

Memorandum



CITY OF DALLAS

Date July 29, 2011
To The Honorable Mayor and Members of the City Council
Subject Dallas/Fort Worth International Airport Briefing

On August 3rd, John Terrell, Vice President for Commercial Development at Dallas/Fort Worth International Airport, will provide a briefing on the Airport's Commercial Development Land Use Plan and Financial Business Model. The briefing materials are attached for your review.

Please contact me if you have questions.

A handwritten signature in black ink, appearing to read 'Mary K. Suhm'.

Mary K. Suhm
City Manager

Cc: A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Thomas P. Perkins, Jr., City Attorney
Rosa A. Rios, Interim City Secretary
Craig D. Kinton, City Auditor
C. Victor Lander, Administrative Judge
Helena Stevens-Thompson, Assistant to the City Manager

Dallas/Fort Worth International Airport

Dallas City Council Briefing:
Commercial Development Land Use Plan and
Financial Business Model

August 3, 2011



Business Overview

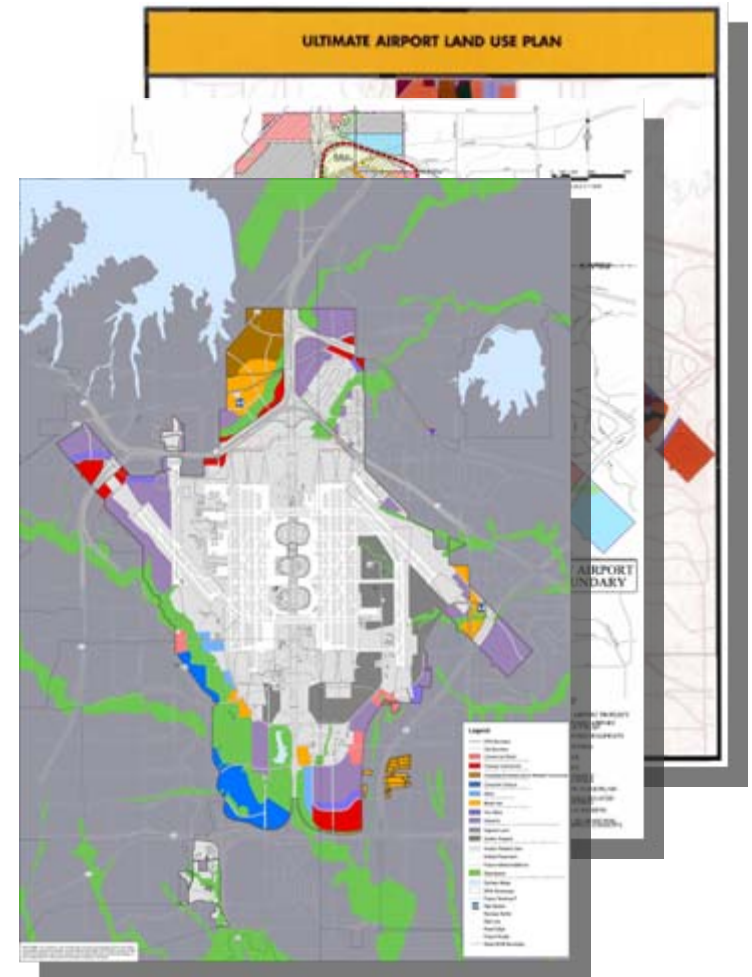


- Jointly-owned by the cities of Dallas and Fort Worth
- Operations are handled by DFW Airport Board
- Considered one the most successful cooperative projects in the history of the cities

