Legislation Text

File #: 26-2150A, **Version:** 1

PILLAR:	Growing
AGENDA DATE:	June 24, 2026
COUNCIL DISTRICT(S):	14
DEPARTMENT:	Office of Economic Development
PRIORITY:	Targeted Economic Growth

SUBJECT

Authorize **(1)** designating approximately 4.43 acres of property currently addressed as 1445 Ross Avenue as City of Dallas Neighborhood Empowerment Zone No. 24 ("NEZ No. 24") and approximately 2.26 acres of property currently addressed as 2401 McKinney Avenue, 2421 McKinney Avenue, 2425 McKinney Avenue, 2507 Fairmount Street, and 2515 Fairmount Street as City of Dallas Neighborhood Empowerment Zone No. 25 ("NEZ No. 25"), pursuant to Chapter 378 of the Texas Local Government Code, to promote an increase in economic development in the zone, establish boundaries for the zone, and provide for an effective date for the zone; **(2)** an economic development incentive agreement with Morgan Stanley Services Group Inc. or an affiliate thereof ("Morgan Stanley" or "Grantee/BPP Owner") to include: **(a)** a business personal property ("BPP") tax abatement for a period of five years in an amount equal to the City taxes assessed on 90% of the added taxable value of the business personal property resulting from Morgan Stanley's Phase I Project; **(b)** a business personal property tax abatement for a period of ten years in an amount equal to the City taxes assessed on 90% of the added taxable value of the business personal property resulting from the Morgan Stanley's Phase II Project; **(c)** a Chapter 380 economic development grant in an amount not to exceed $18,500,000.00 consisting of: **(i)** an amount not to exceed $10,000,000.00 for job relocation and/or creation; **(ii)** an amount not to exceed $7,500,000.00 in lieu of a real property tax abatement; and **(iii)** an amount not to exceed $1,000,000.00 to reimburse actual permitting, inspections, and development fees, in consideration of the job relocation/creation and investment associated with Morgan Stanley's establishment and operation of a new temporary regional office at 1445 Ross Avenue in NEZ No. 24 ("Phase I Project") and a new permanent regional office at 2401 McKinney Avenue, 2421 McKinney Avenue, 2425 McKinney Avenue, 2507 Fairmount Street, and 2515 Fairmount Street in NEZ No. 25 ("Phase II Project"); and **(3)** the City's nomination of Morgan Stanley's Phase I Project for designation as an Enterprise Zone project and the City's nomination of Morgan Stanley's Phase II Project for designation as a triple jumbo Enterprise Zone project under the Texas Enterprise Zone Act, as amended by the Office of the Governor, Economic Development and Tourism division, through the Texas Economic Development Bank; in accordance with the City's Economic Development Incentive Policy - Total not to exceed $18,500,000.00 - Financing: Public/Private Partnership Fund; Estimated Revenue Foregone: $700,000.00 over a five-year period (Phase I), $4,100,000.00 over a ten-year period (Phase II)

***In alignment with Economic Development Incentive Policy.**

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BACKGROUND

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, wealth management and investment management services. With offices in 42 countries, Morgan Stanley serves clients worldwide including corporations, governments, institutions and individuals. Morgan Stanley's global headquarters is located in New York, and the company is currently focused on establishing a new U.S. operational hub to continue to grow its services.

For the past several months, staff has been coordinating with Morgan Stanley representatives as the company has been looking across the United States for a location for a new large-scale operational hub. After a thorough review of options, Morgan Stanley has narrowed the selection to two cities: Dallas, Texas or Alpharetta, Georgia.

Within the city of Dallas, Morgan Stanley has identified two sites for a phased project. The first location at 1445 Ross Avenue (Fountain Place) would be a temporary location ("Temporary Location") while the permanent location at 2401 McKinney Avenue, 2421 McKinney Avenue, 2425 McKinney Avenue, 2507 Fairmount Street, and 2515 Fairmount Street ("Permanent Location") is under construction. The Permanent Location is located within the City's Downtown Connection Tax Increment Financing District.

If Morgan Stanley selects Dallas, Morgan Stanley is contemplating a two-phase strategy.

In the first phase ("Phase I"), Morgan Stanley would execute a short-term lease (approximately 52 months) for approximately 255,000 square feet of office space at 1445 Ross Avenue to occupy while construction of an approximately 708,000 square foot build-to-suit office building at the Permanent Location is being completed. In the second phase ("Phase II"), Morgan Stanley would execute a long-term lease (approximately 16 years) in a new building at the Permanent Location (beginning in 2031).

