

Memorandum



CITY OF DALLAS

DATE March 15, 2019

TO The Honorable Members of the Economic Development and Housing Committee:
Tennell Atkins, Rickey D. Callahan, Lee M. Kleinman, Scott Griggs, Casey Thomas, II,
B. Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT Upcoming March 27, 2019 Agenda Item: A resolution requesting the City of Dallas
consent to an extension of the D/FW International Airport, City of Irving and Aviall
Services, Inc. Chapter 380 Economic Development Agreement

On Monday, March 18 2019, the Economic Development and Housing Committee will be briefed on the D/FW International Airport, City of Irving and Aviall Services, Inc. Chapter 380 Economic Development Agreement extension request. This item will be considered by the Dallas City Council at the March 27, 2019 Council Agenda meeting.

The briefing materials are attached for your review.

Please contact Brett Wilkinson, Managing Director, Office of Strategic Partnerships and Government Affairs, at brett.wilkinson@dallascityhall.com or (214) 670 - 5795.


for Kimberly Bizer Tolbert

Chief of Staff to the City Manager

c: Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

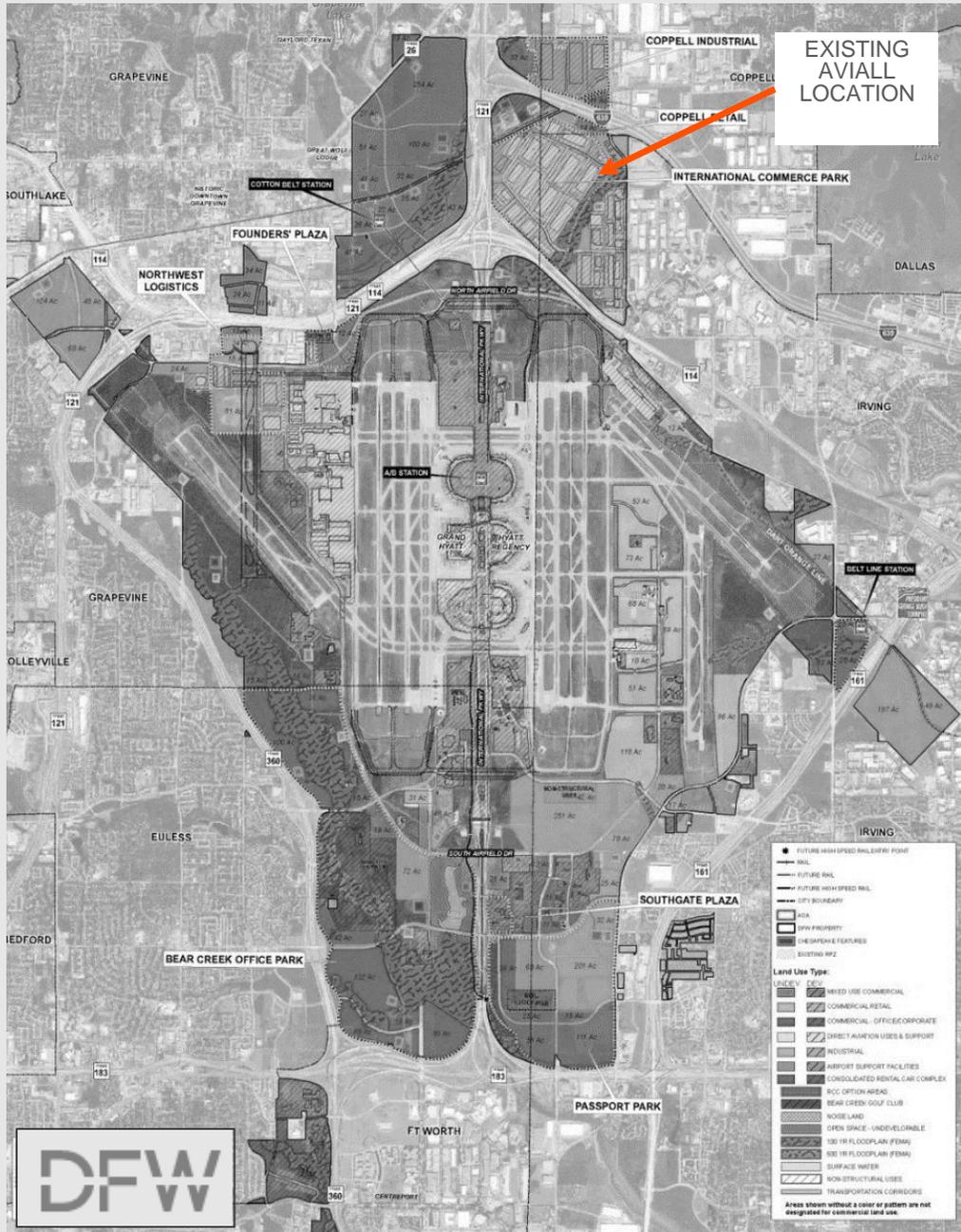
D/FW International Airport – City of Irving Aviall Chapter 380 Economic Development Agreement