DFW Land Use Plan

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

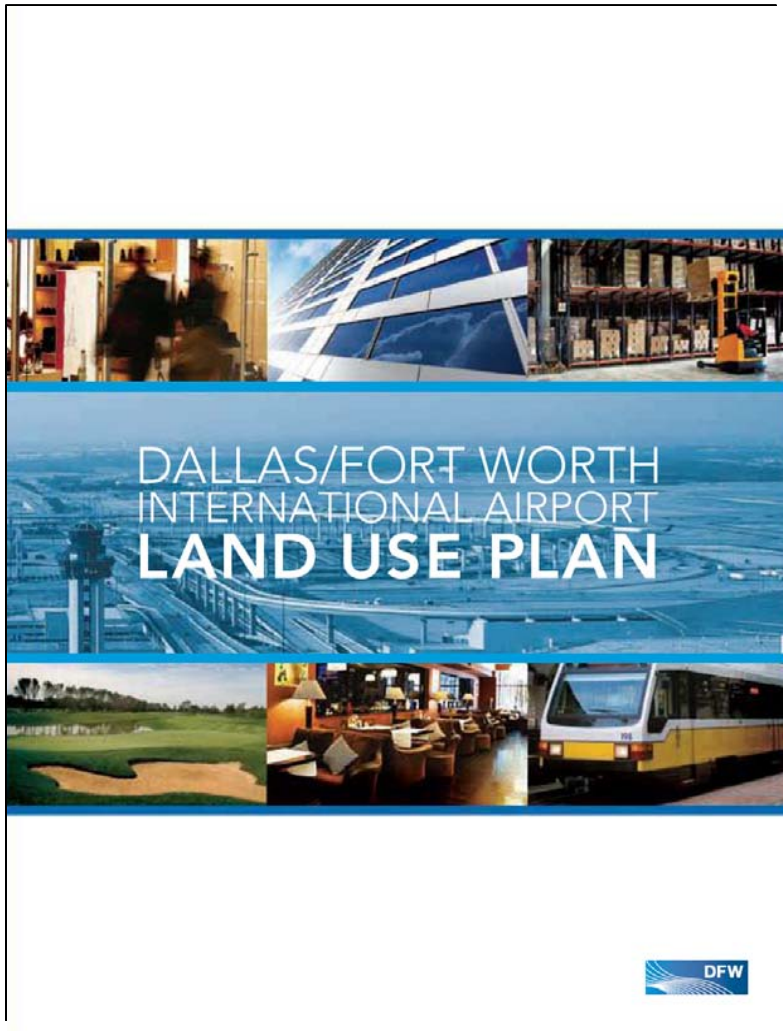
- Current 2007 plan has fundamental elements of 1967, 1974, 1987, 1997 and 2001 plans
- Defines both direct aviation uses and indirect non-aviation commercial uses
- Promotes highest and best use for compatible development that is enduring, sustainable and financially sound
- Leverages uniqueness of DFW Airport identity and experience
- Approved by DFW Board and FAA



