

Memorandum



DATE June 1, 2012

TO Members of the Economic Development Committee:
Tennell Atkins, Deputy Mayor Pro Tem (Chair), Ann Margolin (Vice Chair), Monica Alonzo, Sheffie Kadane, Jerry Allen

SUBJECT **Cummins Southern Plains, LLC; Council Item June 13, 2012 and Agenda Item June 27, 2012**

Background

City staff has negotiated with Cummins Southern Plains, LLC regarding a possible equipment and engine re-manufacturing facility at the northwest corner of Mountain Creek Parkway and Interstate-20 in Dallas.

Cummins Southern Plains, LLC, presently located in Mesquite, Texas, has outgrown its current facility. After an extensive search for a new facility throughout the DFW area and other Texas communities, the Dallas site was selected for this project in response to the City's proposed economic incentives. Staff's incentive proposal was subject to the City of Mesquite being ruled out of consideration for this project.

In order to accommodate current operations and increase capacity for future growth, Cummins Southern Plains, LLC intends to design and develop a large scale re-manufacturing facility on approximately 20 acres that the company has purchased in the Mountain Creek Business Park in Dallas. At this facility, Cummins diesel engines will be disassembled and stripped down. Existing parts will be overhauled and supplemented with new parts in order to re-manufacture engines. The newly re-manufactured engines are then painted and tested extensively, then installed into heavy equipment and shipped back to the customers in the field.

The proposed \$19 million project includes construction of a new 160,000 square foot facility and the relocation of 40 existing jobs to the new facility. The company has committed to add 60 new jobs by April 15, 2016, for total minimum employment of 100 jobs. The average annual salary of the operations is estimated at \$67,000.

Cummins Southern Plains, LLC requests council consideration of a real property tax abatement on the value of new construction of 50 percent for seven years related to the development of this project. In addition, the City Council is asked to nominate Cummins Southern Plains, LLC as a State of Texas Enterprise Zone Project. The Enterprise Zone designation allows Cummins Southern Plains, LLC to receive state sales and use tax refunds on qualified expenditures for committing to hire at least 35

percent of its workforce from economically disadvantaged or enterprise zone residency requirements.

The forgone revenue from the proposed tax abatement is \$474,366. The ten-year net fiscal impact of the proposed development after incentives is \$4,705,503.

Project Details

Project Site: Northwest corner of Mountain Creek Parkway and Interstate-20 in Dallas, Dallas, Texas

Facilities: 160,000 square foot facility on approximately 20 acres

Real Property Investment: minimum of \$19 million (estimated total costs of \$25 million)

City Incentives

Real Property Tax Abatement: 50% - 7 years tax abatement will commence on or before January 2014.

	<u>Investment</u>	<u>Tax Abatement</u>	<u>Foregone Revenue</u>	<u>City of Dallas Tax Revenue</u>
Real Property Year One	\$19M	50% - 7 yrs	\$70,654	\$70,654
7-year totals	\$19M		\$474,366	\$474,366

Proposed Estimated Schedule of the Project

Begin Construction July 2012
Substantial Completion December 2013

Fiscal Information

- Revenue: First year revenue estimated at \$70,654; seven-year revenue estimated at \$474,366; (Estimated revenue foregone for seven-year abatement estimated at \$474,366).

