

Memorandum



DATE December 2, 2016

TO Members of the Economic Development Committee:
Rickey D. Callahan (Chair), Casey Thomas, II, (Vice Chair), Adam Medrano,
Lee M. Kleinman, Carolyn King Arnold, Adam McGough

SUBJECT **Jacobs Engineering Relocation Update**

On Monday December 5, 2016, the Economic Development Committee will be briefed on the Jacobs Engineering Relocation Update.

Briefing material are attached for your review.

Should you have any questions, please contact me at (214) 670-3390. Thank you.



Mark McDaniel
Assistant City Manager

C: The Honorable Mayor and Members of the City Council

A.C. Gonzalez, City Manager	Jill A. Jordan, P.E., Assistant City Manager
Larry Casto, City Attorney	Joey Zapata, Assistant City Manager
Craig D. Kinton, City Auditor	M. Elizabeth Reich, Chief Financial Officer
Rosa A. Rios, City Secretary	Sana Syed, Public Information Officer
Daniel F. Solis, Administrative Judge	Karl Zavitkovsky, Director, Office of Economic Development
Ryan S. Evans, First Assistant City Manager	J. Hammond Perot, Assistant Director, Office of Economic Development
Eric D. Campbell, Assistant City Manager	Elsa Cantu, Assistant to the City Manager – Mayor & Council

Jacobs Engineering Relocation Update

Economic Development Committee
December 5, 2016



Purpose

- Present a brief history and status update of the Jacobs Engineering corporate headquarters relocation
- Provide an overview of a proposed parking garage supporting existing and future tenants of the Harwood Center
- Brief the Economic Development Committee on a proposed 1) aerial abandonment over Wenchell Lane and 2) an open space easement at Federal Plaza associated with the parking garage construction

History

- Jacobs Engineering (Jacobs) is a publicly traded Fortune 500 company with a focus on design and engineering services in the following industries:
 - Petroleum and Chemicals
 - Buildings and Infrastructure
 - Aerospace and Technology
 - Industrial
- Jacobs employs over 60,000 people and has 250 offices globally
- Approximately 2,000 employees office at several locations throughout Texas
- In 2013 the company consolidated and relocated its regional offices to Downtown Dallas and, in connection therewith, leased 80,373 square feet of space at the Harwood Center through April 30, 2025
- Currently, Jacobs maintains 250 jobs at this location

History Cont.

- On June 22, 2016 City Council approved an economic development grant in the amount of \$277,500 to encourage the relocation of Jacobs' corporate headquarters to Dallas from California
- Jacobs intends to relocate its headquarters to the Harwood Center and expand its leasehold from 80,373 square feet to 96,936 square feet
- An estimated 111 positions will be brought to Dallas as a part of the relocation
 - Approximately 75% of the jobs will be filled by new local hires
 - Minimum average annual salary for the new positions will be \$130,000

History Cont.

- Jacobs anticipates initiating its relocation as soon as possible and completing the process by the end of 2019
- However, Jacobs new lease with the Harwood Center requires and is contingent upon the construction of a new parking garage that will accommodate the original 2013 parking requirements as well as the additional positions associated with the headquarters relocation
- Fortis can not fully execute Jacobs' lease until the building plans associated with the garage have been reviewed and approved by the City and requisite Council action is taken

Proposed Garage

- Located at the corner of St. Paul and Wenchell
- In addition to Jacobs, the garage will also serve Omnicom
 - Omnicom is an advertising and communications firm
 - Currently leases 320,000 square feet and employs 1,500 people who are officed at the Harwood Center
 - Employees currently park on and off site; existing parking agreements expire in 2019
 - Omnicom notified Fortis that they will relocate from the Harwood Center if a new garage is not constructed by 2018



Proposed Garage Cont.

