



Legislation Details (With Text)

File #: 22-1122 **Version:** 1 **Name:**
Type: ITEMS FOR INDIVIDUAL CONSIDERATION **Status:** Approved as Amended
File created: 5/1/2022 **In control:** Office of Economic Development
On agenda: 5/25/2022 **Final action:**
Title: Authorize a Chapter 380 Economic Development Grant Agreement (Agreement) for up to \$5,250,000.00 as follows (1) in an amount not to exceed \$5,000,000.00 for job retention and creation; and (2) in an amount up to exceed \$250,000.00 for expedited permitting and soft cost expenditures; with NMG Holding Company, Inc. dba The Neiman Marcus Group LLC or an affiliate thereof for jobs created and retained related to a new office headquarters in accordance with the City's Public/Private Partnership Program - Not to exceed \$5,250,000.00 - Financing: Public/Private Partnership Fund (subject to current and annual appropriations)

Sponsors:

Indexes: 14

Code sections:

Attachments: 1. Resolution

| Date | Ver. | Action By | Action | Result |
|------|------|-----------|--------|--------|
|------|------|-----------|--------|--------|

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: May 25, 2022
COUNCIL DISTRICT(S): 14
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize a Chapter 380 Economic Development Grant Agreement (Agreement) for up to \$5,250,000.00 as follows **(1)** in an amount not to exceed \$5,000,000.00 for job retention and creation; and **(2)** in an amount up to exceed \$250,000.00 for expedited permitting and soft cost expenditures; with NMG Holding Company, Inc. dba The Neiman Marcus Group LLC or an affiliate thereof for jobs created and retained related to a new office headquarters in accordance with the City's Public/Private Partnership Program - Not to exceed \$5,250,000.00 - Financing: Public/Private Partnership Fund (subject to current and annual appropriations)

BACKGROUND

The Neiman Marcus Group LLC, the iconic American department store and Dallas retail institution, has been headquartered in downtown Dallas since its 1907 founding over 114 years ago. The Neiman Marcus LLC and its affiliates ("Neiman Marcus") operates a total of 45 stores, and owns four

brands: Neiman Marcus, Bergdorf Goodman, Last Call, and Horchow.

Recently, Neiman Marcus approached the City about plans to relocate its headquarters from 1201 South Elm Street in downtown Dallas (“downtown facility”) to a new location in north Texas. Neiman Marcus is considering locations in Dallas, Plano, and Irving.

If Neiman Marcus chooses to remain in Dallas, it would relocate its headquarters to an approximately 85,000 square foot office in Cityplace Tower at 2711 North Haskell. The estimated capital investment associated with the new leased space is approximately \$17,000,000.00, of which \$9,000,000.00 will be spent for real estate improvements and approximately \$8,000,000.00 will be spent on furniture, fixtures, and equipment. Neiman Marcus anticipates that construction at the Cityplace Tower location will commence in mid-2022 and be completed by the end of 2022.

Neiman Marcus currently employs 1,166 full-time employees at its Dallas headquarters. Neiman Marcus anticipates that this job count would grow by up to 328 new positions to an estimated 1,500 total employees by 2026. Average wages for the existing jobs are \$49.00/hour (\$101,920.00) before overtime, benefits, and bonuses.

Office of Economic Development staff recommend City Council approval of the following economic development incentives for Neiman Marcus if Dallas is selected as the location of the new headquarters:

- I. A job retention and creation economic development grant in an amount not to exceed \$5,000,000.00 to be paid upon completion of the following terms and conditions by Neiman Marcus:
 - a. Job Retention Grant not to exceed \$4,000,000.00 if Neiman Marcus:
 - i. retains a minimum of 1,100 jobs in Dallas by December 31, 2023 (“retention requirement”);
 - ii. provides an average wage for retained headquarters employees that exceeds \$49.00/hour prior to overtime, benefits, or bonuses (“wage requirement”);
 - iii. ensures that a minimum of 35% of retained headquarters employees are Dallas residents (“local hiring requirement”);
 - iv. leases and occupies a new headquarters space in Cityplace Tower on or before April 30, 2023 (“occupancy requirement”). Headquarters employees may office out of the Cityplace Tower or the existing Neiman Marcus headquarters building at 1618 Main Street in downtown Dallas;
 - v. documents that the retention requirement, the wage requirement, the local hiring requirement, and the occupancy requirement have been timely met and maintained; and
 - vi. is otherwise in compliance with the Agreement.
 - b. Job Creation Grant in an amount not to exceed \$1,000,000.00 (equal to approximately \$3,000.00 per new job created) if Neiman Marcus:

- c.
 - i. creates a minimum of 300 jobs in Dallas by December 31, 2026 (“creation requirement”).
 - ii. documents that it has timely met and maintained the job creation requirement, the wage requirement, and the local hiring requirement.
 - iii. is otherwise in compliance with the agreement.

