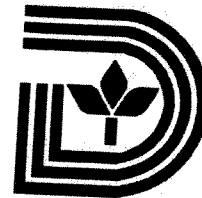


Memorandum



CITY OF DALLAS

DATE May 30, 2008

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

SUBJECT **Ridge South Dallas I, LLC; Agenda Item, June 11 and 25, 2008**

Background

On Wednesday, June 11, 2008 City Council will be asked to call a public hearing to receive comments on creating a reinvestment zone in anticipation of holding a public hearing, creating Reinvestment Zone 71 and considering economic development incentives for Ridge South Dallas I, LLC on June 25, 2008. Ridge South Dallas I, LLC (Ridge) seeks City Council approval of incentives for its 303 acre warehouse/distribution center development, Ridge Logistics Center, located at the northeast corner of Dallas Avenue and Telephone Road in southern Dallas. The anticipated private investment for this project is estimated to reach up to \$130,000,000. At build-out, the project will yield up to 4,300,000 square feet of new facilities. To secure this development, the City Council will be asked to authorize a 75 percent real property tax abatement for ten years on the tax value of the new buildings and approve a development agreement in an amount not to exceed \$10,550,000. Minimum requirements for the development agreement include the construction of 2,200,000 square feet completed by June 2013; and an investment of \$66,000,000. In lieu of a negotiated dollar cap on tax abatement, staff negotiated a proportionate reduction in the percentage of the tax abatement and a reimbursement of a proportionate share of certain public infrastructure costs should the developer fail to meet the negotiated minimum build-out schedule.

The \$10,550,000 development agreement is divided into two components.

- Public infrastructure in an amount not to exceed \$5,100,000 related to Ridge's development of the 303 acre site. Ridge will invest approximately \$7,200,000 in common area infrastructure and site improvements.
- City staff is recommending improving Telephone Road from the southeast corner of Ridge property to Bonnie View Road. These improvements are not directly associated to Ridge's project but rather the build-out of needed IIPOD infrastructure improvements supporting the planned BNSF rail intermodal.

Ridge South Dallas I, LLC will fund cost overruns on its project portion of public infrastructure and City funding is limited to and made available from the planned sale of 2006 Bond Funds. All public infrastructure improvements will be publicly bid and will be subject to future City Council approval and award. In addition, the developer will comply with the City's Good Faith Effort plan for MWBE participation.

Project Details

Project Site: Northeast corner of Dallas Avenue and Telephone Road

New facility: 4,300,000 square foot Industrial/Warehouse Building

Real Property Investment: \$130 million

City Incentives

New Real Property Tax Abatement: 75% - 10yrs Tax abatement will commence on or before January 2013.

	<u>Investment</u>	<u>Tax Abatement</u>	<u>Foregone Revenue</u>	<u>City of Dallas Tax Revenue</u>
Real Property 10-year totals	\$130M	75% - 10yrs	\$4,617,602	\$1,539,201

Proposed Estimated Schedule of the Project

Begin Construction May 2009

Substantial Completion June 2013 (2,200,000 million square feet)

Fiscal Information

- Revenue: First year revenue estimated at \$34,914; ten-year revenue estimated at \$1,539,201; (Estimated revenue foregone for ten-year abatement estimated at \$4,617,602)

Owner

Ridge South Dallas I, LLC,

Kent Newsom, VP

Ridge Property Trust
May 30, 2008
Page 3 of 3

Staff

J. Hammond Perot, Assistant Director
Carlos Guzman, Economic Development Analyst

Recommendation

Staff recommends approval of the subject item. Please contact me if you have any questions at 214-670-3314.



