

Memorandum



CITY OF DALLAS

DATE October 2, 2009

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

SUBJECT **Deloitte LLP-Corporate Office Consolidation & Expansion in Downtown Dallas**

On Monday, October 5, 2009, you will be briefed on Deloitte LLP-Corporate Office Consolidation & Expansion in Downtown Dallas. A copy of the briefing is attached.

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

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez', written over a printed name and title.

A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Director, Budget & Management Services
David Cook, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

Deloitte LLP

Corporate Office Consolidation & Expansion in Downtown Dallas

Economic Development Committee

October 5, 2009



Purpose

- Present to the Committee a proposed consolidation of Deloitte LLP's existing Irving and downtown Dallas corporate offices
- Receive a recommendation of the Committee on the proposed economic development grant/incentive associated with the project

Background

- The City has made substantial investments to facilitate downtowns continued transition into a 24-7 activity center
 - Convention Center Hotel
 - Art's District Facilities and Deck Park
 - Mercantile project and other obsolete office building conversions to residential
 - Trinity River Project, DART expansions, etc.
- Recent office related success stories include the relocations of Comerica Bank and AT&T headquarter operations and the retention and development of new facilities for Hunt Consolidated and 7-Eleven

Background

- Notwithstanding recent success stories, real estate forecasts call for continued weak leasing activity, higher vacancies, lower rents and property values.
 - Office Vacancy Rates in the Central Business District are 29.1%, highest since 3rd Quarter of 2005 (Dallas Business Journal September 28, 2009)
 - Dallas CBD Office Vacancy rate is the highest in the nation, and twice the national CBD (13.9%) average vacancy (Cushman & Wakefield 2Q 2009 Market Beat – US Office Report)
 - Office absorption continues to be slow: year to date, the DFW market recorded 7.16 million square feet leased, compared to 12.6 million square feet leased at this time last year (Dallas Business Journal September 28, 2009)
 - Nationally, leasing activity for the first half of 2009 was down approximately 50% (Cushman & Wakefield 2Q 2009 Market Beat – US Office Report)

Background

- Given this context, the retention of major existing downtown tenants is crucial to maintaining positive momentum during the current economic climate.

Project Summary

- Deloitte LLP approached the City in early 2009 related to the firm's planned consolidation of its operations in the City of Irving (470 jobs) and downtown Dallas (950 jobs at 2200 Ross Avenue)
- There was a multi-million dollar cost advantage to Deloitte LLP if it chose an Irving facility relative to downtown Dallas office buildings

Project Summary

- Given the prospect of potentially losing a major downtown office tenant, staff proposed the following incentive to Deloitte:
 - An economic development grant of \$2 million from the Public/Private Partnership Fund
 - The grant is payable over four (4) years in \$500,000 increments beginning December 2011 through December 2014 and subject to annual appropriations by City Council

Project Summary

- Subject to City Council approval of the proposed economic development grant, Deloitte LLP has agreed to execute a 10-year lease extension at 2200 Ross Avenue (Chase Tower) beginning 2011 and will:
 - Commit to maintain a minimum of 1,111 jobs at this location
 - Ensure approximately \$19.9 million is invested for tenant improvements



Staff Recommendation

- City Council approval of the proposed Chapter 380 Economic Development Grant for Deloitte LLP on October 14, 2009

Background on Deloitte LLP

- Deloitte LLP subsidiaries provide audit, consulting, financial advisory, risk management, and tax services to selected clients
 - subsidiaries include Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP and Deloitte Tax LLP
- In the United States, Deloitte LLP is the member firm of Deloitte Touch Tohmatsu, a Swiss based company

APPENDIX

Appendix Project Information Worksheet Economic Development Committee

A. Project Summary

City Council District	14 - Hunt	
Project/Company Name	Deloitte LLP	
Project Location	2200 Ross Avenue	
Project Type	Retention & Expansion	
Facilities (Square Feet)	160,000	
Construction Schedule	Begin	Oct-10
	Complete	Oct-12
Private Improvement Investment	Real Property	\$19,900,000
	Business Property	\$10,200,000
Jobs	Created	470
	Retained	950
Average Wage Rate	Salary	\$100,000
	Hourly	
City Incentive Summary	Tax Abatement	
	Infrastructure	
	Other - Grant	\$2,000,000

B. Economic Impact Estimates (Dallas City Economy Only)

	10-Year	
	Jobs	Economic Output
Direct Impact	1,420	\$1,951,532,121
Indirect and Induced Impact*	1,140	\$1,561,225,697
Total Impact	2,560	\$3,512,757,818

C. City of Dallas General Fund Fiscal Impact

(From direct, indirect and induced economic impacts)

	10-Year
Total City GF Revenue Generated	\$53,535,601
Total City GF Service Costs	\$20,588,057
Net Impact Before Incentives	\$32,947,544
City Incentives	\$2,000,000
Net City Fiscal Impact	\$30,947,544

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

Numbers provided reflect the retained value of Deloitte as well as the added value of the new jobs moving to Dallas