II. An Expedited Permitting and Fee Reimbursement Grant of up to \$250,000.00 for any Q-TEAM fees, permitting fees, or other City of Dallas fees incurred by Neiman Marcus in connection with: 1) the move to Cityplace tower; and/or 2) improvements to the existing Neiman Marcus headquarters building at 1618 Main Street in downtown Dallas, if such expenses are incurred before or on December 31, 2030.

In addition to the grant-specific terms and conditions outlined above, the agreement will also have the following applicable terms, conditions, and obligations:

- a. A “job” shall mean a full-time position with benefits that is a W-2 employee of Neiman Marcus. Contractors, part-time workers, interns, or other positions will not qualify. Jobs that have the flexibility to work from home periodically or who may travel from time to time shall still count for employment purposes so long as their primary business address is the Cityplace Tower headquarters or the existing Neiman Marcus headquarters building at 1618 Main Street in downtown Dallas.
- b. The City will monitor annually to confirm that Neiman Marcus remains in compliance with all terms of the agreement, including the retention, wage, local hiring, occupancy, and creation requirements, through December 31, 2031 (the “compliance period”).
- c. Upon the request of Neiman Marcus, the payment may be made in two parts, with the first payment of \$450,000.00 made upon verification of the first 150 jobs. If Neiman Marcus fails to meet the job creation requirement or otherwise defaults under the agreement, this first payment shall be repaid by Neiman Marcus.
- d. Provided that Neiman Marcus remains in compliance with the agreement during the compliance period, any repayment obligation for the jobs grant shall be reduced as follows:
 - i. December 31, 2026: 33% (or \$1,320,000.00) of job retention grant;
 - ii. December 31, 2029: 33% (or \$1,320,000.00) of job retention grant and 33% (up to \$330,000.00) of job creation grant; and
 - iii. December 31, 2031: All remaining grant amounts.
- e. Neiman Marcus shall retain its flagship store in downtown Dallas throughout the compliance period.
- f. Throughout the compliance period, Neiman Marcus shall provide and maintain a minimum “living wage” salary for headquarters 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. The rate in Dallas County is currently \$15.21 per hour.

- g. Failure to comply with the terms of the agreement may result in repayment of incentives. However, to ensure that Neiman Marcus has time to address any default and to account for hiring cycles and other business processes that might hinder such cure, the agreement cure period will be one year.
- h. Neiman Marcus shall, upon request, permit City staff access to its headquarters to review all records and document related to the obligations contained herein to monitor compliance with the City agreement. Neiman Marcus shall provide written annual reports to the Office of Economic Development regarding compliance with the City agreement.
- i. The Director, in his or her sole discretion, may extend any of the completion deadlines for up to six months.
- j. In the event of a force majeure, Neiman Marcus shall, in writing, notify Director of such an event. Director shall make a decision as to whether a force majeure event under the terms of the agreement is occurring within 30 days of notice from Neiman Marcus. A force majeure event pauses a Party's performance obligation for the duration of the event, the termination of the event being determined solely by the Director but does not excuse it. After the termination of the force majeure event, all deadlines occurring during the force majeure event shall be extended for a period equivalent to the duration of the force majeure event.
- k. The agreement must be in writing and executed (which may be in counterparts) by all parties no later than March 31, 2023. If the agreement is not fully executed by that date, this incentive offer is void.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Economic Development Committee was briefed in executive session regarding this matter on May 2, 2022.

FISCAL INFORMATION

| Fund | FY 2022 | FY 2023 | Future Years |
|---------------------------------|--------------|----------------|----------------|
| Public/Private Partnership Fund | \$250,000.00 | \$4,000,000.00 | \$1,000,000.00 |

TENANT/LEASEE

Neiman Marcus Group Inc

Mike Litwin, Vice President, Real Estate Division