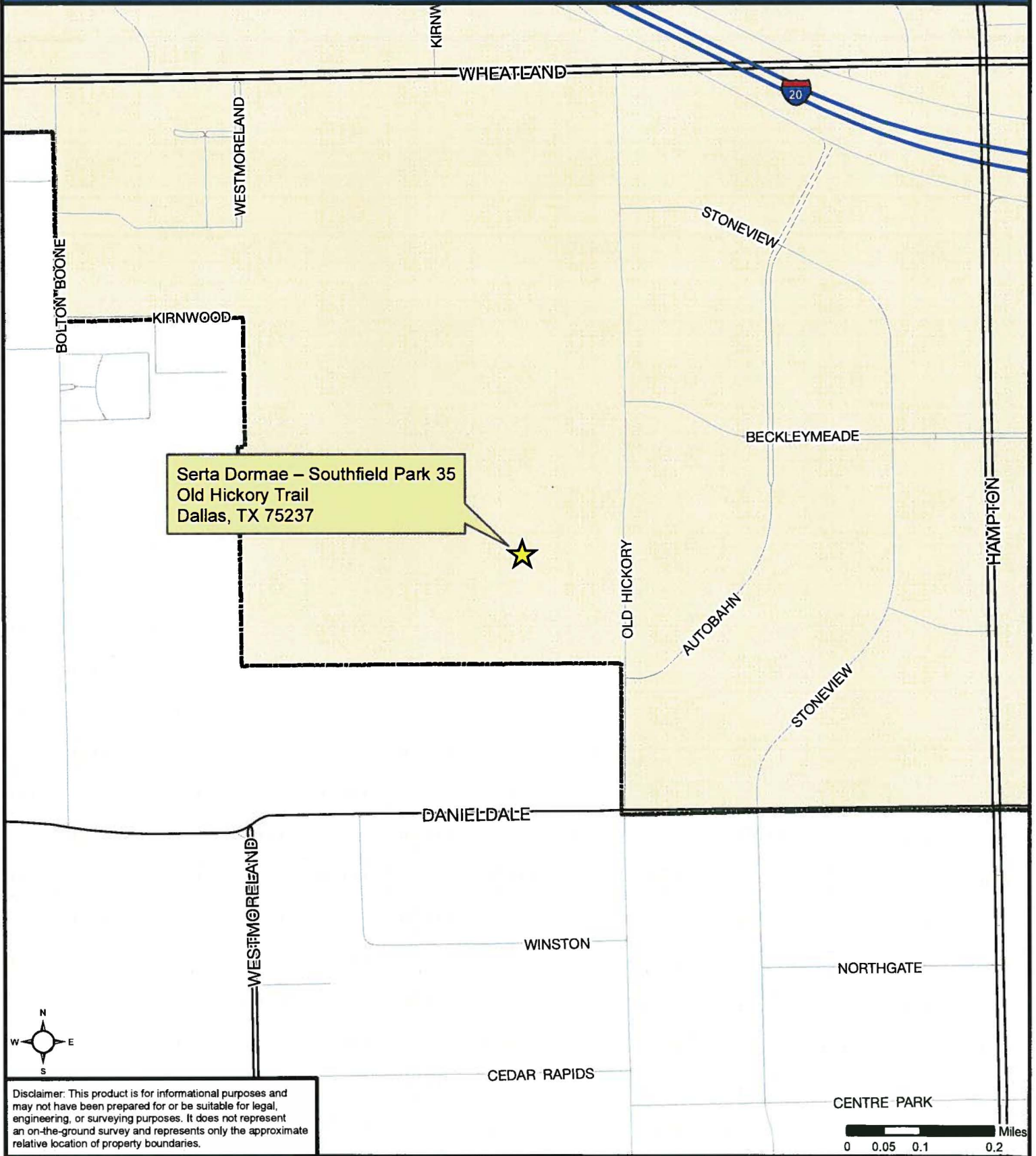
Project Impact

Direct Economic Impact	\$	2,696,000,000
I+I Economic Impact	\$	1,888,200,000
Total Economic Impact	\$	4,584,200,000
Indirect + Induced Jobs		90
Total Citywide Job Impact (D+I+I)		190
Construction Jobs		215
Total New Residents		-
Total Visitors		41
Total City GF Revenue Generated	\$	5,977,537
Total City GF Service Costs	\$	4,095,267
Net Impact Before Incentives	\$	1,882,270
Incentives	\$	537,862
Net City Fiscal Impact	\$	1,344,408

Assumptions / Qualitative Factors

Time Period	2015-2034
Property Appreciation Rate	4%
Industry Job Multiplier	1.9
Industry Output Multiplier	1.7
Industry Wage Growth Rate	3%
Jobs Assumed New to Dallas	100%

Exhibit B: Serta Dormae – Southfield Park 35



Serta Dormae – Southfield Park 35
 Old Hickory Trail
 Dallas, TX 75237

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DALLAS ECONOMIC DEVELOPMENT
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 dallas-ecodev.org

Legend

-  Freeway
-  Arterial
-  Local Road
-  City of Dallas

Source: City of Dallas, 2014