Owner

Cummins Southern Plains, LLC
Charles Funai, Vice President & CFO

Staff

J. Hammond Perot, Assistant Director
Kim L. Moore, Marketing Manager

Recommendation

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

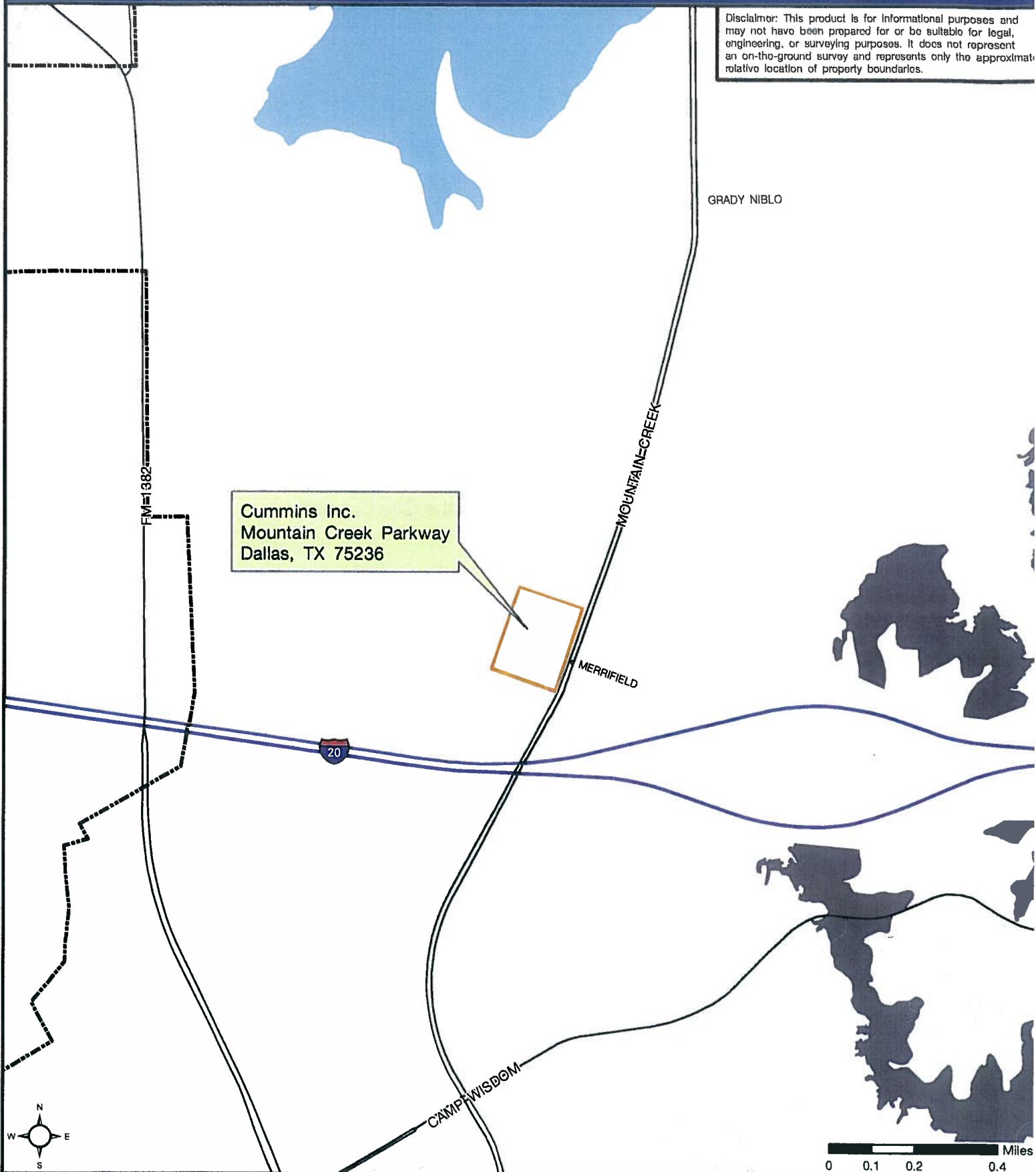


Ryan S. Evans
Assistant City Manager

- C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa Rios, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Director, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Stephanie Pegues-Cooper, Assistant to the City Manager

Cummins

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: 5/19/2012 12:35:16 PM Mapx10G

Legend

 Site

 Freeway

 Highway

 Arterial

 Local Road

 City of Dallas

Source: City of Dallas, 2012

Proposed Project Information Worksheet Economic Development Committee

A. Project Summary

City Council District	3	
Project/Company Name	Cummins Southern Plains, LLC	
Project Location	Northwest corner of Mountain Creek Parkway and Interstate-20	
Project Type	Equipment and engine re-manufacturing facility	
Facilities (Square Feet)	160,000	
Construction Schedule	Begin	1-Jul-12
	Complete	31-Dec-13
Private Improvement Investment	Real Property	\$25,000,000
	Business Property	\$4,400,000
Jobs	Created	155
	Retained	0
Average Wage Rate	Salary	\$67,000
	Hourly	N/A
City Incentive Summary	Tax Abatement	50%, 7 years
	Infrastructure	N/A
	Other	EZ Designation