2007 Land Use Plan

DFW Land Use Plan

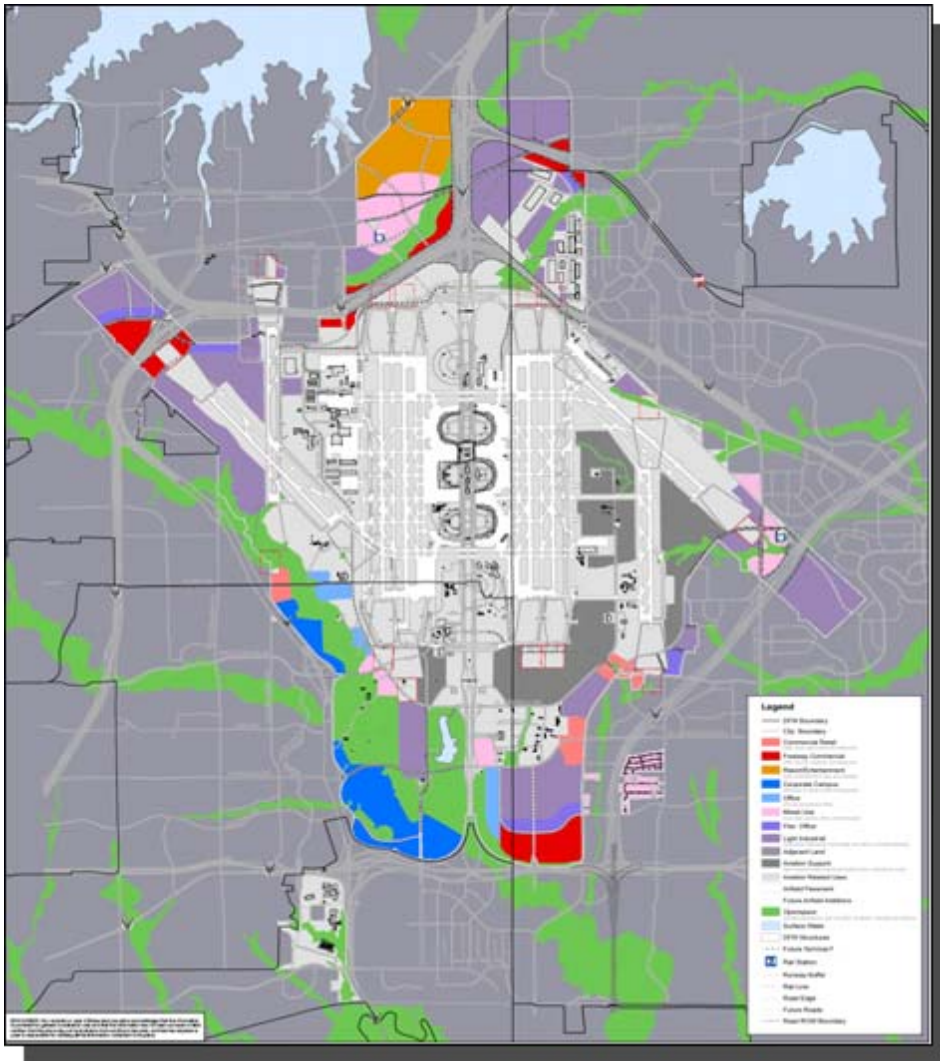
Supports goal to be more competitive in the global travel market by developing a multifaceted center of commerce.



- Approximately 6,600 acres of developable land
- More than 5,200 gross acres of property will emerge into multiple centers of development
- Avoids competition with Owner Cities
- Enables increased revenue for Owner Cities, Host Cities, Airport, Region and the State