March 18, 2019



Background

- Aviall, headquartered in Irving, TX, is the world's largest diversified aircraft parts distributor delivering airplane parts and repair services. The company manages inventory for the global aerospace and defense industry and holds significant inventory at its facility in Irving.
- Aviall was purchased by Boeing in 2006.
- American Airlines is one of Aviall's largest customers.
- Aviall employs over 1,000 employees in the region. When combined with Boeing's workforce the total is over 1,400 in North Texas. Since 2011, Aviall has added roughly 600 jobs.
- Aviall currently operates over 605,000 square feet of warehouse/office space.



DFW

Background, cont.

- In 1998, the City of Irving, the Dallas/Fort Worth International Airport Board, and the Cities of Dallas and Fort Worth entered into an Interlocal Agreement for sharing of revenue generated from property located in the City of Irving and within the boundaries of the Dallas/Fort Worth International Airport.
- In 2001, the City of Irving, with consent of the other parties to the Interlocal Agreement, executed an economic development grant agreement pursuant of Chapter 380 of the Texas Local Government Code, between the City of Irving and Aviall Services, Inc.
- In 2006, the 2001 agreement was renewed.
- In 2009, the Interlocal Agreement between the Dallas/Fort Worth International Airport Board was amended to clarify the treatment of economic development grants authorized by Texas Local Government Code, Chapter 380.

Background, cont.

- In 2014, the 2001 and 2006 agreements were further amended by resolution to extend the term and amend the agreement to reflect voter approved amendments to the Texas Constitution, which amended the Chapter 380 agreement to add new freeport exemptions.
- In 2019, the City of Irving and the Dallas/Fort Worth International Airport Board approved resolutions extending the Chapter 380 agreement as a retainment incentive until Dec. 31, 2031.
- This extension of the Chapter 380 agreement requires consent of the governing bodies of the Cities of Dallas and Fort Worth.

Freeport Exemption and Chapter 380 Agreement

Freeport Exemption

Freeport Exemption allows for a property tax exemption for freeport goods that are or will be forwarded out of Texas within 175 days of the date you acquire them or bring them into Texas; and are in Texas for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes. In 2013, the Texas Legislature passed a bill to extend the Freeport Exemption of only aircraft parts to 730 days, which was approved by voters in Prop. 3 of that same year.

Chapter 380 Agreement

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services at little or no cost to promote state and local economic development and to stimulate business and commercial activity.

Chapter 380 Economic Incentive Agreement for Aviall

- The City of Irving does not offer Freeport Exemption, however, many North Texas cities do.
- The Chapter 380 agreement is the vehicle used by the City of Irving to offer “Freeport equivalent” tax benefit to Aviall Services, Inc.
- Aviall is pleased with their current location and extension of the current agreement will keep the Irving location competitive. However, Aviall has begun to evaluate other locations in North Texas, as well as locations outside of Texas, to move operations to a locale that already offers the inventory exemption.
- As an incentive to remain in its existing facilities, the City of Irving is offering to Aviall to amend and restate the existing agreement to extend the same incentives for an additional ten-year term to coincide with Aviall’s renewed lease.
 - Grant of 100% of the business personal property taxes

Chapter 380 Economic Incentive Agreement for Aviall, cont.

