

Memorandum



CITY OF DALLAS

DATE May 30, 2025

TO Honorable Members of the City Council Economic Development Committee: Tennell Atkins (Chair), Omar Narvaez (Vice Chair), Carolyn King Arnold, Chad West, Adam Bazaldua, Paul Ridley, and Kathy Stewart

SUBJECT **Upcoming Agenda Item: Amendment of the Business Personal Property Tax Abatement and Chapter 380 Grant Agreement with Digital Realty Trust, L.P. related to the data center and office project located at 2323 Bryan Street**

On June 11, 2025, staff will seek City Council authorization of an amendment of the Business Personal Property Tax Abatement and Chapter 380 Grant Agreement ("Agreement") between the City of Dallas and Digital Realty Trust, L.P. ("Digital"), previously authorized by City Council Resolutions Nos. 21-0444 and 21-0616 on February 24, 2021, and April 14, 2021, respectively, related to the multiple-phase expansion and renovation of Digital's data center and offices ("Project") located at 2323 Bryan Street in the central business district.

In 2021, in consideration of the Project, City Council authorized:

1. A 50% business personal property tax abatement on added applicable business personal property tax for a period of five years
2. A Chapter 380 economic development grant equal to \$1,000 for each new permanent full-time job created by December 31, 2025 in a total amount not to exceed \$200,000.

Digital also received a \$2 million Texas Enterprise Fund (TEF) grant in FY 2020-2021 from the State of Texas in support of the Project.

Digital owns the building at 2323 Bryan Street and, in 2021, intended to make more than \$100 million in capital improvements to expand both corporate staffing and data center capacity on site. While the job creation requirement deadline is not until the end of this year, to-date Digital has created or retained 143 jobs on site with an average salary that exceeds the required minimum salary of \$120,000. However, due to unforeseen circumstances and technical challenges related to the expansion of the data center capacity, Digital no longer intends to move forward with more than \$100 million in capital investment. Instead, Digital has completed a small renovation of approximately \$13 million.

As such, on March 25, 2025, Digital submitted a formal request to the Office of Economic Development (OED) seeking to amend the Agreement in order to accommodate substantial changes in Digital's renovation and expansion plans at 2323 Bryan Street and

DATE May 30, 2025
SUBJECT **Upcoming Agenda Item: Amendment of the Business Personal Property Tax Abatement and Chapter 380 Grant Agreement with Digital Realty Trust, L.P. related to the data center and office project located at 2323 Bryan Street**
PAGE 2 of 2

to maintain eligibility for the State's TEF funding. Following negotiation and staff review, OED recommends the following substantive changes to the Agreement:

1. Delete the Business Personal Property Tax Abatement.
2. Reduce Digital's minimum investment requirement from \$104 million to \$13 million.
3. Reduce the amount of the Chapter 380 economic development grant from \$1,000 to \$290 for each new full-time permanent job for a total amount not-to-exceed \$50,000 (i.e. reduce total amount not-to-exceed from \$200,000).
4. Increase the required minimum number of full-time permanent jobs to be created at 2323 Bryan Street with a minimum average annual salary requirement of \$120,000 from 143 full-time permanent jobs to 175 full-time permanent jobs (i.e. increase the required minimum number of full-time permanent jobs by 32);
5. Reduce the minimum local hiring requirement from 35% to 25% city of Dallas residents (i.e. reduce from 50 positions to 44 positions) and clarify that hybrid work positions assigned to 2323 Bryan Street shall count towards the local hiring requirement.

This amendment would enable Digital to remain on track with its commitment to creating and retaining well-paying jobs for Dallas residents while also maintaining eligibility for the State's TEF funding. Should you have any questions, please contact Heather Lepeska, Assistant Director, Office of Economic Development at heather.lepeska@dallas.gov or (214) 670-1222.

Service First, Now!



Robin Bentley, Assistant City Manager

c: Kimberly Bizzor Tolbert, City Manager
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Dev Rastogi, Assistant City Manager
Donzell Gipson, Assistant City Manager
Jack Ireland, Chief Financial Officer
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors