



Legislation Text

File #: 22-1406, Version: 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: June 22, 2022
COUNCIL DISTRICT(S): 14
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize the following: **(1)** the designation of approximately 11.0 acres of property located at the current address of 2323 North Field Street as depicted in Exhibit A and further described in Exhibit B attached to the resolution, in Dallas, Texas as City of Dallas Neighborhood Empowerment Zone No. 20 ("NEZ No. 20"), pursuant to Chapter 378 of the Texas Local Government Code, which has been determined will promote an increase in economic development in the zone, establish boundaries for the zone, and provide for an effective date for the zone; **(2)** a real property tax abatement with Hunt Realty or an affiliate thereof, including North End L.P. ("Owner") exempting 50% of the taxes on the added value to the net new tangible real property for a period not to exceed ten years; and **(3)** a business personal property tax abatement with Goldman Sachs & Co. LLC or an affiliate thereof ("Goldman Sachs" or "Tenant") exempting 50% of the taxes on the added value to the net new tangible business personal property for a period not to exceed five years; and **(4)** a Chapter 380 Economic Development Grant Agreement with Tenant in an amount not to exceed \$4,000,000.00 for job retention and creation; and **(5)** a Chapter 380 Economic Development Grant Agreement with Owner and/or Tenant or affiliates thereof in an amount not to exceed \$375,000.00 associated with expedited permitting and soft construction costs grant; all of which will promote state or local economic development and to stimulate business and commercial activity in the municipality in connection with jobs created and retained in association with a new office development in accordance with the City's Public/Private Partnership Program - Financing: Public/Private Partnership Funds (\$4,375,000.00) and Estimated Revenue Foregone-- City ad valorem real personal property taxes estimated up to \$12,257,000.00 over a ten-year period and City ad valorem business personal property taxes estimated up to \$1,381,703.00 over a five-year period

BACKGROUND

Goldman Sachs & Co. LLC ("Goldman Sachs" or "Tenant") is a leading global financial services institution that offers investment banking, securities, investment management and consumer banking with a global headquarters in New York. They have an existing Dallas office located at the Trammell Crow Center at 2001 Ross Ave.

Recently, Goldman Sachs approached the City regarding plans to expand its Dallas operations by creating a new urban campus environment offering an upgraded workplace experience. To further the company's workforce and location strategic goals, additional investments in Salt Lake City, Atlanta and South Florida were also considered for this proposed office expansion.

In Dallas, the proposed location under consideration is a to-be-constructed office building to anchor the redevelopment of an 11-acre site bounded by Field Street, Houston Street and Nowitzki Way in the City's Uptown District ("North End Office"). The North End Office building, with an adjacent integrated 1.5-acre park, will be the first phase of the North End urban campus developed by Hunt Realty ("Hunt" or "Owner"). The project site will be approximately 4.5 acres ("Project Site"). By the end of 2028, Tenant will have commenced occupancy of a minimum of 800,000 square feet of the North End Office building. The minimum capital investment for construction of the office building is \$390 million. Additionally, the estimated capital investment by Tenant to be made in connection with the new leased space is approximately \$90 million, inclusive of both furniture, fixtures, and equipment (business personal property) and leasehold improvements.

Goldman Sachs currently employs approximately 2,500 full-time permanent employees in the city of Dallas and intends to retain these jobs in Dallas. In addition, they will relocate approximately 600 employees to the North End Office from areas outside of the city of Dallas but within Dallas County, as well as create a minimum of 1,900 additional full-time jobs by the end of 2028. Goldman Sachs anticipates they will retain, relocate and hire a total of 5,000 permanent, full-time jobs with an average annual base wage of at least \$90,000.00 (not inclusive of annual bonuses) by December 31, 2028.

To support the redevelopment of the Project Site, Office of Economic Development ("OED") staff recommends 1) the creation of the City of Dallas Neighborhood Empowerment Zone No. 20 and 2) City Council approval of economic development incentives, which includes proposed real and business personal property tax abatements, as well as Chapter 380 grants to support Tenant's expansion in Dallas.

Neighborhood Empowerment Zone Designation

Chapter 378 of the Texas Local Government Code (the "Act") provides for the creation of Neighborhood Empowerment Zones. A Neighborhood Empowerment Zone ("NEZ") is a flexible tool that a municipality can utilize to implement an economic development program in a particular area. Pursuant to the Act, a NEZ can be created to promote any of the following: (1) creation and/or rehabilitation of affordable housing in the zone; (2) an increase in economic development in the zone; or (3) an increase in the quality of social services, education, or public safety for residents of the zone.