With this project ("Project"), Morgan Stanley anticipates meeting the following investment and job creation milestones:

Phase I at Temporary Location ("Phase I Project")

- Morgan Stanley plans to invest approximately $96.9 million in real estate and business personal property improvements at the Temporary Location in 2026 and 2027

- Morgan Stanley plans to relocate (from outside of Dallas) and/or newly create approximately 1,500 jobs at the Temporary Location between 2027 and 2031

Phase II at Permanent Location ("Phase II Project")

- Morgan Stanley plans to invest approximately $684.2 million in real estate and business personal property improvements at the Permanent Location by the end of 2031 (Note: An additional approximately $650 million will be expended by developer/landlord to deliver the core and shell building at the Permanent Location for Morgan Stanley)

- Upon the opening of the Permanent Location, Morgan Stanley will relocate 1,500 jobs from the Temporary Location (and 115 other jobs from the Dallas market) and continue to relocate (from outside of Dallas) and/or newly create an additional 2,200 jobs before the end of 2035 (for a total of 3,800 jobs at the Permanent Location)

- Morgan Stanley has also indicated the possibility of relocating (from outside of Dallas) and/or newly creating an additional 1,000 jobs at the Permanent Location by the end 2039 (for a total of 4,800 jobs at the Permanent Location)

Jobs are anticipated to relate to wealth management; legal, compliance, risk management and audits; human resources; information services and security; operations; and other corporate services duties. The average annual wage is expected to be $128,000.00 (excluding benefits).

The City's economic development incentive negotiated by City staff and accepted by Morgan Stanley includes the following:

1) a business personal property tax abatement for a period of five years in an amount equal to the City's taxes assessed on 90% of the added taxable value of Morgan Stanley's business personal property resulting from the Phase I Project; and

2) a business personal property tax abatement for a period of ten years in an amount equal to the City's taxes assessed on 90% of the added taxable value of Morgan Stanley's business personal property resulting from the Phase II Project; and

3) a Chapter 380 economic development grant in an amount not to exceed $8,000,000.00 in consideration of the creation and/or relocation of at least 3,800 jobs (payable as three payments upon certain job milestones); and

4) an optional Chapter 380 economic development grant in an amount not to exceed $2,000,000.00 in consideration of the creation and/or relocation of an additional 1,000 jobs (for a total of 4,800 jobs); and

5) a Chapter 380 economic development grant in an amount not to exceed $7,500,000.00 (payable as five annual payments of $1,500,000.00 each) in lieu of a real property tax abatement in consideration of Morgan Stanley's investment in the Phase II Project; and

6) a Chapter 380 economic development grant in an amount not to exceed $1,000,000.00 to reimburse actual expenses of any Q-TEAM fees, permitting fees, inspection fees, or other City development fees related to the Phase II Project; and

7) nomination of Morgan Stanley's Phase I Project for designation as an Enterprise Zone project and nomination of Morgan Stanley's Phase II Project for designation as a triple jumbo Enterprise Zone project under the Texas Enterprise Zone Act.

A Texas Enterprise Zone ("TEZ") nomination, pursuant to Chapter 2303, Subchapter F of the Texas Government Code, would allow Morgan Stanley to apply for TEZ designations for Phase I and Phase II of the Project from the Texas Economic Development Bank, part of the Governor's Office of Economic Development and Tourism. If awarded by the State, Morgan Stanley would be able to apply for a refund of the state sales and use tax they have paid during the designation period on qualified expenditures, up to a maximum amount of $1,250,000.00 for Phase I and $3,750,000.00 for Phase II.

Chapter 378 of the Texas Local Government Code ("Act") provides for the designation of Neighborhood Empowerment Zones. A Neighborhood Empowerment Zone ("NEZ") is a flexible tool that a municipality can utilize to implement an economic development program or project in a particular area. Pursuant to the Act, a NEZ can be designated 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. To facilitate BPP tax abatements for Phase I and Phase II of this economic development Project, staff is recommending designation of City of Dallas Neighborhood Empowerment Zone No. 24 ("NEZ No. 24") for 1445 Ross Avenue and City of Dallas Neighborhood Empowerment Zone No. 25 ("NEZ No. 25") for 2401 McKinney Avenue, 2421 McKinney Avenue, 2425 McKinney Avenue, 2507 Fairmount Street, and 2515 Fairmount Street.

An analysis of the direct economic impact of this Project results in an estimated $64,900,000.00 in net benefits ($37,400,000.00 present value) to the City over the term of the incentive agreement.

ESTIMATED SCHEDULE OF PROJECT

Start Construction Fall 2026
Begin Operations 2027

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The City Council was scheduled to be briefed on this matter in an executive session on June 17, 2026.

FISCAL INFORMATION

Fund	FY 2026	FY 2027	Future Years
Public/Private Partnership Fund	$0.00	$0.00	$18,500,000.00

Estimated Revenue Foregone from BPP tax abatements: $700,000.00 over a five-year period (Phase I) beginning fiscal year 2026-2027; $4,100,000.00 over a ten-year period (Phase II)

OWNER/EXECUTIVE

Morgan Stanley Services Group Inc.

Patrick Henigan, Global Head of Real Estate Solutions

MAPS

Attached