DFW Land Use Plan

Core Business Operations Map



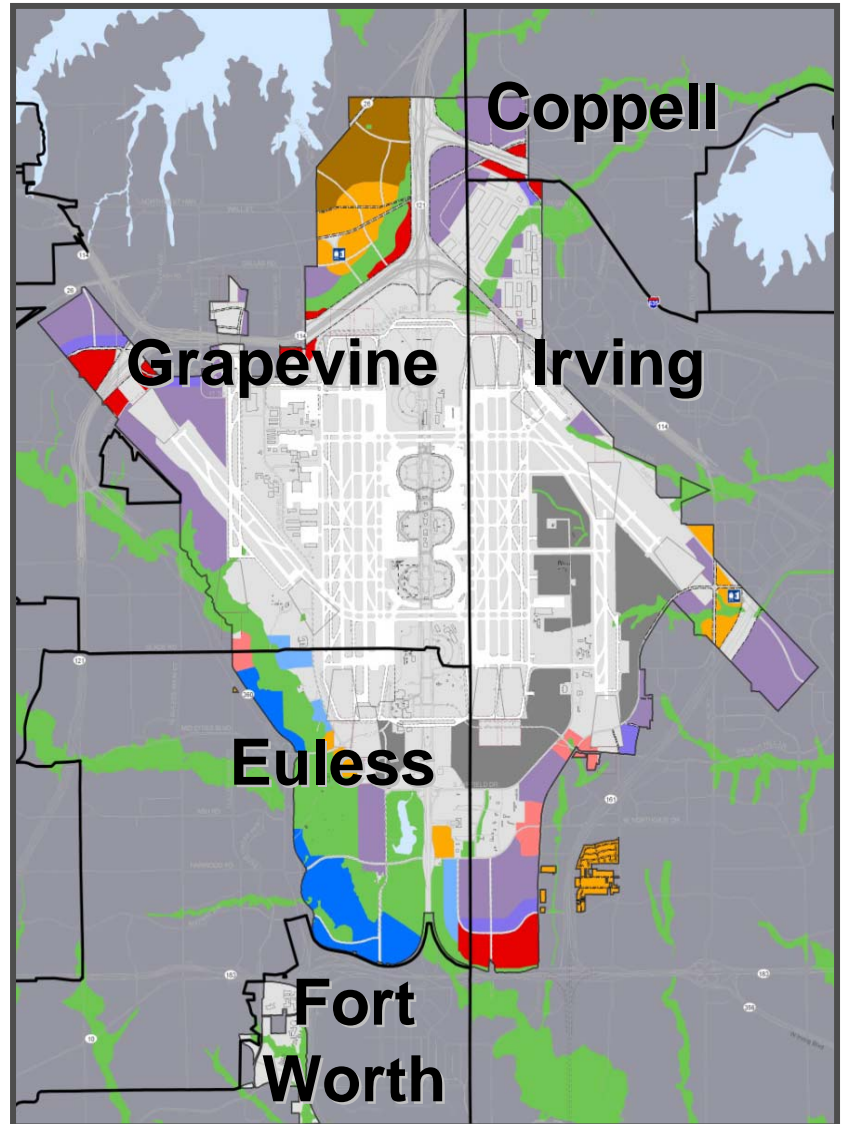
Legend

Commercial Land Development

-  **Commercial Retail**
retail, local, stand alone and restaurant
-  **Freeway Commercial**
retail, big box, regional and restaurant
-  **Hospitality/Entertainment & Related Commercial**
hotel, entertainment uses and activities
-  **Corporate Campus**
office use in campus style development
-  **Office**
mid-rise and garden office
-  **Mixed Use**
local retail, garden office and restaurant
-  **Flex Office**
-  **Industrial**
warehouse, distribution, technology, flex office and light assembly
-  **Adjacent Land**
-  **Aviation Support**
light industrial supporting direct aviation uses, including air cargo
-  **Aviation Related Uses**