- An estimated \$309,137 will be distributed to Dallas and Fort Worth (2018 tax assessments) this year.
- An estimated \$5.4 million will have been paid to Dallas and Fort Worth by 2031.
- Retain 951 employees at locations.
- Create at least 100 new full-time jobs by Dec. 31, 2023.
- Continuously maintain 1,051 jobs until Dec. 31, 2031.

Timeline

February 14, 2019 – City of Irving Approved Agreement

March 5, 2019 – DFW Airport Board Concessions/Commercial Development Committee Briefed

March 7, 2019 – DFW Airport Board Approved Agreement

March 18, 2019 – Dallas Economic Development/Housing Committee Briefing

March 26, 2019 – Fort Worth City Council Consideration

March 27, 2019 – Dallas City Council Consideration

Payment Summary (2002 to 2011)

| Tax Year | A Total Taxable BPP Value | B Freeport/ Base | C Net Total Taxable BPP Value (A-B) | D Total Taxes Collected (A x City Tax Rate) | E Rebate To Company (C x City Tax Rate) | F Retained by Member Cities (D - E) x 2/3 x M&O | G Retained By City* (D - E - F) |
|----------|---------------------------------|------------------------|--|--|--|--|--|
| 2002 | \$202,604,910 | (\$183,656,415) | \$18,948,495 | \$1,008,972 | \$914,609 | \$51,041 | \$43,322 |
| 2003 | \$266,750,570 | (\$229,216,675) | \$37,533,895 | \$1,421,247 | \$1,221,266 | \$116,899 | \$83,082 |
| 2004 | \$238,089,450 | (\$203,145,447) | \$34,944,003 | \$1,268,541 | \$1,082,359 | \$112,910 | \$73,272 |
| 2005 | \$254,788,410 | (\$204,255,006) | \$50,533,404 | \$1,375,857 | \$1,102,977 | \$164,915 | \$107,965 |
| 2006 | \$292,034,310 | (\$250,504,259) | \$41,530,051 | \$1,600,056 | \$1,372,513 | \$143,489 | \$84,054 |
| 2007 | \$433,859,750 | (\$383,516,457) | \$50,343,293 | \$2,345,446 | \$2,073,290 | \$166,233 | \$105,923 |
| 2008 | \$520,119,780 | (\$449,035,714) | \$71,084,066 | \$2,811,768 | \$2,427,487 | \$233,854 | \$150,427 |
| 2009 | \$587,821,060 | (\$499,033,244) | \$88,787,816 | \$3,177,761 | \$2,697,774 | \$274,529 | \$205,458 |
| 2010 | \$715,880,430 | (\$626,756,912) | \$89,123,518 | \$4,124,187 | \$3,610,747 | \$319,770 | \$193,670 |
| 2011 | \$788,421,810 | (\$709,844,670) | \$78,577,140 | \$4,719,493 | \$4,249,130 | \$311,498 | \$158,865 |
| | | | | \$23,853,328 | \$20,752,152 | \$1,895,138 | \$1,206,038 |

The Cities of Dallas and Fort Worth receive two-thirds of the increased revenue and apportion said revenues, 7/11ths to Dallas, 4/11ths to Fort Worth.

Payment Summary (2012 to 2021)

