DATE
February 13, 2009

TO
City Council Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT
Dallas/Fort Worth International Airport Development Opportunities

On February 17, 2009, the Economic Development Committee will be briefed on the Southgate Plaza development planned at DFW International Airport.

A copy of the briefing is attached. Jeff Fegan, CEO of DFW International Airport will present the briefing and will be available to answer questions.

Should you have any questions, please contact me at (214) 670-3314.

[Signature]
A.C. Gonzalez
Assistant City Manager

c:  The Honorable Mayor and Members of the City Council
    Mary K. Suhm, City Manager
    Thomas P. Perkins, Jr., City Attorney
    Deborah Watkins, City Secretary
    Craig Kinton, City Auditor
    Judge C. Victor Lander, Judiciary
    Ryan S. Evans, First Assistant City Manager
    Jill A. Jordan, P.E., Assistant City Manager
    Ramon F. Miguez, P.E., Assistant City Manager
    Forest Turner, Interim Assistant City Manager
    David Cook, Chief Financial Officer
    Frank Librio, Public Information Officer
    Helena Stevens Thompson, Assistant to the City Manager
Dallas/Fort Worth International Airport Development Opportunities
Southgate Plaza

City of Dallas
Economic Development Committee Briefing
February 17, 2009
Business Overview
Business Overview
DFW’s contribution to the region’s economy extends far beyond the perimeters of the airfield

- $16.6 billion in total annual economic output
- 305,000 full-time jobs
- $7.6 billion in payroll annually

Source: The Economic Impact of Dallas/Fort Worth International Airport 2005, Texas Department of Transportation
Business Overview
DFW ranks 3rd in the world for operations, and 7th in terms of passengers.

Source: Airports Council International (ACI), 2007 Data
Business Overview

Growth in non-airline revenues reduces airline costs.

- DFW currently has $3.7 billion of airport revenue debt outstanding
- DFW pays approximately $260 million per year in debt service
Business Overview
Non-Airline Revenue - DFW continues to generate non-airline revenue streams.

Concessions…

…rental cars…

…commercial land…

…parking and more.
**Business Overview**

DFW’s CPE is very competitive.

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**Cost Per Enplaned Passenger Comparison – DFW FY2009 = $7.73**

- **Newark**: $22.50
- **Miami**: $18.66
- **New York (JFK)**: $17.51
- **San Francisco**: $14.42
- **New York (LGA)**: $14.15
- **Boston**: $13.75
- **Houston (Bush)**: $13.37
- **Denver**: $11.87
- **Seattle-Tacoma**: $11.73
- **Chicago-O’Hare**: $10.21
- **Los Angeles**: $9.52
- **Philadelphia**: $9.40
- **Dallas-Fort Worth**: $7.73
- **Las Vegas**: $7.31
- **Minneapolis-St. Paul**: $6.15
- **Orlando**: $5.11
- **Detroit**: $5.08
- **Phoenix**: $4.72
- **Atlanta**: $3.08
- **Charlotte-Douglas**: $1.37

Source: 2007 CPEs from ACI Survey and Jacobs Consulting.

2007 enplanements adjusted for change in OAG seat volumes from Nov. 2007 to Nov. 2008 adjusted for 2% economic factor.
Commercial Development Task Force
Commercial Development Task Force
Purpose and Mission

- Promote communication between leadership teams of DFW Airport and its Owner Cities
- Coordinate strategies regarding commercial development at DFW
- Increase Owner Cities’ awareness of development opportunities, plans, and activities at DFW Airport, including tax-sharing possibilities.
- Allow DFW staff proactive involvement in addressing Owner Cities’ concerns
- Convene regularly at quarterly scheduled meetings
Commercial Development Task Force
Task Force Participants include the following representatives from the owner cities and DFW

- Hammond Perot, Assistant Director, Economic Development, Dallas
- Brett Wilkinson, Director, Intergovernmental Services, Dallas
- Jay Chapa, Director, Economic Development, Fort Worth
- Mark Folden, Business Development Coordinator, Fort Worth
- John Terrell, VP Commercial Development, DFW Airport
- John Brookby, AVP Commercial Development, DFW Airport
- Paul Tomme, Legal Counsel, DFW Airport

As-necessary participants:
Dallas City Manager representative & Fort Worth City Manager representative
Dallas City Attorney representative & Fort Worth City Attorney representative
DFW Land Use Plan
DFW Land Use Plan
Historical Development

1969

Today

= Off-Airport Development
DFW Land Use Plan
A Land Use Plan has always been in place and provides the basis and framework for long-term development.

- Defines land areas required for long-term operational needs
- Promotes the highest and best use for concurrent aviation development
- Leverages uniqueness of the DFW Airport experience
- Approved by the DFW Board and the FAA
DFW Land Use Plan
Core Business Operations Map

- 12,000 acres maintained for our core business of aviation

- Key development areas include:
  - International Commerce Park
  - East Air Cargo
  - Northwest Airport Perimeter
  - Southgate Plaza
Tax-Sharing Agreements
Tax-Sharing Agreements
Foundation and Benefits

- Since 1999, DFW has successfully achieved tax-sharing arrangements as a result of interlocal agreements and legislation shared with the Owner Cities.
- “The Cities of Dallas and Fort Worth and the Board agree that as a result of this Agreement, development opportunities within the Property which are consistent with the development policies of the Board, shall be encouraged.”