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

	10-Year		20-Year	
	Jobs	Economic Output	Jobs	Economic Output
Direct Impact	155	572,300,000	155	1,225,300,000
Indirect and Induced Impact*	140	348,400,000	140	740,200,000
Total Impact	295	920,700,000	295	1,965,500,000

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	8,280,711	19,763,207
Total City GF Service Costs	3,025,676	6,248,199
Net Impact Before Incentives	5,255,035	13,515,008
City Incentives	549,532	549,532
Net City Fiscal Impact	4,705,503	12,965,476

* 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	\$ 2,059,974	N/A
Dallas County	\$ 404,061	N/A
DCCCD	\$ 159,118	N/A
Parkland Hospital	\$ 432,638	N/A
DART	\$ -	N/A

Memorandum



DATE June 1, 2012

TO Members of the Economic Development Committee:
Tennell Atkins, Deputy Mayor Pro Tem (Chair), Ann Margolin (Vice Chair), Monica Alonzo, Sheffie Kadane, Jerry Allen

SUBJECT **Authorize a Development Agreement with US Real Estate; LP, Council Agenda Item June 13, 2012**

Seefried Properties has teamed up with USAA Real Estate (a partner in US Real Estate, LP) to develop a new multi-building commercial/industrial business park on approximately 157 acres located at the northwest quadrant of Daniieldale Road and Old Hickory Road in the cities of Dallas and Desoto. Based on market conditions and securing lead tenants, USAA's plan is to construct approximately 2 million square feet of facilities in five buildings (one in Desoto and up to four in Dallas) with a potential investment up to \$104,000,000.

In order to encourage this development, USAA seeks approval of a development agreement with the City to provide up to 50 percent of the cost of the associated public infrastructure improvements. The necessary improvements include street and utility improvements to Daniieldale Road (west of Hampton Road) and Old Hickory Road (north of Daniieldale Road). The development agreement will require that the construction be publicly bid and City Council will be asked to award the contract at a later date. The current estimate of total required infrastructure is \$2.8 million so the City's maximum participation is \$1.4 million or 50 percent of total cost, whichever is less. In addition to funding an estimated \$1.4 million for the proposed infrastructure, USAA agrees to invest an additional \$1 million on site work to prepare the property for future vertical construction. Furthermore, the company will be responsible for any cost overruns associated with the construction of the public improvements.

As part of the development agreement, there are additional items that will likely be considered at a future date by the City Council. First, a municipal boundary adjustment is desired to ensure two planned buildings are fully within the city of Dallas. Presently, the east-west boundary line between Dallas and Desoto bisects two potential buildings on the site. By moving the boundary line south, it will ensure that these buildings are completely within the city. The developer is presently working with the City of Desoto to coordinate its authorization of the boundary adjustment.

Secondly, the portion of Daniieldale Road providing access to the property will be considered for a thoroughfare plan amendment as will a portion of Westmoreland Road. Relative to Daniieldale Road, the portion of Daniieldale Road west of Hampton Road will be considered for a downgrade from a six-lane divided roadway to a four-

lane undivided roadway. This proposed modification is consistent with a prior thoroughfare plan amendment approved by the City Council for the portion of Danieldale Road east of Hampton Road to Polk Street and ensures compatibility between these two sections. This portion of Danieldale Road currently exists as a sub-standard two lane roadway in need of full reconstruction. With respect to Westmoreland, the developer requests that the portion of the road abutting the property's western boundary be removed from the thoroughfare plan. A preliminary review of this request appears to justify this potential modification.

USAA Real Estate provides acquisition and development services to corporate and institutional investors. This subsidiary manages more than 45 million square feet of commercial property (valued at more than \$4 billion). Its portfolio includes industrial, office, retail, hotel and multi-family residential and mixed-use properties. Typical investments range from \$5 million to \$250 million. The company's include tenant and owner representation, corporate services, and construction and property management.

Seefried Properties is a privately owned by its management and specializes in the development, leasing, and management of industrial real estate. Founded in 1984, Seefried Properties has expanded from its origins as a European capital investor in Southeastern U.S. commercial real estate to become a builder of distribution and warehouse facilities in the United States. The firm leases and manages nearly 11 million square feet for its foreign and institutional clients and develops three to five million square feet per year for an average annual volume of \$200-\$350 million dollars in completed value. The company will be responsible for marketing the Dallas site to potential suitors.