A.C. Gonzalez
Assistant City Manager

- C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge Ray Robinson, Judiciary
David O. Brown, Interim Assistant City Manager
Ramon F. Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
David Cook, Chief Financial Officer
Maria Alicia Garcia, Interim Budget Director, Office of Financial Services
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Thompson, Assistant to the City Manager

RIDGE INDUSTRIAL
 Dallas, Texas
 At Rental Income Stabilization and/or Unit Sales Completion
 As of (Mo, Yr)
 Dated: May 28, 2008
 Cost Analysis:

Land/Building:					
Total Land Basis	Acres	S.F.	\$	\$/S.F.	Amount
	258	11,238,480		0.70	\$ 7,855,473
Hard Costs:					
Sitework/Infrastructure				PSF/%	
Shell					\$ 17,722,430
Finish Out	2,200,000		\$	23.32	\$ 51,300,000
Landscaping	2,200,000		\$	3.59	\$ 7,900,000
Contingency/Misc					\$ 500,000
Total Hard					\$ 79,722,430
Soft Costs:					
Total Soft Costs				PSF/%	
				12.33%	\$ 10,800,000
Finance Costs:					
Total Finance					\$ 9,500,000
Total Development Costs					\$ 107,877,903

Income Analysis

Projected NOI at Stabilization					
Income (Rentals & Sales)					
Tenant					
A	Size	Amount		Total	
Reimbursements	2,200,000	\$3.25	\$		7,150,000
Effective Gross Income	2,200,000	\$3.25	\$		2,508,000
					\$ 9,658,000
Net Gross Income					\$ 9,658,000
Expenses					
Less: CAM, RET, INS, MGT					
Less: Other Costs	2,200,000	\$ 1.14	\$		(2,508,000)
Total Expenses					\$ (2,508,000)
Net Operating Income (NOI)					\$ 7,150,000
Capitalization Rate (Estimated)					7.00%
Capitalized Value (NOI / Capitalization Rate)					\$ 102,142,857.14
Total Development Costs					\$ 107,877,903.00
City Assistance					\$ (5,100,000.00)
Return on Cost (NOI / Total Dev Costs)					6.63%
ROC with City Assistance					7.37%

Economic Impact

A. Project Summary

City Council District	Tennell Atkins	
Project/Company Name	Ridge Property Trust	
Project Location	Northeast corner of Telephone Road and Dallas Avenue	
Project Type	Industrial/warehouse - speculative	
Facilities (Square Feet)	4.3m (2.2m sq. ft. completed by June 2013)	
Construction Schedule	Begin	May 2008
	Complete	June 2013
Private Improvement Investment	Real Property	\$130M
	Business Property	
Jobs	Created	
	Retained	
Average Wage Rate	Salary	
	Hourly	
City Incentive Summary	Tax Abatement	75 percent/10 yrs
	Infrastructure	\$5,100,000
	Other	

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

	10-Year		20-Year	
	Jobs	Economic Output	Jobs	Economic Output
Direct Impact	864	\$530,511,973	864	\$1,841,373,974
Indirect and Induced Impact*	346	\$424,409,579	346	\$1,473,099,180
Total Impact	1210	\$954,921,552	1210	\$3,314,473,154

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

(From direct, indirect and induced economic impacts)