Benefits:

- Creates tax revenues for the Owner Cities
- Increases economic benefits to Dallas and Fort Worth
- Provides an equitable distribution of tax revenues (Dallas, Fort Worth and the tax-sharing city)

Quote Source: Interlocal Agreement
Tax-Sharing Agreements
Current arrangements with Euless and Irving

- Euless 2007 tax revenue to Owner Cities: $9,471,179.31
  - Dallas received $4,845,800.44
  - Fort Worth received $4,625,378.87

- Irving 2007 tax revenue to Owner Cities: $590,036.95
  - Dallas received $375,263.50
  - Fort Worth received $214,773.45

- Grapevine legislative tax-sharing arrangement. Owner Cities to share in tax proceeds in excess of $6 million annually
  - Dallas to receive $68,356.73
  - Fort Worth to receive $39,060.99
Southgate Plaza
Southgate Plaza
Mixed-Use Development
Southgate Plaza
Components

- Class A & B office space with structured parking (330,200 SF)
- Full-service hotel
  - 300 +/- rooms
  - 24,000 +/- SF of meeting space
- Select service hotel
  - 130 +/- rooms
  - 1,500 +/- SF of meeting space
- Retail & restaurants (69,250 SF)
Southgate Plaza
Features

- Terminal shuttle service (7 days/24 hours)
- Consolidated car rental facility integration via skywalk
- Pedestrian-friendly
- Near rental car facility
- FIDS (Flight Information Display System)
- 1.5 million square feet
- Phased construction over three years
Southgate Plaza
Non-Binding LOI – Proposed Terms

- Initial term of 40 years with a 35-year option
  - Requires Dallas/Fort Worth city councils approval

- Commencement date shall be the earlier of:
  - 36 months from the effective date
  - Issuance of a Certificate of Occupancy (CO)

- Ground rents and percentage rents (hotel, retail and restaurants)

- D/M/WBE aspirational goals 20% equity and 25% subcontracting
Southgate Plaza
Impact studies on existing airport hotels were completed by HVS in May 2008.

- Forecasts a minimal impact to occupancy rates of both Grand Hyatt and Hyatt Regency
- Additional 300 rooms on DFW would be negligible; DFW hotels represent only 1% of the total DFW Metroplex lodging market (101,000 rooms)
- “… the effect of any one property on the state of a greater metro lodging market as a whole is typically minimal”
Southgate Plaza
Economic Impact Analysis

**Direct Economic Benefit (Estimate)**

- Additional Real Property to Tax Rolls: $210 Million
- Additional Business Property to Tax Rolls: $47 Million
- Total Investment: $257 Million
- Annual taxable income from retail tenants: $44.7 Million
- New Permanent Jobs Created: 2,700 +
- New Employee Payroll Figures: $95 Million Annually
- New Rent Revenue to DFW Airport: 3.2 Million

(DFW annual rent includes $1M in ground rent and $2.2M in percentage rents)

Source: Impact DataSource
Southgate Plaza
Preliminary Direct Annual Tax Projection

<table>
<thead>
<tr>
<th>Sales Tax (Direct)</th>
<th>Tax Share</th>
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<tbody>
<tr>
<td>City of Dallas</td>
<td>$332,142</td>
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<tr>
<td>City of Fort Worth</td>
<td>$189,795</td>
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<td>City of Euless</td>
<td>$260,969</td>
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<table>
<thead>
<tr>
<th>Property Tax (Direct)</th>
<th>Tax Share</th>
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<td>City of Dallas</td>
<td>$511,611</td>
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<td>City of Fort Worth</td>
<td>$292,349</td>
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<td>City of Euless</td>
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<thead>
<tr>
<th>Hotel Occupancy Tax</th>
<th>Tax Share</th>
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<td>City of Dallas</td>
<td>$679,449</td>
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<td>City of Fort Worth</td>
<td>$388,256</td>
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<tr>
<td>City of Euless</td>
<td>$533,853</td>
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Source: REDICO RFQ Response dated 3-31-08
Southgate Plaza
Preliminary Direct Annual Tax Projection (continued)

<table>
<thead>
<tr>
<th>Consolidated Annual Tax Projection (Sales, Property &amp; Hotel)</th>
<th>Preliminary Tax Revenue</th>
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<tbody>
<tr>
<td>Total Projected Annual Tax Revenue</td>
<td>$12,499,273</td>
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<tr>
<td>City of Dallas</td>
<td>$1,523,202</td>
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<tr>
<td>City of Fort Worth</td>
<td>$870,401</td>
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Source: REDICO RFQ Response dated 3-31-08
Southgate Plaza
Development Timeline

- Letter of Intent March 2008
- Ground Lease Negotiation and Approval March 2009
- City Council Presentation for Extended Term and Approval Spring/Summer 2009
- Permitting Late 2009
  - Civil Engineering & FAA Approval
- Mass Grading & Construction Early 2010
Conclusion

- DFW’s Land Use Plan has consistently served to support the Airport’s employees and passengers
- Policies are not designed to compete with Dallas and Fort Worth
- Southgate Plaza will create economic benefits and tax revenue for:
  - Dallas
  - Fort Worth
  - Euless
- Now more than ever, diversification of revenues is needed at DFW
  - Non-airline revenue streams are critical to our future