Project Details

Project Site: 157 acres located at the northwest quadrant of Danieldale Road and Old Hickory Road

Real Property Investment: approximately \$1 million in site preparation improvements

City Incentives

Development Agreement: The current estimate of total improvements required public infrastructure is \$2.8 million so the City's maximum participation is \$1.4 million or 50 percent of total cost, whichever is less

Proposed Estimated Schedule of the Project

Begin Construction December 2012
Substantial Completion December 2013

Owner

US Real Estate, LP

David Buck, Managing Director

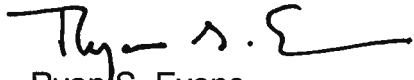
Staff

J. Hammond Perot, Assistant Director

Carlos Guzman, Sr. Coordinator

Recommendation

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



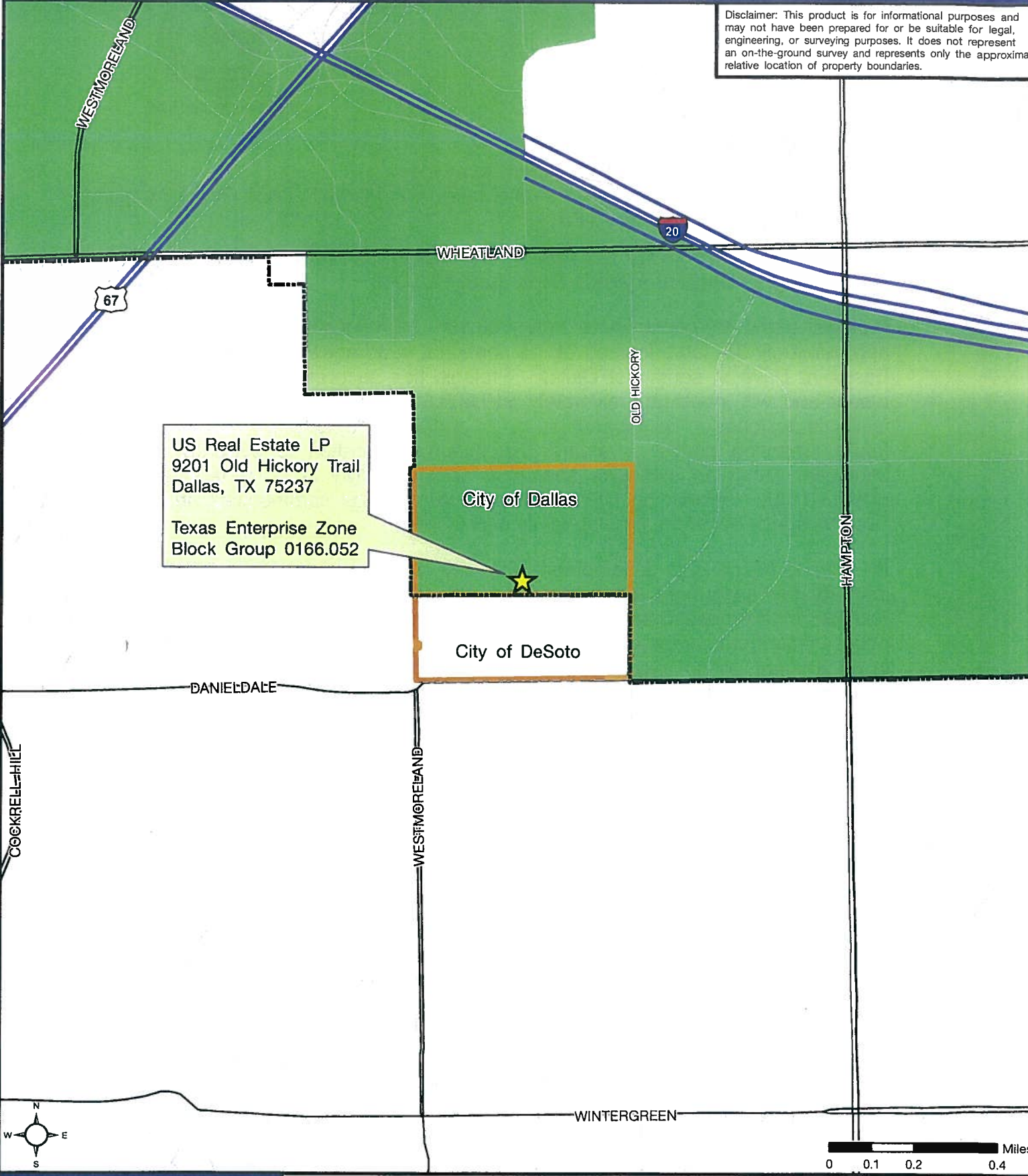
Ryan S. Evans

Assistant City Manager

- C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa Rios, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Director, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Stephanie Pegues-Cooper, Assistant to the City Manager

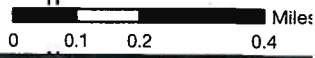
US Real Estate LP

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.