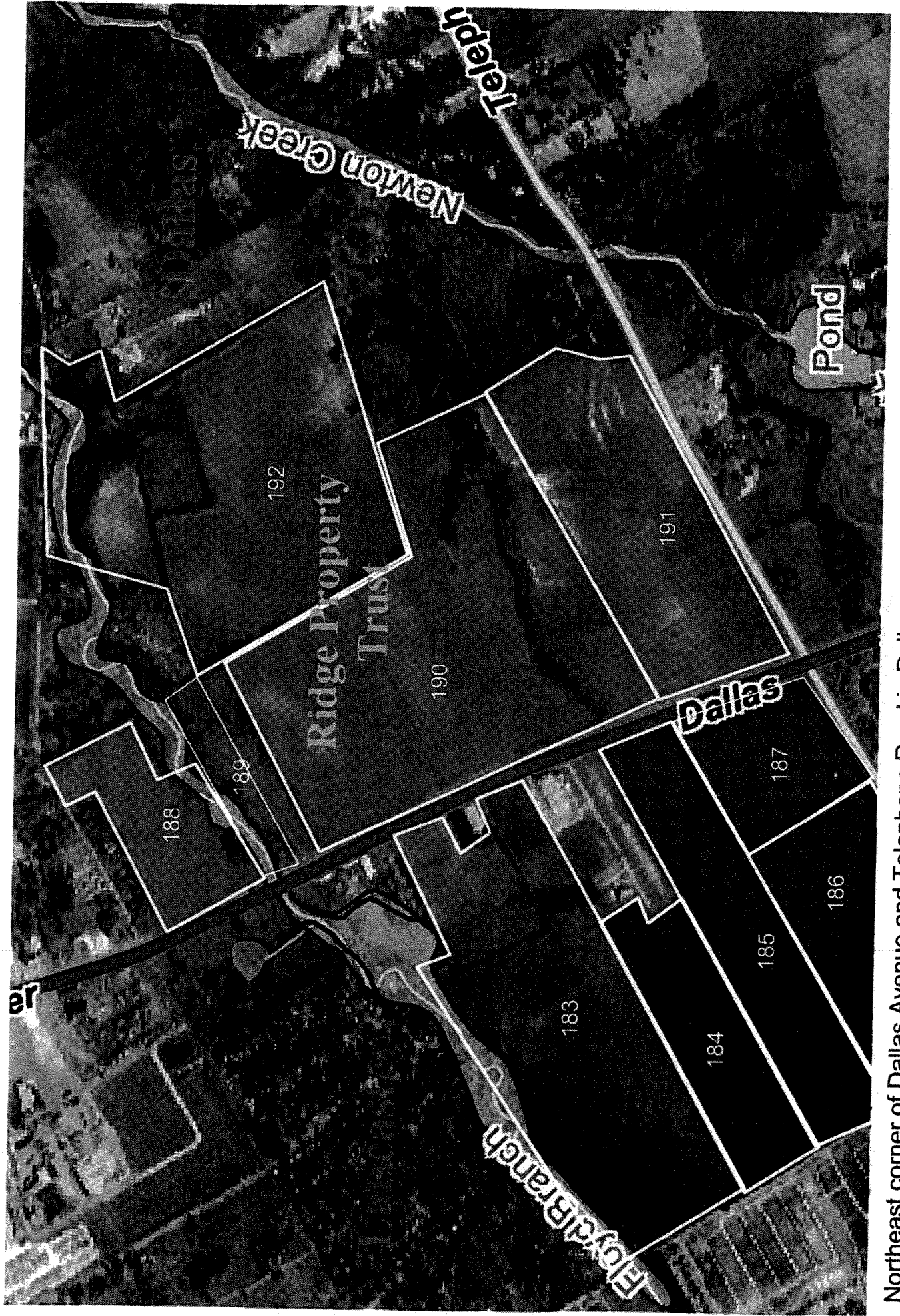
	10-Year	20-Year
Total City GF Revenue Generated	\$25,300,506	\$123,896,023
Total City GF Service Costs	\$6,299,969	\$19,009,084
Net Impact Before Incentives	\$19,000,536	\$104,886,938
City Incentives	\$8,900,269	\$9,717,605
Net City Fiscal Impact	\$10,010,267	\$95,169,333