- To accommodate both Jacobs and Omnicom the proposed garage must have 497 parking spaces, requiring the structure to be 10 ½ stories tall
- Due to the required number of spaces and the small parcel size, Fortis' proposed construction plan for the garage will:
 - Cantilever approximately 9 feet over the City Right-of-Way at Wenchell Lane on floors 3 – 10 ½
 - Be built to the property line neighboring Federal Plaza

Aerial Abandonment



- The Right-of-Way encroachment will require City Council to approve an aerial abandonment over Wenchell Lane
 - The proposed abandonment totals approximately 1,977 square feet of air space
 - The revenue to the City associated with the aerial abandonment is \$276,780

Open Space Easement

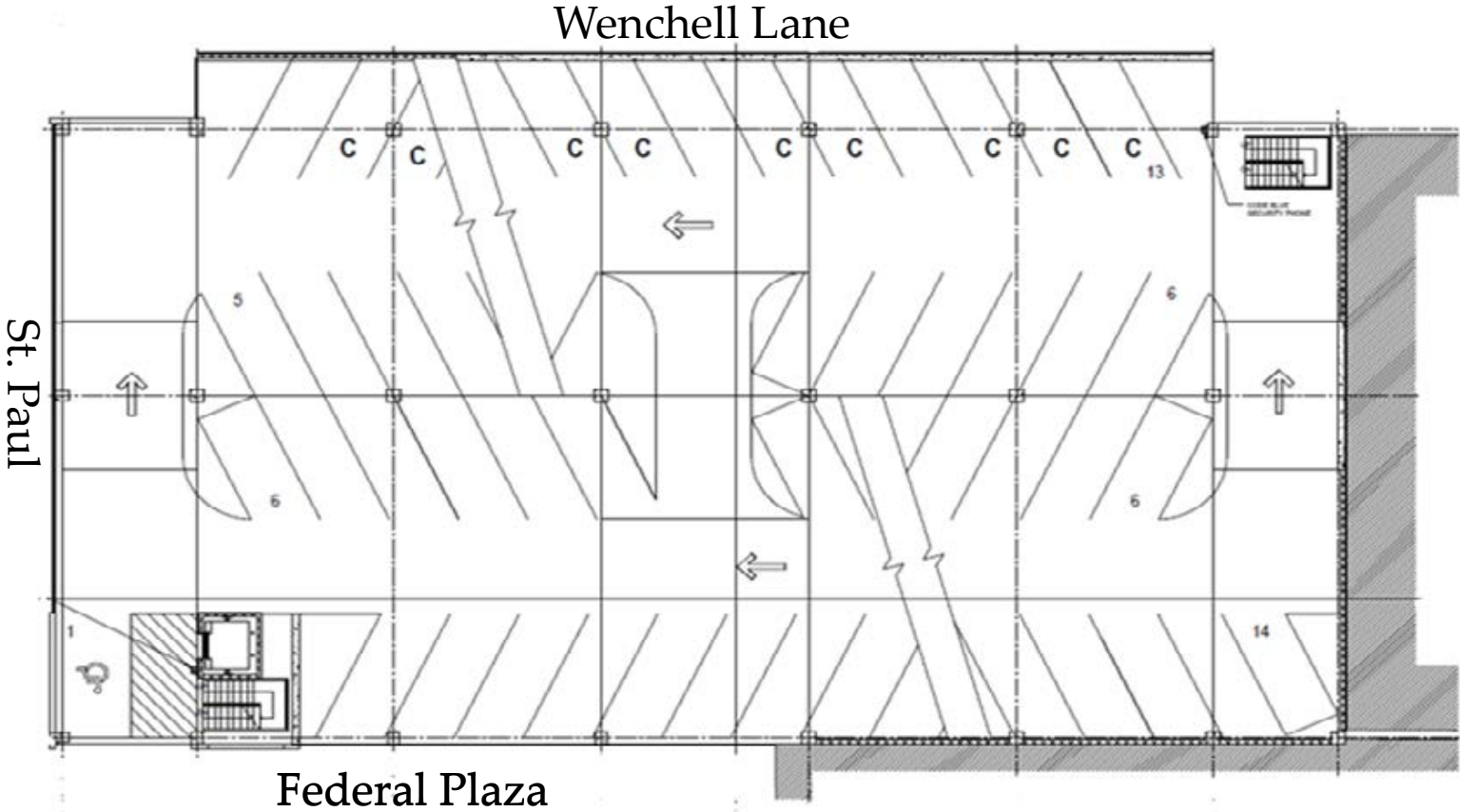
- Building Code requires 10 feet of open space where the garage abuts Federal Plaza
- In order to ensure the space remains open Fortis must purchase a 10 foot easement from the City, totaling approximately 879 square feet
- The land is owned by the City through its Park and Recreation Department; pursuant to Chapter 26 of the Texas Parks and Wildlife Code, City Council must call and conduct a public hearing in order to consider changing the park use of the property
- If the City Council approves the change in park use, it can then authorize the grant of an open space easement to Fortis as the abutting land owner, subject to receiving fair market value
- An appraisal is currently underway to determine the fair market value for the easement