US Real Estate LP
 9201 Old Hickory Trail
 Dallas, TX 75237

Texas Enterprise Zone
 Block Group 0166.052



DALLAS ECONOMIC DEVELOPMENT
 Research & Information Division
 214.670.1685
 dallas-ecodev.org

- Legend**
- Site
 - Enterprise Zone
 - City of Dallas
 - Freeway
 - Highway
 - Arterial
 - Local Road

Source: Enterprise Zone Designations - Texas Office of the Governor, 2012; All Other Data - City of Dallas, 2012

Memorandum



DATE June 1, 2012

TO Members of the Economic Development Committee:
Tennell Atkins, Deputy Mayor Pro Tem (Chair), Ann Margolin (Vice Chair), Monica Alonzo, Sheffie Kadane, Jerry Allen

SUBJECT **Authorize a Real Property Tax Abatement and an Economic Development Grant with Prologis - Council Agenda Item, June 13, 2012**

Prologis plans to construct a new 398,165 s.f. industrial/distribution facility on approximately 34 acres located at the northeast quadrant of Buckner Boulevard and Eastpoint Drive in southeast Dallas. Prologis has secured Prime Distribution as a tenant and will invest approximately \$10,000,000 with the project. The proposed facility is designed to be expandable by an additional 187,000 s.f. in order to address future tenanting needs. Prime Distribution's operation is currently located in Mesquite. After an extensive search for a new facility in its current host city of Mesquite, the surrounding DFW area and other Texas communities, the company ruled Mesquite out of the running for its new facility.

In order to secure this development, the City of Dallas proposed a 75 percent real property tax abatement for seven years on added value to the real property. In addition, staff proposed an Economic Development Grant to fund the construction of public infrastructure improvements at 50 percent of the cost (public roads and utilities) in an amount not to exceed \$800,000. In addition to the estimated \$10,000,000 investment by Prologis, Prime Distribution will commit to maintaining at least 35 jobs at the site to be eligible for the proposed tax abatement.

Prologis owns and operates 584 million s.f. of distribution facilities in markets across North America, Europe and Asia. The company leases its operating portfolio of approximately 3,100 industrial facilities in 22 countries to manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs. Headquartered in Denver, Colorado, Prologis employs more than 1,100 people worldwide.

Prime Distribution was founded in 1990 and currently has facilities in Indiana, California, Georgia and Texas. The company provides vendors with a single point of distribution which incorporates warehousing, cross-docking, packaging and multi-vendor freight consolidation into their supply chain.

The proposed development will result in a 10 year net fiscal impact of \$417,688 and a \$2,076,590 net fiscal impact over 20-years.

Project Details

Project Site: Northeast quadrant of Buckner Boulevard and Eastpoint Drive, Dallas, Texas

Facilities: 398,165 square foot facility

Real Property Investment: approximately \$10 million

City Incentives

Real Property Tax Abatement: 75% - 7 years tax abatement will commence on or before January 2014.

	<u>Investment</u>	<u>Tax Abatement</u>	<u>Foregone Revenue</u>	<u>City of Dallas Tax Revenue</u>
7-year totals	\$10M	75% - 7 yrs	\$418,425	\$139,475