| Tax Year | A Total Taxable BPP Value | B Freeport/ Base | C Net Total Taxable BPP Value (A-B) | D Total Taxes Collected (A x City Tax Rate) | E Rebate To Company (C x City Tax Rate) | F Retained by Member Cities (D - E) x 2/3 x M&O | G Retained By City* (D - E - F) |
|-------------|------------------------------|------------------------|--|--|--|--|--|
| 2012 | \$974,716,900 | (\$893,542,102) | \$81,174,798 | \$5,834,655 | \$5,348,743 | \$325,221 | \$160,691 |
| 2013 | \$968,998,720 | (\$906,065,413) | \$62,933,307 | \$5,800,426 | \$5,423,708 | \$251,572 | \$125,146 |
| 2014 | \$878,412,130 | (\$85,233,537) | \$793,178,593 | \$5,218,646 | \$4,712,274 | \$256,723 | \$249,649 |
| 2015 | \$1,390,599,960 | (\$88,216,711) | \$1,302,383,249 | \$8,261,554 | \$7,737,459 | \$273,472 | \$250,623 |
| 2016 | \$1,330,637,830 | (\$91,304,296) | \$1,239,333,534 | \$7,905,319 | \$7,362,881 | \$282,495 | \$259,943 |
| 2017 | \$1,259,745,500 | (\$94,499,946) | \$1,165,245,554 | \$7,484,148 | \$6,922,724 | \$292,950 | \$268,474 |
| 2018 | \$1,245,146,990 | (\$97,807,444) | \$1,147,339,546 | \$7,397,418 | \$6,816,344 | \$309,137 | \$271,937 |
| 2019 | \$1,245,146,990 | (\$101,230,705) | \$1,143,916,285 | \$7,397,418 | \$6,796,007 | \$319,957 | \$281,454 |
| 2020 | \$1,245,146,990 | (\$104,773,779) | \$1,140,373,211 | \$7,397,418 | \$6,774,957 | \$331,155 | \$291,306 |
| 2021 | \$1,245,146,990 | (\$108,440,862) | \$1,136,706,128 | \$7,397,418 | \$6,753,171 | \$342,745 | \$301,502 |
| | | | | | \$64,648,268 | \$2,985,427 | \$2,460,725 |

Note: Tax Years 2019 -2021 Assumes no changes in Total Taxable BPP Value, City Tax Rate (including the M&O Rate), Base Value increase of 3.5 percent annually

The Cities of Dallas and Fort Worth receive two-thirds of the increased revenue and apportion said revenues, 7/11ths to Dallas, 4/11ths to Fort Worth.



Estimated Payment Summary (Tax Year 2022 to 2031)

| Tax Year | A Total Taxable BPP Value | B Base Value | C Net Total Taxable BPP Value (A-B) | D Total Taxes Collected (A x City Tax Rate) | E Rebate To Company (C x City Tax Rate) | F Retained by Member Cities (D - E) x 2/3 x M&O) | G Retained By City (D - E - F) |
|----------|---------------------------------|--------------------|--|--|--|---|---|
| 2022 | \$1,245,146,990 | (\$112,236,292) | \$1,132,910,698 | \$7,397,418 | \$6,730,622 | \$354,742 | \$312,054 |
| 2023 | \$1,245,146,990 | (\$116,164,562) | \$1,128,982,428 | \$7,397,418 | \$6,707,285 | \$367,157 | \$322,976 |
| 2024 | \$1,245,146,990 | (\$120,230,322) | \$1,124,916,668 | \$7,397,418 | \$6,683,130 | \$380,008 | \$334,280 |
| 2025 | \$1,245,146,990 | (\$124,438,383) | \$1,120,708,607 | \$7,397,418 | \$6,658,130 | \$393,308 | \$345,980 |
| 2026 | \$1,245,146,990 | (\$128,793,726) | \$1,116,353,264 | \$7,397,418 | \$6,632,255 | \$407,074 | \$358,089 |
| 2027 | \$1,245,146,990 | (\$133,301,507) | \$1,111,845,483 | \$7,397,418 | \$6,605,474 | \$421,322 | \$370,622 |
| 2028 | \$1,245,146,990 | (\$137,967,059) | \$1,107,179,931 | \$7,397,418 | \$6,577,756 | \$436,068 | \$383,594 |
| 2029 | \$1,245,146,990 | (\$142,795,907) | \$1,102,351,083 | \$7,397,418 | \$6,549,068 | \$451,330 | \$397,020 |
| 2030 | \$1,245,146,990 | (\$147,793,763) | \$1,097,353,227 | \$7,397,418 | \$6,519,376 | \$467,127 | \$410,915 |
| 2031 | \$1,245,146,990 | (\$152,966,545) | \$1,092,180,445 | \$7,397,418 | \$6,488,644 | \$483,476 | \$425,298 |
| | | | | | \$66,151,740 | \$4,161,612 | \$3,660,828 |

Note: Assumes no changes in Agreement Terms, Total Taxable BPP Value, City Tax Rate (including M&O Rate), Base Value increase of 3.5 percent annually

The Cities of Dallas and Fort Worth receive two-thirds of the increased revenue and apportion said revenues, 7/11ths to Dallas, 4/11ths to Fort Worth.