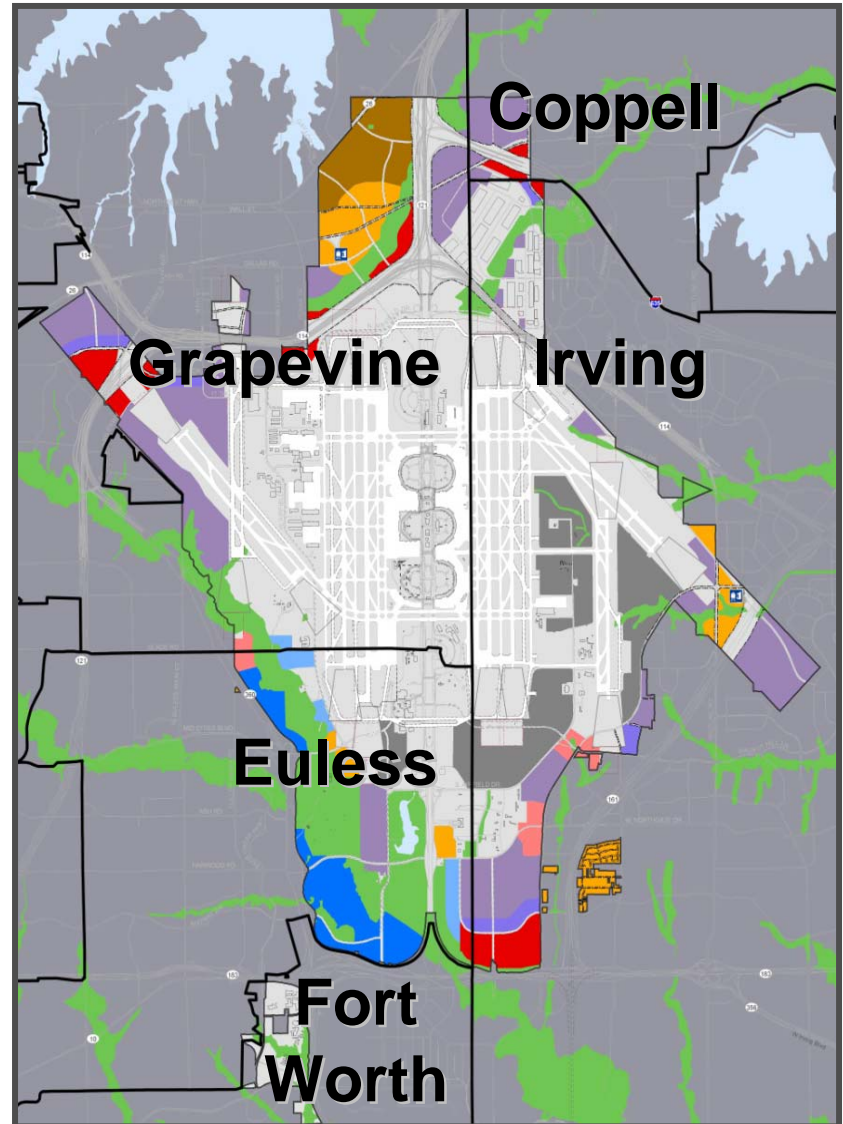
DFW Land Use Plan

- Supports the Airport's employees and passengers
- Land leasing policies avoid adverse impacts to Owner Cities
- Creates and promotes economic benefits and tax revenue
- Diversifies non-airline revenue streams that are critical to the future of DFW