Economic Development Grant: \$800,000

Proposed Estimated Schedule of the Project

Begin Construction: July 2012
Substantial Completion: June 2013

Owner

Prologis

Reid Dunbar, First Vice President

Staff

J. Hammond Perot, Assistant Director
Carlos Guzman, Sr. Coordinator

Recommendation

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

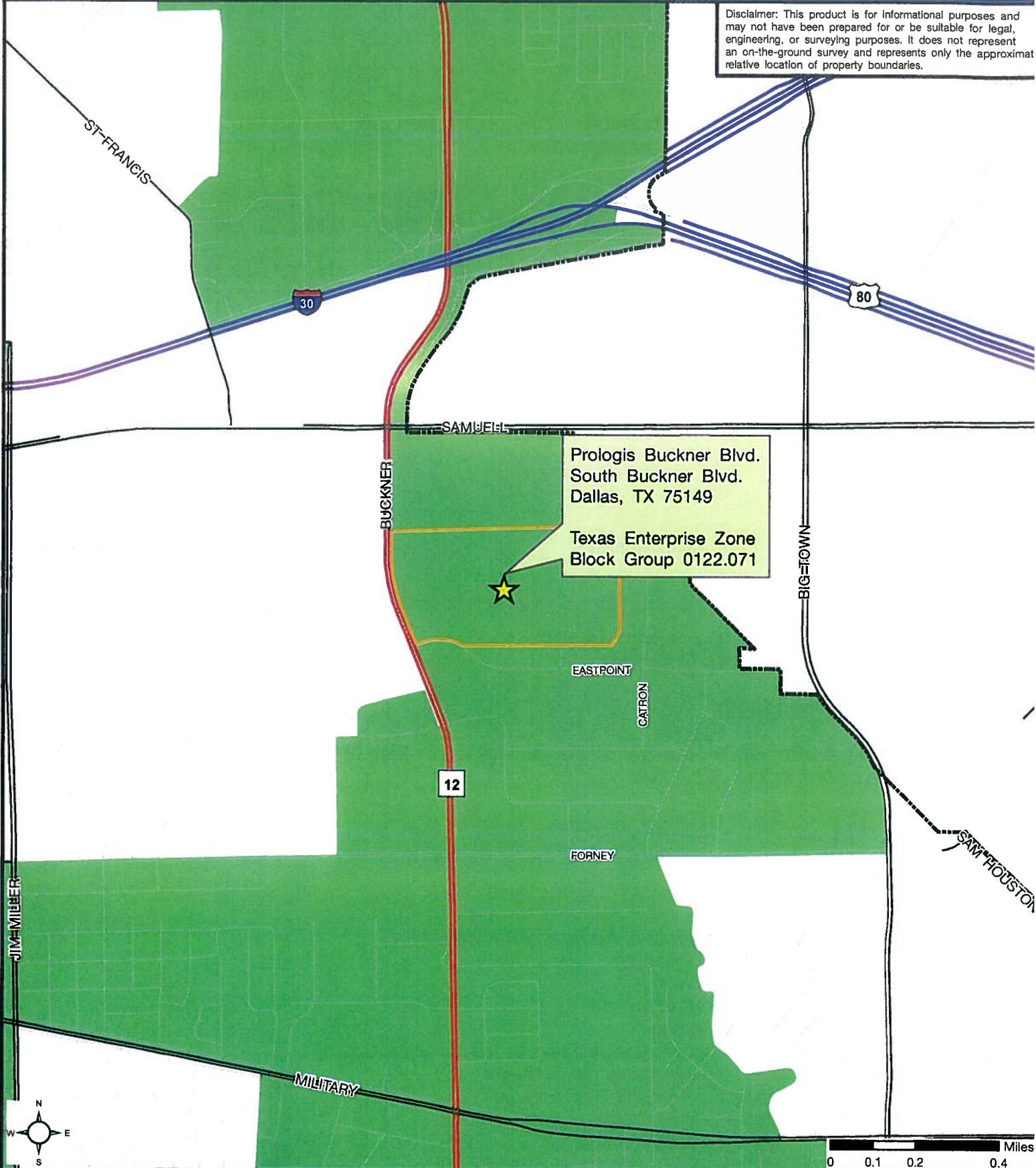


Ryan S. Evans
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa Rios, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Director, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Stephanie Pegues-Cooper, Assistant to the City Manager

Prologis Buckner Blvd.

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.



Prologis Buckner Blvd.
 South Buckner Blvd.
 Dallas, TX 75149

Texas Enterprise Zone
 Block Group 0122.071

**DALLAS
 ECONOMIC
 DEVELOPMENT**

Research & Information Division
 214.670.1685
 dallas-ecodev.org

Legend

Site

Enterprise Zone

Freeway

Highway

Arterial

Local Road

City of Dallas