Chapter 312 of the Texas Tax Code authorizes municipalities to enter into tax abatement agreements provided certain conditions are met, including that the property exists within a reinvestment zone. With the creation of a NEZ, the property would meet the reinvestment zone requirement. Therefore, staff recommends creation of NEZ No. 20 to facilitate both the Owner's real property tax abatement and Tenant's business personal property tax abatement. NEZ No. 20 will help the City's effort to accommodate the retention and expansion of Tenant's operations in Dallas as well as promote an increase of economic development within the zone. The North End Office building will be within the

newly designated City of Dallas Neighborhood Empowerment Zone No. 20.

Economic Development Incentives

OED staff recommends City Council approval of the following economic development incentives for to support Goldman Sachs' expansion in Dallas:

- I. Authorize a real property tax abatement with the Owner for a period of ten (10) years in an amount equal to the City taxes assessed on fifty percent of the improvement value of the new real property construction associated with the North End Office located at the current address of 2323 N Field Street, subject to the terms and conditions described herein and specifically the following:
 - a. Owner will complete construction of the core and shell of the North End Office with a minimum capital investment of \$390,000,000.00 by December 31, 2027.
 - b. Tenant will undertake a minimum capital investment in business personal property of \$90,000,000, inclusive of both leasehold improvements and furniture, fixtures, and equipment, by December 31, 2028.
 - c. Owner will submit an application for a site replat or to establish a separate tax parcel by December 31, 2025 to create a separate parcel for the North End Office building.
 - d. The abatement will begin on January 1 the year after the North End Office is completed, but no later than January 1, 2029 and is only applicable to the parcel on which the proposed North End Office sits.
- II. Authorize a business personal property tax abatement for a period of five years with Tenant, in an amount equal to the City taxes assessed on fifty percent of the value of Tenant's new, tangible business personal property investment at the North End Office, subject to both the terms and conditions described herein and specifically the following:
 - a. Owner will complete construction of the core and shell of the North End Office with a minimum capital investment of \$390,000,000.00 by December 31, 2027.
 - b. Tenant will undertake a minimum capital investment in business personal property of \$90,000,000, inclusive of both leasehold improvements and furniture, fixtures, and equipment, by December 31, 2028.
 - c. The abatement will begin on January 1 the year after the North End Office is occupied, but no later than January 1, 2029.
- III. A job retention and creation economic development grant in an amount not to exceed \$4,000,000.00 with Tenant, to be paid upon completion of the following terms and conditions:
 - a. Goldman Sachs shall retain and/or create a minimum of 5,000 jobs at the North End Office ("job requirement") on or before December 31, 2028, with an average base salary of \$90,000 ("wage requirement").
 - b. Goldman Sachs shall provide and maintain a minimum wage for all employees that is equal to or greater than the then-current living wage for an individual in Dallas County as determined by the Massachusetts Institute of Technology's Living Wage Calculator ("living wage requirement").
 - c. A minimum of 35% of Tenant employees at the North End Office are city of Dallas residents ("local hiring requirement").
 - d. Tenant shall execute a lease with Owner for a minimum of 800,000 square feet in the North End Office on or before December 31, 2027. The lease must have a minimum 15-

year term.

- e. Tenant shall commence occupancy of the North End Office no later than December 31, 2028 (“occupancy requirement”).
- f. Tenant shall continuously maintain the job, wage, living wage, local hiring, and occupancy requirements from the date of the incentive payment through the Real Property and Business Personal Property abatement periods or no later than December 31, 2038 (the “compliance period”).
- g. Tenant shall request payment of the Job Grant no later than June 30, 2029, but may request payment earlier provided all of the above conditions are met.

IV. An expedited permitting and soft costs reimbursement grant of up to \$375,000.00 with Tenant or Owner for any Q-TEAM fees, permitting fees, or other City of Dallas fees incurred by Tenant or by Owner in connection with the development of the North End Office, provided such expenses are incurred by December 31, 2027.