2009 DFW Board Retreat

- Support received for Commercial Development Strategic Plan with following restrictions:
 - Hotels over 500 rooms
 - Convention Centers
 - Casinos



Tax Sharing Arrangements

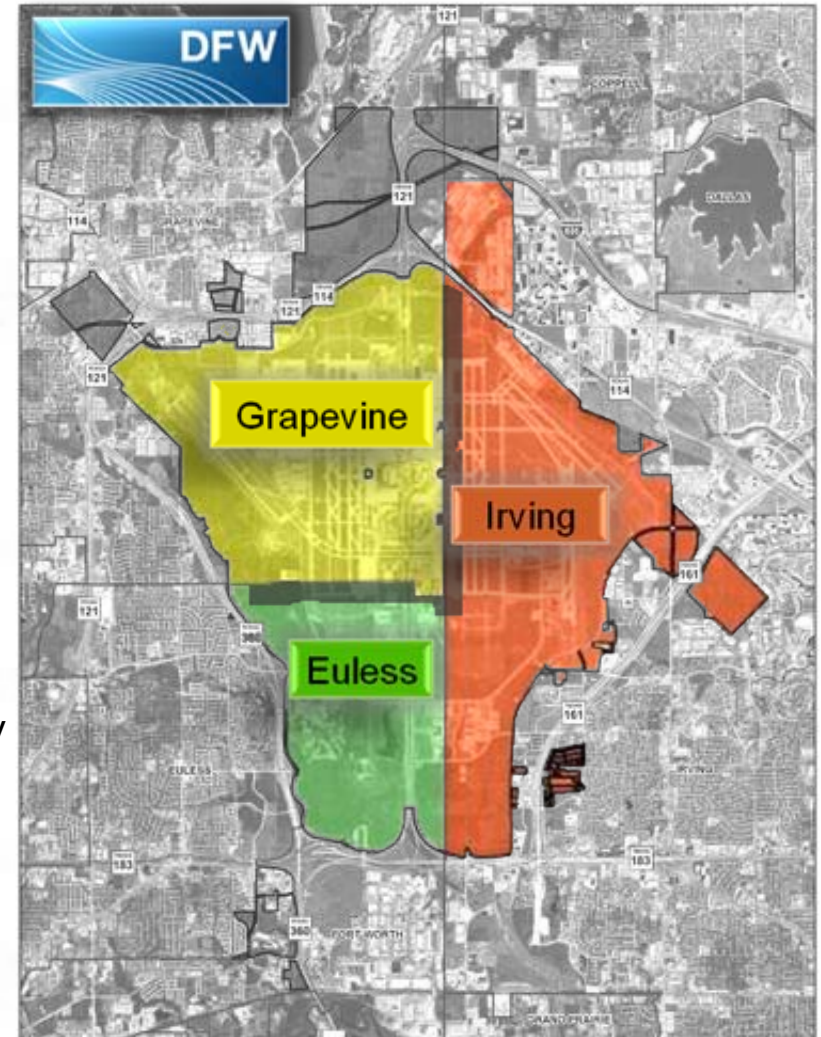
Currently in place with Euless and Irving