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

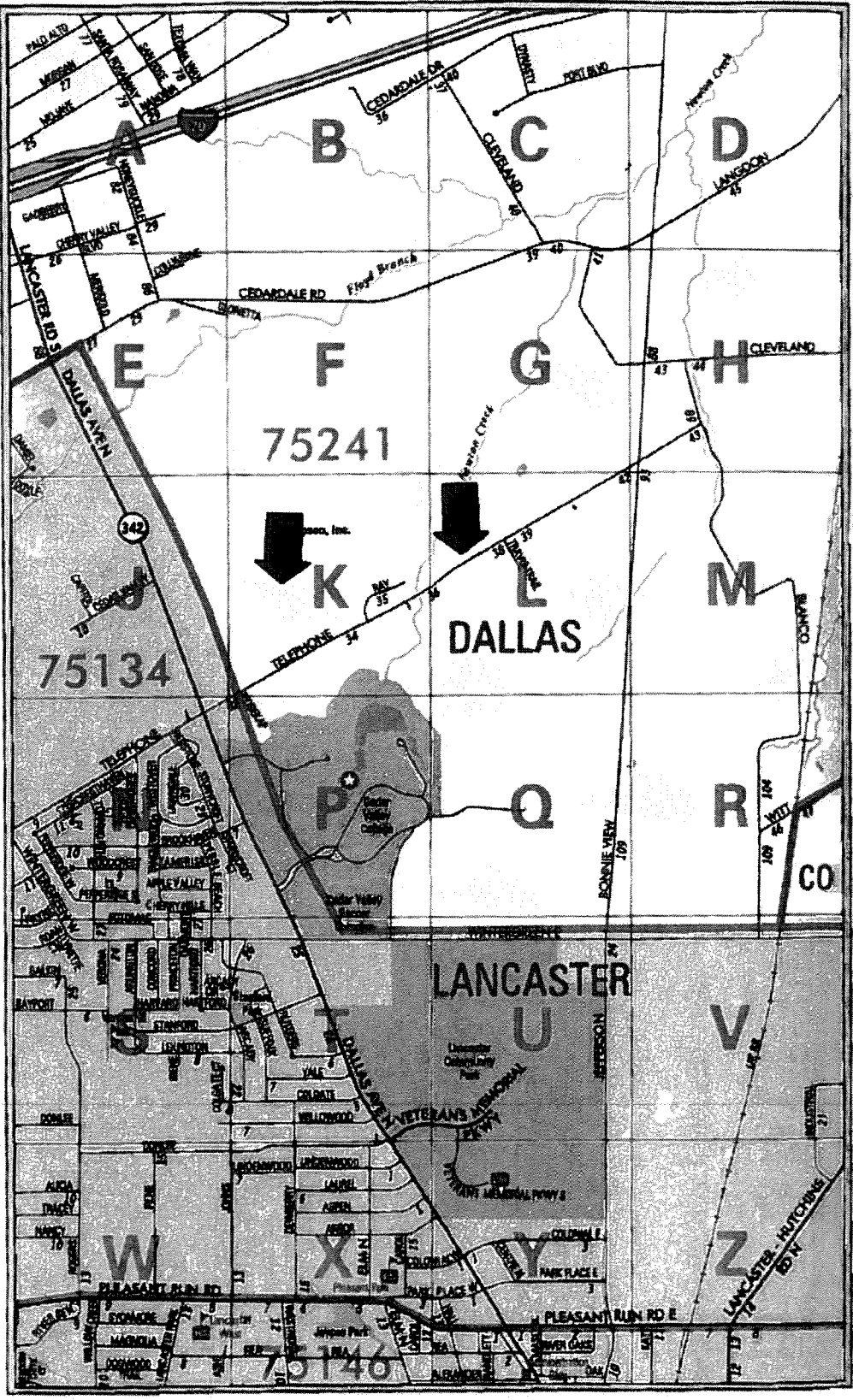
D. Other Taxing Jurisdiction 10-yr Estimated Tax Revenue (from operations)

	Property Taxes	Sales Taxes
DISD	\$9,875,605	NA
Dallas County	\$1,916,533	NA
DCCCD	\$661,062	NA
Parkland Hospital	\$2,090,958	NA
DART	NA	NA

RIDGE PROPERTY TRUST



Northeast corner of Dallas Avenue and Telephone Road in Dallas



Memorandum



DATE May 30, 2008

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

SUBJECT **Upcoming Council Travel**

The Office of Economic Development supports Councilmember Atkins' trip to San Diego on June 4th and 5th to attend a series of meetings and a facilities tour with the Allen Group.

The airfare cost is approximately \$716 and the hotel is \$200 (plus tax), for a total cost of roughly \$920.

To date, approximately \$2235 has been spent on economic development related Council travel.

Per the travel policy passed on May 10th, 2006, which required advance approval either by the Economic Development Committee or two of the following three: the Mayor, Chair of the Economic Development Committee or Vice Chair of the Economic Development Committee, this memo serves as request for advance approval for councilmember travel.

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


A.C. Gonzalez
Assistant City Manager

C: Honorable Mayor and Members of the City Council
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