



Legislation Text

File #: 22-305, Version: 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: January 12, 2022
COUNCIL DISTRICT(S): 2
DEPARTMENT: Office of Economic Development
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize an economic development agreement with Ford Next LLC (Ford) or an affiliate, which includes the following: **(1)** a business personal property tax abatement exempting 50% of the taxes on the added value to the net new tangible personal property for a period of five years - Estimated Revenue Foregone: up to \$3,013,208.00 over a five-year period; and **(2)** a Chapter 380 Economic Development Grant in the amount of \$250,000.00, for construction of an autonomous vehicle facility and the creation of 250 new jobs at 2335 Burbank Street, Dallas, Texas, in accordance with the City's Public/Private Partnership Program - Not to exceed \$250,000.00 - Financing: Public/Private Partnership Fund

BACKGROUND

Ford Next LLC (a subsidiary of Ford Motor Company, referred herein as Ford) has partnered with Argo AI, a global autonomous vehicle technology platform company headquartered in Pittsburgh, to develop self-driving vehicle technology. Ford and Argo AI have partnered for similar projects in Miami, Austin, and Washington D.C.

To continue to grow and develop self-driving vehicle technology, Ford has developed Autonomous Vehicle Facilities, which are centers which store, service, and manage fleets of autonomous vehicles. For its latest Autonomous Vehicle Facility (AVF), Ford has narrowed its final site locations to Dallas and two sites in California. If Ford chooses Dallas as the AVF location, it will lease a 32,361 square foot space located at 2335 Burbank Street in Dallas (Council District 2). The proposed location is within a State of Texas Enterprise Zone. To support the AVF, Ford will create a minimum of 250 new jobs as described herein and will invest, including the autonomous vehicle fleet, a minimum of \$160 million at 2335 Burbank Street.

Ford has applied for, and has been contingently awarded, a State of Texas Enterprise Fund incentive award. Receipt of the TEF award will depend on whether Ford ultimately chooses Dallas, and approval of the City of Dallas incentives.

Ford requests and Office of Economic Development staff recommends City Council consideration of economic development incentives to secure Ford's selection of Dallas for the expansion. Proposed incentives include:

- 1) **ECONOMIC DEVELOPMENT GRANT**: In recognition of Ford's creation of new jobs in Dallas, the Office of Economic Development will provide a conditional economic development job grant valued at \$2,000.00 per job that Ford creates in Dallas by December 31, 2027 and pays at least a minimum salary of \$74,000.00 (Job Grant). The Job Grant shall be in an amount not to exceed \$200,000.00 payable to Ford upon Ford's creation of 100 qualified jobs in Dallas, subject to completion of the city's verification. The grant must be repaid if the Job Requirements (job creation, maintenance, salary, and residential hiring requirements as described below) are not maintained for five years from the date of grant payment, subject to notice and an opportunity to cure. Only jobs created directly by Ford will be eligible for the Job Grant. Jobs created by any temporary employment agency or contractor will not be counted for the purpose of the job grant. Eighty percent of grant-eligible Jobs must be paid a minimum salary of \$74,000.00. The remaining 20% of grant-eligible Jobs will be paid a minimum salary of \$100,000.00. In addition, Ford will receive up to \$50,000.00 for construction start-up costs associated with the AVF.
- 2) **BUSINESS PERSONAL PROPERTY TAX ABATEMENT**: The Office of Economic Development will provide a business personal property (BPP) tax abatement for a period of five years in an amount equal to the City taxes assessed on fifty percent of the value of Ford's BPP investment at 2335 Burbank. The taxable value of the vehicle fleet for BPP tax purposes shall be calculated as the assessed taxable BPP valuation as determined by the Dallas Central Appraisal District (DCAD). The abatement is contingent upon Ford documenting a cumulative total capital investment, including the vehicle fleet, of \$160 million at 2335 Burbank by December 31, 2027, and ongoing compliance with the job, salary, local hiring, and other term sheet requirements. The abatement will begin no later than January 1, 2028 and continue for five consecutive years.

