

Memorandum



CITY OF DALLAS

DATE October 19, 2018

TO Honorable Mayor and Members of the City Council

SUBJECT **October 24, 2018 Council Agenda – Item No. 61**

On October 24, 2018 City Council will consider agenda item number 61 to authorize a business personal property tax abatement agreement with Velocity, A Viracon Company or an affiliate (“Velocity”) for a period of five years in an amount equal to the City’s ad valorem taxes assessed on 50 percent of the increased taxable value of Velocity’s business personal property associated with the establishment of a new manufacturing operation to be located on approximately 8.427 acres at the southeast corner of Clover Haven Street and Cargo Road in Dallas, Texas in accordance with the City’s Public/Private Partnership Program – Estimated Revenue Foregone: \$308,103.00 over a five-year period.

This item was previously deferred by Councilmember Felder at the September 26, 2018 City Council meeting and was previously briefed in Executive Session at the September 4, 2018 Economic Development and Housing Committee meeting.

For your convenience and review prior to the City Council meeting, Staff is providing the attached FACT SHEET related to the company, project, incentive, and analysis.

Should you have any questions or concerns, please contact Courtney Pogue, Director of the Office of Economic Development.

A handwritten signature in black ink, appearing to read 'T. C. Broadnax'.

T. C. Broadnax
City Manager

c: Chris Caso, City Attorney (I)
Carol A. Smith, City Auditor (I)
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
Directors and Assistant Directors

Project Bulldog (City Council District 7)
October 24, 2018 City Council Meeting Item #61 (18-1096)
Deferred by CM Felder at September 26, 2018 City Council Meeting
Briefed in Executive Session at September 4, 2018 Economic Development & Housing Committee

Authorize a business personal property tax abatement agreement with Velocity, A Viracon Company or an affiliate (“Velocity”) for a period of 5 years in an amount equal to the City’s ad valorem taxes assessed on 50% of the increased taxable value of Velocity’s business personal property associated with the establishment of a new architectural glass fabrication facility at the southeast corner of Clover Haven Street and Cargo Road in east Dallas

Background

- Since April 2018, city staff has been in discussions with representatives of Velocity regarding the possibility of establishing an architectural glass fabrication operation in a new build-to-suit facility to be located on approximately 8.427 acres at the southeast corner of Clover Haven Street and Cargo Road in east Dallas in an industrial area commonly known as Eastpoint.
- Velocity has also been considering sites in other states including Georgia and Missouri for this project.



Company

- Velocity is a wholly-owned subsidiary of Apogee Enterprises, Inc. (“Apogee”). Apogee (NASDAQ: APOG) designs and develops glass and metal products and services in the United States, Canada, and Brazil. Apogee was founded in 1949 and is headquartered in Minneapolis, Minnesota with annual revenues approaching \$1.5 billion.



Project

- Site is located in an established industrial park that has been developing since the 1980’s. Site is zoned “LI”—Light Industrial.
- Developer of this single-tenant build-to-suit facility will be Exeter Property Group (“Exeter”). Exeter owns the land and will develop the facility on behalf of Velocity. Upon completion of the facility, Exeter will lease the facility to Velocity for at least 10 years, with renewal options for an additional 20 years.
- New Construction: approximately 149,000 square feet of manufacturing and office space.
- Total Investment: approximately \$27,700,000 (\$6,000,000 in site improvements and shell building construction; \$700,000 in tenant improvements; \$21,000,000 in specialized machinery and equipment).
- Job Creation: approximately 61 net new full-time equivalent jobs within 3 years; average annual salary \$35,000 (average hourly wage \$18.22 including benefits). Jobs to be hired will include fabricators, system and equipment operators, freight and material movers, machinists, and supervisors. It is estimated that only 2 of these 61 jobs will be relocated to Dallas from out of state.
- Inside the facility, Velocity’s operation will involve the fabrication of finished architectural glass products to be installed in small commercial buildings. Fabrication involves precision cutting of raw glass, configuration, and assembly; it does NOT involve the manufacturing of the actual glass.

Incentive

- Staff is recommending City Council approval of a business personal property tax abatement agreement with Velocity or an affiliate for a period of 5 years in an amount equal to the City’s ad valorem taxes assessed on 50 percent of the increased taxable value of Velocity’s business personal property.

- The proposed incentive will help secure new investment and job opportunities at this southeast Dallas location. The business personal property tax abatement will allow Velocity to make a cost-competitive and substantial investment in modern, highly-specialized machinery and related high-technology equipment.
- The tax abatement agreement shall include, among other provisions, the following conditions:
 - minimum 10-year lease.
 - substantial completion of facility by December 31, 2019 (minimum size 120,000 square feet; minimum investment \$5,000,000 for site improvements and shell building construction and \$500,000 for tenant improvements).
 - minimum investment \$16,000,000 in new furniture, fixtures, equipment, and machinery by December 31, 2019.
 - minimum 50 net new permanent full-time equivalent jobs with a minimum average hourly wage of \$18.22 including benefits by December 31, 2019.
 - minimum 1 job fair by December 31, 2019 at a location approved by the Director of the Office of Economic Development to facilitate the recruitment and hiring of residents of the city of Dallas.
 - minimum 20% of the 50 (i.e. a minimum of 10) net new permanent full-time equivalent jobs must be filled by residents of the city of Dallas.
 - minimum 50 net new permanent full-time equivalent jobs with a minimum average hourly wage of \$18.22 including benefits must be maintained for the term of the abatement.
 - minimum 20% of the 50 (i.e. a minimum of 10) net new permanent full-time equivalent jobs must continue to be filled by residents of the city of Dallas for the term of the abatement.
 - Velocity will execute a formal agreement with the Dallas Independent School District by December 31, 2019 to participate as an Industry Partner in the Pathway to Technology Early College High School (P-TECH) program.

Analysis

- value of City incentive over the 5-year term of the abatement: \$308,103 (present value of abatement discounted at 6% is \$262,504).
- ratio of private investment to present value of abatement: \$106 (City's leverage).
- present value of net revenues to the City from this project is estimated \$1,194,074 (based on the City's fiscal impact analysis over a 10-year period).
- proposed project is located in a Target Area and meets minimum eligibility criteria requirements of the City's Public/Private Partnership Program Guidelines and Criteria.
- proposed project is located in a non-residential tract and is generally surrounded by residential market types E, F, G, and H, which reflect middle to lower-middle residential real estate markets in Dallas (per the City's Market Value Analysis).
- proposed project is located in a Texas Enterprise Zone. Per Section 312.2011 of the Texas Tax Code, designation of an area as a Texas Enterprise Zone constitutes designation of an area as a reinvestment zone without further hearing or other procedural requirements.