- **Euless Tax Share Agreement**
 - In 2009, Dallas received \$4,643,615.82
 - In 2009, Fort Worth received \$4,475,087.08

- **Irving Tax Share Agreement**
 - In 2009, Dallas received \$590,415.93
 - In 2009, Fort Worth received \$337,380.53

- **Grapevine legislative tax-sharing arrangement**
 - Owner Cities to share in tax proceeds in excess of a \$5,956,313.04 threshold annually

- **Total annual tax contribution to taxing entities +/- \$63,000,000**



Business Model Analysis

Purpose of Study

- Evaluate long-term viability
- Analyze internal revenue vs. investment expense
- Estimate external tax-sharing revenue
- Prioritize and phase development districts
- Initiative to provide financial analysis; not a market study



JONES LANG LASALLE
Real value in a changing world

Dallas/Ft. Worth International Airport
commercial development **business** modeling

January 7, 2011

IRR	148%	148%
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*NPV Assuming Reversion of Future Cash Flows and Buildings brings forward the future value of remaining 15 years of cash flows and the future value of buildings for each phase

NPV Assuming Reversion of Future Cash Flows but NO Buildings only brings forward the future value of remaining 15 years cash flows for each phase

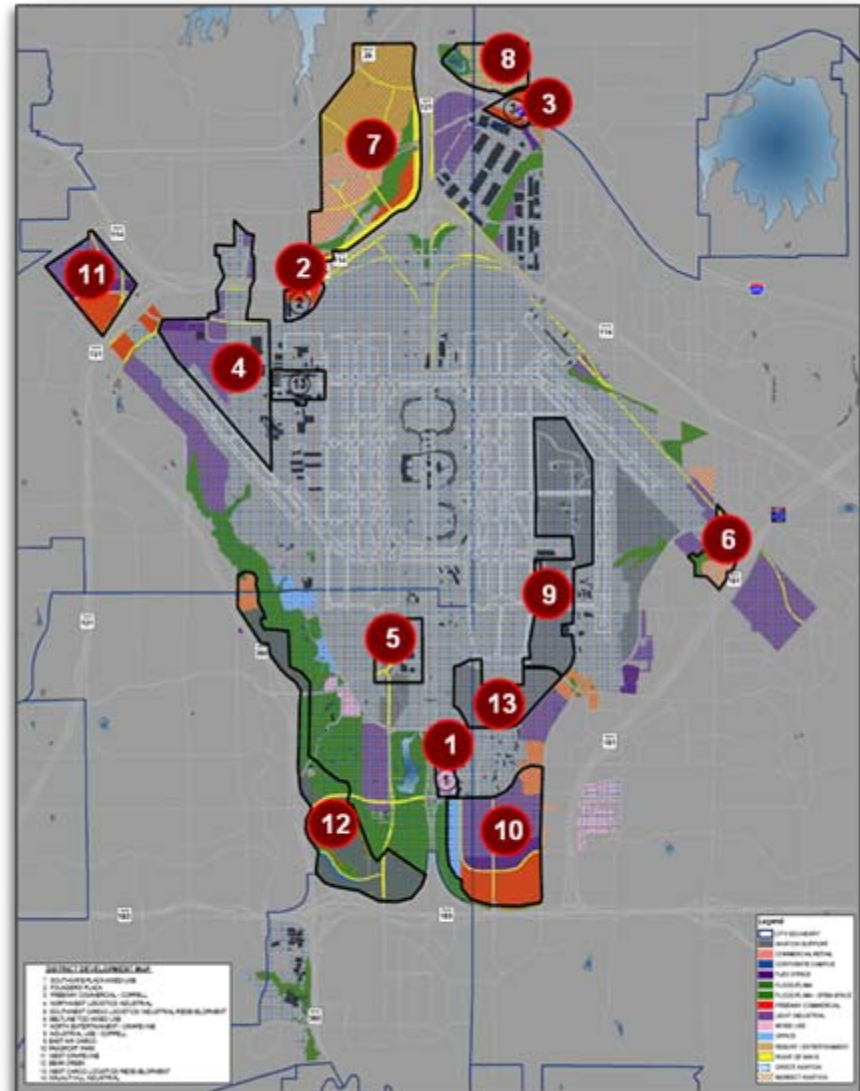
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*Inclusive of Property Tax, Business Personal Property (BPP) Tax, Sales Tax, and Hotel Occupancy Tax (HOT)

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Business Model Analysis Development Districts Map

- 1 Southgate Plaza (Mixed-Use)
- 2 Founders' Plaza (Mixed-Use)
- 3 Coppell Freeway Commercial
- 4 Northwest Logistics
- 5 Southwest Cargo
- 6 Beltline TOD (Mixed-Use)
- 7 North Entertainment (Mixed-Use)
- 8 Coppell Industrial
- 9 East Air Cargo
- 10 Passport Park (Mixed-Use)
- 11 West Grapevine (Industrial)
- 12 Bear Creek (Corporate Office)
- 13 Walnut Hill (Industrial)