Federal Plaza



Garage Orientation & Layout



Easement Approval Process

- On November 17, 2016 the Planning and Design Committee of the Park Board was briefed and the full Park Board made the recommendations to move the following action items to City Council for approval:
 - December 14, 2016: Authorizing the calling of a Chapter 26 public hearing to be held on January 11, 2017, to receive comments on the proposed change of use of approximately 879 square feet of the park land known as Federal Plaza to an open space easement to satisfy the building code requirements for the proposed parking garage on the adjacent Fortis property; and
 - January 11, 2017: At the close of the public hearing on January 11, 2017 , authorize a resolution for the proposed change of use of the park land and authorize the approval of the open space easement grant to Fortis

Reasons for Aerial Abandonment

- Approximately 100 parking spaces of the proposed garage are lost if the aerial abandonment over Wenchell Lane is not approved
 - The aerial abandonment allows parking spaces to be placed on both sides of the garage drive aisle on floors 3 – 10 ½
 - The cantilevered design ensures there is sufficient maneuverability and parking is possible on both sides the drive aisle as opposed to only the interior
- To provide the same number of spaces without the cantilever, the garage would need to increase from 10 ½ to 14 stories
- Fortis has estimated the additional vertical construction would increase costs for the project between \$2,500,000 - \$3,000,000

Reasons for Open Space Easement

- Without the open space easement, the portion of the proposed garage abutting Federal Plaza would have to be pulled back 10 feet onto the garage site to meet building code requirements
- If this wall is pulled back onto the garage site the required number of parking spaces cannot be met without a complete redesign, adding substantial height and cost to the structure similar to that without the air rights abandonment
- DeShazo Group, the project's traffic engineering firm, has noted that a parking structure with such a small footprint is impracticable above 10 ½ stories due to driver disorientation caused by the corkscrew like turns between floors

Impact of Denial

- Fortis has stated that if the aerial abandonment and open space easement are not approved, the garage will not be built
- Jacobs' lease is contingent upon providing additional parking and there are no nearby sites available to provide the needed spaces
- Without the garage, Jacobs' lease for their corporate headquarters cannot be executed and they will be forced to identify a new location for their office
- Omnicom's 1,500 downtown jobs will be in jeopardy at the end of its' existing lease, due to expiring parking agreements that will be non-renewable after 2019
 - The existing parking agreements are with First Baptist Church and other nearby garages
 - The spaces associated with these agreements will be required for the lessors' own use in 2019 and therefore will not be renewable

Impact of Denial Cont.

- The Harwood Center is approximately 721,000 square feet and today maintains an 87% occupancy rate
- After Jacobs relocations the occupancy will increase to 90%
- If the garage is not constructed the Harwood Center will potentially lose both the Jacobs headquarters and Omnicom as tenants
- The loss of both tenants would decrease the occupancy rate of the Harwood Center to 42% and open the door for both to potentially relocate from downtown

Next Steps

- Sustainable Development and Construction has reviewed and approved the plans associated with the garage
- As the current building plans are based upon a design requiring an aerial abandonment and the granting of an easement, a building permit cannot be issued unless the City Council considers and approves both items
- Schedule of Events
 - November 17th Park Board Meeting: Recommended that the City Council authorize calling the Chapter 26 public hearing on December 14, 2016
 - December 14th City Council Meeting: An item will appear before Council to authorize the calling of a public hearing to change the use of approximately 879 square feet of parkland at Federal Plaza to grant an open space easement
 - January 11th City Council Meeting: Two items will appear before Council – 1) to hold the public hearing and grant the open space easement; 2) to authorize the aerial abandonment of approximately 1,977 square feet of air space over Wenchell Lane

Questions