In addition to the grant-specific terms and conditions outlined above, the incentives within the agreement must also meet the following applicable terms, conditions, and obligations:

- I. Tri-Party Agreement: These incentives, term, and conditions will be documented in a tri-party agreement between City, Tenant, and Owner, and all incentives, terms, and conditions will be cross-defaulted between Tenant and Owner.
- II. Compliance Period: The compliance period will begin upon contract execution through December 31, 2038.
- III. Tenant shall partner with the following educational institutions as part of a Workforce Program Initiative:
 - a. Paul Quinn College and the Paul Quinn College Work Program to allow students the opportunity to work for Tenant while earning compensation that can be applied toward tuition.
 - b. UNT-Dallas to establish an internship program for current undergraduate or graduate students within the School of Business or other relevant programs.
 - c. Dallas College to serve as an employer partner for its Workforce Scholars program and/or its adult apprenticeship program. Such a partnership would engage students in work-based activities including but not limited to paid or unpaid internships, co-ops, practicums, pre-apprenticeships, and registered and non-registered apprenticeships for youth and adults.
 - d. Tenant shall deliver to City executed agreements with each educational partner no later than December 31, 2024. Tenant will continually operate each program throughout the compliance period.
 - e. Tenant or its educational partners shall provide City with an annual summary of the program including a summary of the status/outcomes of the workforce programs, number of participants, salaries or other benefits paid to participants, and race/gender/ethnicity of participants.
- IV. M/WBE Participation: Owner (and Tenant, if Tenant is doing any construction work at the North End Office such as tenant finish-out) shall undertake a good faith effort to comply with the City’s Business Inclusion and Development goal of 32% participation by Minority/Women-owned Business Enterprises for construction and construction-related expenditures incurred by Owner in the North End Office. M/WBE participation compliance will be

coordinated with the City's Small Business Center.

- V. Site Replat: On or before December 31, 2025, Owner shall make an application to replat the North End development site or establish a separate tax parcel so that the Tenant office building is contained in its own tax parcel with a clear legal description, separate from the park and other future phases of the North End development. The Real Property Tax Abatement will be applicable only to the parcel on which the proposed Tenant building sits, and completion of the replat or tax parcel establishment will be a condition of the Real Property Tax Abatement.
- VI. Urban Design Peer Review Panel: Owner shall present the North End Office to the City's Urban Design Peer Review Panel on or before December 31, 2023, and shall incorporate the Panel's reasonable comments into the final design of the project. If Owner objects to any such comment, the determination of whether such comment must be incorporated into the final design of the project will be made by the Directors of the Office of Economic Development and Planning and Urban Design Department after reviewing Owner's objection. Such final design plans, subject to the making of reasonable and customary change orders and "as built" modifications, must be submitted to the Director of the Office of Economic Development no later than December 31, 2024.
- VII. Construction Completion: Owner shall complete construction of the North End Office (including the office building, the 1.5-acre park, and all necessary public improvements related to site for occupancy of the building, including sidewalks and pedestrian and vehicular access) no later than December 31, 2027, which shall be evidenced by a temporary or final certificate of occupancy.
- VIII. Failure to comply with the terms of the incentive agreement may result in repayment of incentive. However, to ensure that Tenant and/or Owner has time to address any term or condition default and to account for hiring cycles and other business processes that might hinder such cure, the incentive agreement cure period will be one year.
- IX. The Director, in his or her sole discretion, may extend any of the completion deadlines noted herein for up to twelve months.
- X. Tenant and Owner shall, upon request, permit City staff access to its corporate office to review all records and document related to the obligations contained herein to monitor compliance with the incentive agreement.
- XI. Tenant and Owner shall provide written annual reports to the Office of Economic Development regarding compliance with the City incentive agreement.
- XII. The final incentive agreement based upon the terms and conditions herein must be executed by between City, Tenant, and Owner no later than March 31, 2023.
- XIII. The final incentive agreement may be assigned by either Goldman Sachs and/or Hunt to their respective affiliates upon contemporaneous notification to the Director of Economic Development. "**Affiliate**," as used in this Agreement, includes any parent, sister, or majority-owned subsidiary entity of Goldman Sachs or Hunt, as applicable, or any entity in which Goldman Sachs or Hunt, as applicable, is majority shareholder.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Economic Development Committee was briefed in executive session regarding this matter on June 6, 2022.

FISCAL INFORMATION

Estimated Revenue Foregone-- City ad valorem real personal property taxes estimated up to \$12,257,000.00 over a ten-year period and City ad valorem business personal property taxes estimated up to \$1,381,703.00 over a five-year period.

Fund	FY 2022	FY 2023	Future Years
Public/Private Partnership Fund	\$0.00	\$0.00	\$4,375,000.00

TENANT/LEASEE

Goldman Sachs

Paige Richey, Vice President - Regional Management

OWNER

North End, L.P.

A Subsidiary of Hunt Realty

Colin Fitzgibbons, President