Business Model Analysis

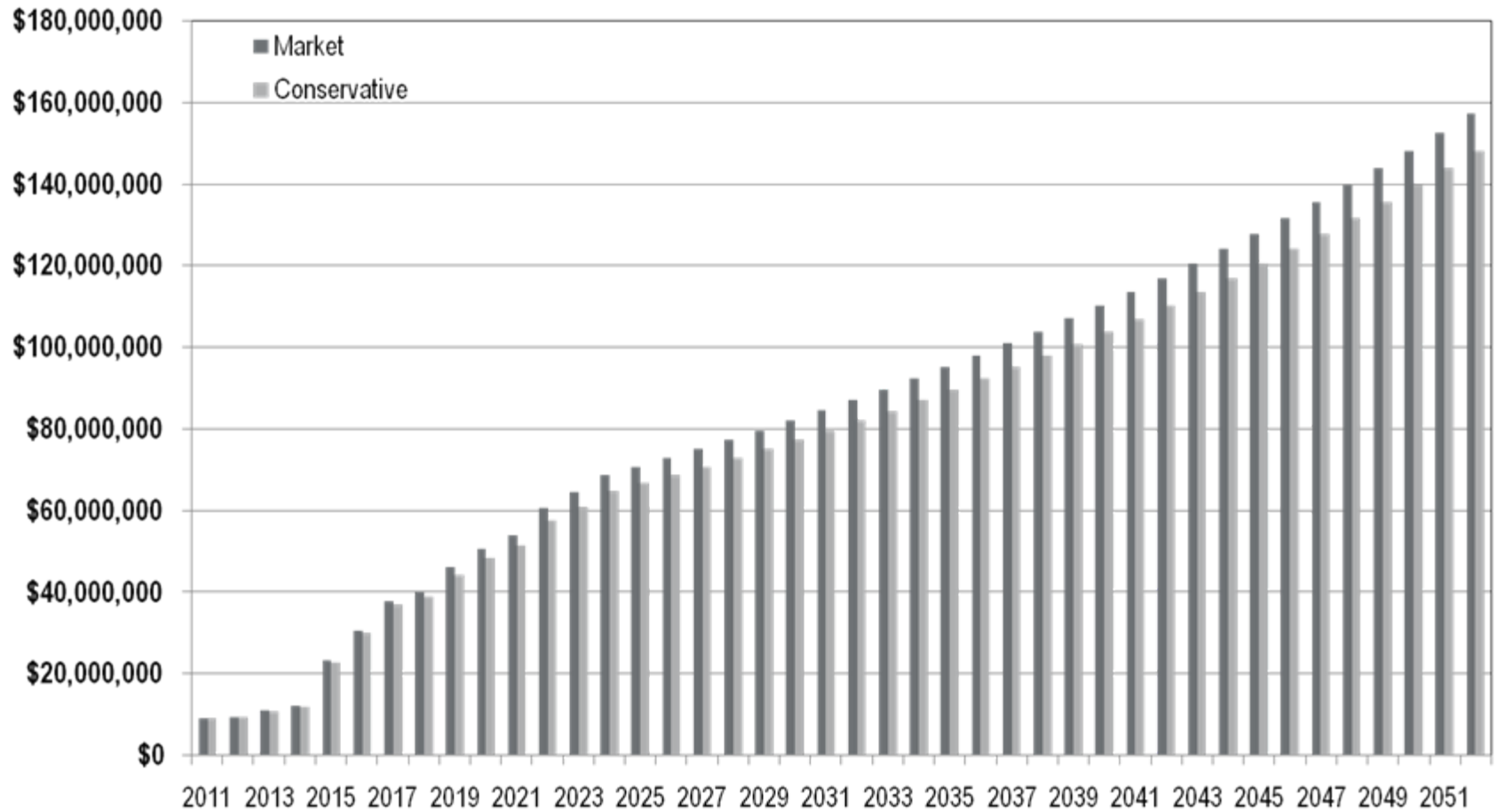
Findings Conclusions

Revenues To:	Total Stabilized Annual Cash Flow (2038) ¹	Total Cumulative Revenues	NPV of Revenues at 8%
DFW	\$261,315,703	\$15,431,436,527	\$2,268,021,502
Revenues To:	Total Stabilized Annual Cash Flow (2038) ¹	Total Cumulative Revenues	NPV of Revenues at 8%
Fort Worth	\$40,355,493	\$1,927,528,913	\$376,916,759
Dallas	\$64,922,557	\$3,190,144,169	\$599,570,167
All Other Taxing Entities	\$411,743,765	\$19,136,862,314	\$3,713,842,881
TOTAL REVENUES	\$778,337,517	\$39,685,971,924	\$6,958,351,308

¹ Net of debt service and ongoing infrastructure expenses

Business Model Analysis

Revenues to Owner Cities¹



¹ Inclusive of existing tax revenues

Airport Oriented Activities

Summary

- **DFW can accomplish more for the Owner Cities than fundamental airport operations**
- **Commercial Development provides business opportunities to M/WBE firms**
- **These commercial development opportunities create no negative budget impacts to the Owner Cities**
- **Tax sharing arrangements create stable revenue streams to the Owner Cities at no cost**
- **Owner Cities can benefit from land development opportunities with DFW**



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