As conditions to receipt of these incentives, the following provisions shall be met:

- a) Ford will create a minimum of 250 Jobs (defined as full-time, permanent employees of Ford receiving full benefits), 100 of which shall be Grant-Eligible (as defined above) in Dallas by December 31, 2027 (the Job Creation Requirement).
- b) 80% of Grant-Eligible Jobs must be paid a minimum salary of \$74,000.00. The remaining 20% of Grant-Eligible Jobs will be paid a minimum salary of \$100,000.00. The remaining 150 Jobs that comprise the Job Creation Requirement shall be paid a minimum salary 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, as that figure may be adjusted throughout the Compliance Term. The rate in Dallas County is currently \$15.21 per hour. This wage figure does not include overtime, bonuses, or benefits. The grant must be repaid if the Job Requirements (Job creation, maintenance, salary, and residential hiring requirements) are not maintained five years from the date of grant payment, subject to notice and an opportunity to cure.

- c) A minimum of 50% of all Jobs created under the Job Creation Requirement, shall be residents of the City of Dallas, and Ford will make best efforts to ensure that at least half of the Grant Eligible jobs are filled by Dallas residents. Compliance monitoring for this requirement will occur when Ford notifies the City of Dallas that it has met the hiring and salary requirements above and will continue annually thereafter for five years after the date of the grant payment.
- d) Ford shall maintain in Dallas the minimum number of Jobs eligible for the Job Grant for five years after the date of the grant payment.
- e) Ford shall invest a minimum of \$160 million in capital expenditures at 2335 Burbank Street by December 31, 2027, estimated to include \$2.5 million in tenant improvements and \$157.5 million in autonomous vehicles and technology.
- f) Ford shall make best efforts to partner with Dallas College and NCTCOG to develop an automated vehicle/transportation technology training program. Ford will partner with Dallas College to develop internships or pursue a similar program developed by Ford and Dallas College and subject to approval by the Director of the Office of Economic Development (Director). Ford must deliver to Director an agreement executed by Ford and Dallas College documenting the terms of the proposed program no later than December 31, 2023, or document why the agreement was unable to be executed, along with documented evidence of Ford's efforts to do so. At a minimum, Ford will continue this program through December 31, 2033.
- g) Ford shall make best efforts to execute agreements with Dallas Independent School District (DISD) and Richardson Independent School District (RISD) by December 31, 2022, to participate as an Industry Partner in the Pathway to Technology Early College High School (P-TECH) Programs of each ISD.
- h) Ford shall undertake a good-faith effort to comply with the City's Business Inclusion and Development (BID) goal of 32% participation by Minority/Women-owned Business Enterprises (M/WBE) for construction and construction-related expenditures incurred by CBRE or any affiliate thereof in Dallas.
- i) Ford shall, upon request and reasonable notice, (i) provide to the Office of Economic Development sufficient records and documents related to the obligations contained herein to demonstrate, and (ii) permit staff from the Office of Economic Development access to the AVF and Ancillary Facility, as applicable, to monitor, compliance with the City incentive agreement.
- j) Ford shall provide an annual report to the Director regarding documentation of all required compliance with the City incentive agreement. Of note, the annual reports shall include a summary regarding the status/outcomes of the workforce program regarding Dallas College, including number of participants, salaries or other benefits paid to participants, and race/gender/ethnicity of participants, and summary of P-TECH participation. The annual reports shall be due every April 15th to the Office of Economic Development starting in 2023 and concluding in 2034. As an example of an annual report's applicable deadline, the 2022 annual report will be due by April 15th, 2023. The annual report shall be provided to the City no later than April 15th of each year beginning in 2022 and ending in 2034.

- k) Failure to comply with the terms of the incentive agreement may result in recapture and/or repayment of the incentives.
- l) The Director, in his or her sole discretion, may extend any of the completion deadlines for up to six (6) months.
- m) In the event of a force majeure, Ford 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 this Agreement is occurring within 30 days of notice from Ford. 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 pursuant to the length of the force majeure event.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Economic Development Committee was briefed in Executive Session to discuss the offer of a financial or other incentive for Ford or an affiliate thereof under Section 551.087 of the Texas Government Code on January 3, 2022.

FISCAL INFORMATION

Estimated Revenue Foregone: up to \$3,013,208 over a five-year period

Fund	FY 2022	FY 2023	Future Years
Public/Private Partnership Fund	\$0.00	\$0.00	\$250,000.00

COMPANY

Ford Motor Company

Tony Reinhart, Director, State and Local Government Relations

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