

# **Business Retention Proposal for Hunt Consolidated**

Dallas City Council  
October 19, 2005



# Background

- Dallas is no longer a low-cost alternative that can compete with our suburban cities without an aggressive effort according to ***Strategic Engagement: Dallas' Economic Development Plan*** (adopted by City Council on September 14, 2005 pursuant to Resolution No. 05-2635)
- A major economic development goal for Dallas is to “*Create and Maintain an Aggressive Business Expansion and Retention Program*” that includes:
  - Annually creating or retaining at least 800 jobs at existing companies and increasing our commercial tax base through economic development projects by \$700 million

# Background

- Dallas has lost many significant corporate citizens over the years to our surrounding cities such as:

- EDS
- Frito Lay
- Mary Kay
- Hagger
- First American Real Estate
- Perot Systems
- Dr Pepper/7-Up
- Mobil

# Background

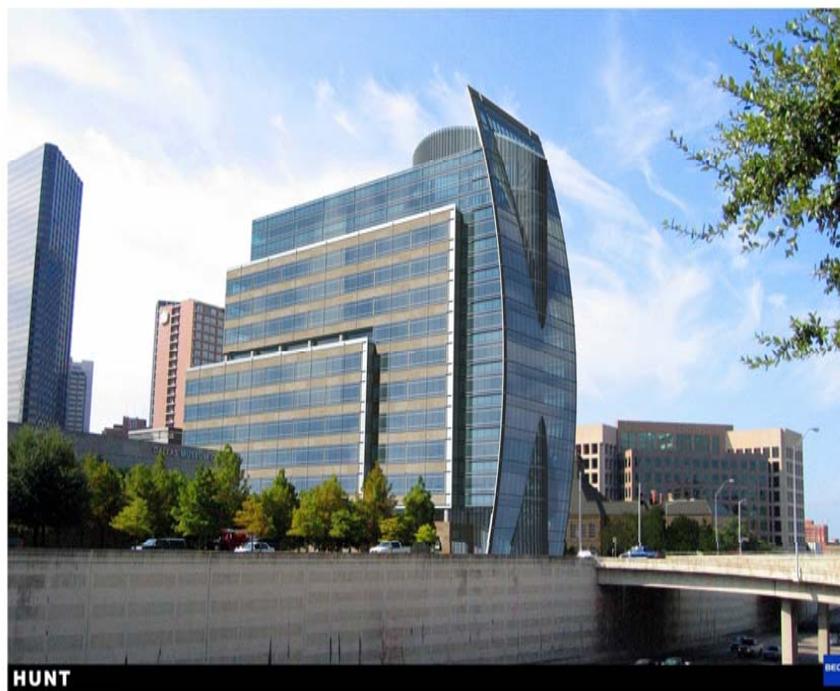
- The City Council has adopted a new aggressive policy to retain businesses so we can achieve:
  - Fewer business and job defections from the Central Business District
  - Reduced vacancy in our office buildings
  - A stable and increasing tax base
  - Vibrancy downtown

# Background

- In order to renew vibrancy downtown, the City must be committed to:
  - Achieving critical mass in the downtown residential population
  - Promoting substantial new commercial investment
  - Redeveloping obsolete office facilities
  - Reviving retail to service our growing residential and daytime populations
  - Recruiting and retaining businesses

# Business Retention Prospect

Hunt Consolidated, Inc. is the parent of Hunt Oil Company, Hunt Realty Corporation, Hunt Private Equity Group, Inc., Hunt Ventures, LP., and Hunt Power, LP., as well as affiliated companies such as Woodbine Development Corporation and Bristol Munger Properties, L.L.C.



# Business Retention Prospect



Presently located at Fountain Place, Hunt has been located in downtown for 68 years and maintains over 500 local employees and 2,900 worldwide.

## Business Retention Prospect

- Hunt has considered relocating its world headquarters to 1900 Akard in the CBD or to property it owns in the City of Irving near D/FW.
- Hunt's lease expires in December 2006 and the company must make a site decision by the end of October so it can finalize an extension with its current landlord for the construction period and avoid substantial lease penalties.
- Hunt has expressed a desire to remain downtown Dallas if it receives a "fair" business incentive to do so. The project meets the Council approved minimum eligibility criteria of 50 jobs or \$5M in new investment for a downtown project.
- The company has received an offer of economic incentives from the City of Irving to relocate its operations to that city.

# Business Retention Prospect

- Project Highlights
  - Located at 1900 Akard Street
  - Office building is in excess of 400,000 s.f. with 100 underground parks (estimated value of \$108 million)
  - An adjacent parking garage will provide an additional 350 parking spaces (estimated value of \$12.5 million)
  - Project will retain 500 plus jobs and maintain an estimated \$17 million in taxable business personal property

# Business Retention Prospect

- Project Incentives

- Staff proposes a tax abatement of 79 percent for 10-years on the taxable value of the new office building (this does not include the garage site).
- The estimated benefit to Hunt of this incentive is \$6.3 million.
- Assuming the \$6.3M incentive, the City still receives an estimated \$3.87M in tax revenue, County (combined) receives an estimated \$7.62M and DISD receives an estimated \$22.54M over the 10-year abatement term. After the abatement period the City will receive in excess of \$1M annually in taxes.

# Summary

- Business retention and the economic vitality of Downtown are significant goals of the City of Dallas.
- The City of Irving has offered Hunt Consolidated economic incentives to relocate.
- The City of Dallas has found it necessary to make a counter offer in order to retain Hunt's operations in Dallas.
- The project will retain 500 plus jobs downtown and provide significant tax revenue for all taxing jurisdictions.
- The proposed tax incentive is comparable to that provided other retention projects. (see Appendix)

# Recommendation

Staff recommends that City Council approve the proposed the 10-year 79 percent tax abatement incentive for the retention of Hunt Consolidated.



## Action Items

- An ordinance amending Ordinance No. 26020 approved on June 8, 2005, as amended to **(1)** allow for commercial tax abatements pursuant to Chapter 312 of the Texas Tax Code and, **(2)** designate the City's participation level of 90% in the Downtown Connection TIF District as required by Chapter 311 of the Texas Tax Code
- An ordinance amending Ordinance No. 26096, approved on August 29, 2005, to **(1)** adjust Dallas County's participation in the Downtown Connection TIF District from \$24,000,000 net present value to \$18,500,000 net present value, and **(2)** correct a typographical error in Section 2, Part VII of the Project Plan, titled Non-Project Cost, from an amount to exceed \$15,000,000 to an amount not to exceed \$15,000,000
- Authorize an amendment to the tax abatement agreement with Ross Akard Acquisition, L.P. approved on May 24, 2000, by Resolution No. 00-1669, to remove two parcels of land sold by Ross Akard Acquisition, L.P. to Bristol Munger Properties, L.L.C. located at 1900 Akard Street and 1818 Akard Street

## Action Items

- Authorize a tax abatement agreement with Bristol Munger Properties, L.L.C. for the purpose of granting a 10-year abatement of 79 percent of the taxes on the value of real property improvements at 1900 Akard

## Appendix

- Project estimates of 7-Eleven compared to Hunt

	<b>7-Eleven</b>	<b>Hunt</b>
Facility	650,000 s.f.* <small>*includes residential, spec. office space and retail</small>	400,000 s.f.* <small>*single tenant facility</small>
Investment	\$105M	\$120M
Jobs	1,000	500
Incentive	\$9.75M	\$6.3M