

Memorandum



CITY OF DALLAS

DATE August 30, 2019

TO Honorable Mayor and Council Members

SUBJECT **Moody's Investors Service Recognizes Uber Technologies Expansion in Dallas as 'Credit Positive' - INFORMATION**

On Wednesday, August 28, Moody's Investors Service (Moody's) released a brief Issuer Comment article regarding the credit positive impact of Uber Technologies' expansion within the city of Dallas, adding 2,500 new jobs to the city, following City Council approval of \$9.3 million in economic incentives on August 14, 2019. According to Moody's, the announcement is credit positive for the City because, "additional high-paying jobs will translate to higher sales tax revenues and demand for housing and business services in the core of the city." Moody's states that the "incentives represent a small 0.7% of the city's fiscal 2018 general fund revenues. Given that the abatements and payments will occur over five to ten years, the annual impact on the budget is small."

This article is not a rating change from Moody's but reflects the positive impact fiscally sound investments in redevelopment and transportation have on the City's credit profile, further strengthening the City's position in the bond market and local economy.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Billieae 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 of Resilience
Michael Mendoza, Chief of Economic Development & Neighborhood Services
Laila Aleqresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

ISSUER COMMENT

28 August 2019



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Dallas (City of) TX

Uber Technologies' choice of Dallas for new office space is credit positive for the city

On August 20, 2019, [Uber Technologies](#) (B2 stable) said it had chosen [Dallas](#) (A1 stable) over [Phoenix](#) (Aa1 negative) for a new office space that would house up to 3,000 employees, 2,500 of which would be new jobs to the city. The announcement is credit positive for the city of Dallas, as well as [Dallas County](#) (Aaa stable), because additional high-paying jobs will translate to higher sales tax revenues and demand for housing and business services in the core of the city. For Uber, the number of employees in the new location will be second only to its San Francisco headquarters.

Uber's announcement follows the August 14 approval by the Dallas city council of \$9.3 million in economic incentives for the company, of which \$745,000 is in the form of a 50% tax abatement on business personal property for five years. The remaining \$8.6 million will be paid over several years, as long as Uber complies with its part of the agreement. The incentives represents a small 0.7% of the city's fiscal 2018 general fund revenues. Given that the abatements and payments will occur over five to 10 years, the annual impact on the budget is small. The additional taxes to be gained include both sales taxes from employees and new residents, as well as non-abated property taxes from Uber.

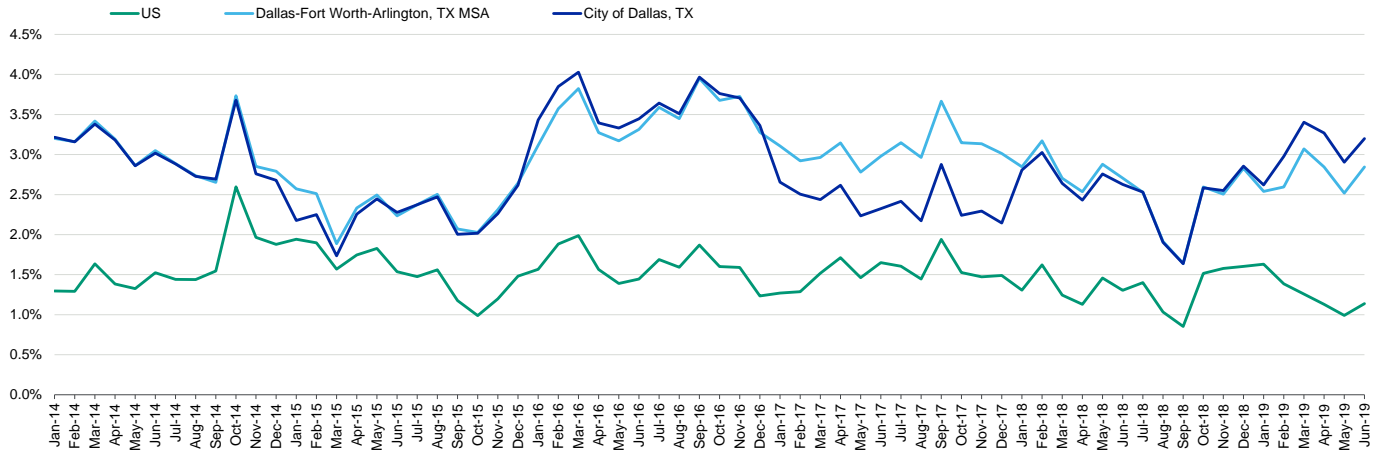
The incentives from the city bring the total incentive package for Uber to \$36 million. The state of [Texas](#) (Aaa stable) has agreed to \$24 million, and Dallas County will fund \$3 million.

The incentive agreement includes specific requirements on Uber, including minimum lease terms and square footage, minimum investments in business personal property and leasehold improvements in the leased space, and a minimum number of full-time jobs at specific salary thresholds with certain city-of-Dallas residency requirements. Under the agreement with the city, the company is to enter into agreements with the Dallas and Richardson school districts to participate as an Industry Partner in each districts' Pathway to Technology Early College High School Program. Earlier this year, [Dallas Area Rapid Transit](#) (Aa2 stable) announced a partnership with Uber, providing North Texas DART riders with discounted pool rides to and from select DART transit centers.

The additional 2,500 jobs promised by Uber represent about 0.4% of the city's labor force as of June 2019, a small but somewhat meaningful addition from one company. In addition to the extra jobs, the high salary requirement is positive for the city, which exhibits average per-capita income relative to the US, but low median family income at 72.3% of the US, as of 2017.

The Dallas-Fort Worth metroplex, and in particular the eastern portion of the metro area anchored by the city, has had job growth exceeding national averages for several years (see Exhibit). However, many of the large corporate expansions have been occurring in cities north of Dallas, including [Frisco](#) (Aaa stable) and [Richardson](#) (Aaa stable). Uber's announcement represents a pivot from the northern suburbs to the city itself, which still represents the largest employment base in the metroplex. Dallas has been investing redevelopment dollars in its central business district and adjacent areas, including Deep Ellum, for several years. Those investments, including in transportation, reportedly were important considerations in the high-tech company's decision.

Exhibit 1
Employment growth in Dallas has been stronger than in the nation over the past five years
 Annualized job growth by month



Source: Bureau of Labor Statistics

While the city's obligation to abate taxes and pay incentive dollars are tied to strict benchmarks for Uber, the company is not likely to become profitable until least 2022. The company does have a substantial cash position, which allows it to fund business expansions over the next two to three years, including the Dallas move.

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