



# Economic Development Proposals

Budget and Fiscal Affairs, Tuesday March 3, 2015

Committee Presentation

*Prepared by:*

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# Proposals under Consideration

- **Kroger Co. Distribution Center Expansion – Tax Abatement**
  - District B
- **Halliburton Energy Services – Tax Abatement**
  - District B
- **Menil Foundation – Chapter 380**
  - District C
- **Fountain Residential Partners – Tax Abatement**
  - District I



# The Kroger Co. Distribution Center

701 Gellhorn Street



- **Existing Facility**

- Existing Facility is 962,108 sf
- 300 Full time employees
- Company will invest \$24M to Upgrade Existing Bldg

- **Expansion Considerations**

- Need is based on growth in Houston market (new/expanded stores)
- Evaluating whether to remain in Shelbyville IN or expand in Houston or Dallas
  - Evaluation factors: efficiency, shipping costs, logistics and quality
  - Additional costs to expand vs remaining in Shelbyville approximately \$1M
  - City's tax abatement consideration a key factor in presenting expansion to capital investment committee
- \$17M Investment
- 15 to 20 new jobs
- \$35,000 Average salary





# Kroger Proposed Tax Abatement Terms



- **Kroger will invest approximately \$17M to expand facility**
  - Approximately \$13M subject to tax abatement
  - Includes building and equipment
- **Construction to be completed by 3Q 2015**
- **Tax Abatement Effective Jan. 2016**
- **First year impact is 2017**
- **10 year tax abatement**
- **75% abatement**
- **Annual abatement table below:**

Tax Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>New Improvements</b>	12,780,000	13,313,000	13,932,780	14,695,355	15,537,714	16,464,032	17,464,760	18,548,699	19,736,525	21,033,771
<b>Abatement at 75%</b>	60,489	63,012	65,945	69,555	73,542	77,926	82,662	87,793	93,415	99,555
<b>Total 10 Yr. Abatement</b>										<b>\$773,893</b>

**Assumptions:**

1. HCAD will reflect 80% of Improvement cost.
2. Annual growth rate at 4% for the first 10 years.



# Halliburton Energy Services, Inc.

3000 N. Sam Houston Parkway



- **Houston headquarters**
- **Began expansion of campus in 2009**
- **Expansion Plans**
  - Almost 1 million additional square feet of new development
  - Estimated 2,000 additional staff count
  - More than \$110M in taxable value by January 2014
  - An estimated \$21M invested in 2014 and 2015
- **Long Term Master Plan**
  - Capacity to add an additional 1 million square feet
  - Potential head count increase of more than 3,000

DEVELOPMENT AND STAFF STATS BEFORE AND AFTER CAMPUS EXPANSION

	Pre Development Condition	Phase I	Phase II
<b>Development Size</b>	323,000 square feet	625,000 square feet to include: <ul style="list-style-type: none"> <li>• Office Bldg</li> <li>• Tech R&amp;D</li> <li>• Instrumentation Facilities</li> </ul>	320,000 square feet to include: <ul style="list-style-type: none"> <li>• Modernization to central plant</li> <li>• Two Office Bldgs</li> <li>• Parking Garage</li> </ul>
<b>Staff Count</b>	1,800 Employees	2,400 Employees	3,700 Employees
<b>Taxable Value</b>	\$17M	\$77M	\$127M
<b>Annual AV Revenue</b>	\$109k	\$492k	\$801k





# Halliburton Before Campus Expansion - 2009







# Halliburton In 2014





# Halliburton



- **Halliburton has completed Phase I**
- **Phase II**
  - Completion is expected by April 2015
  - Requires the reconstruction of Milner Road due to new development
- **Expansion produced an economic benefit but created mobility/safety impediment**
- **Milner Road Reconstruction**
  - Traffic Impact Analysis (June 2013) forecasted increased traffic growth
  - PWE requires improvement to a 3 lane street
    - To accommodate increased traffic loads and volume
    - To increase radius to enhance safety for wide turns
  - Milner is currently a two lane asphalt street with open ditches
  - Milner will be improved to a 3 lane, 7-8” thick concrete street with curb/gutter
  - Engineering cost estimate is \$3M





# Halliburton Proposed Tax Abatement Terms

- **Halliburton will construct Milner Road**
  - Requirement was not a cost factor in its economic feasibility analysis
- **Tax Abatement will reimburse for ½ cost for Milner (\$1.5M) and will only apply to 2014 and 2015 investment**
  - Approximately \$21M subject to tax abatement
- **Tax Abatement Effective Jan. 2016**
- **First year impact is 2017**
- **Up 10 year tax abatement**
  - Maximum abatement is \$1.5M
  - Pay back period 9 years
- **50% abatement**



Tax Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>New Improvements</b>	148,135,642	157,023,781	166,445,208	176,431,920	187,017,835	198,238,905	210,133,239	222,741,233	236,105,707	250,272,049
<b>Abatement at 50%</b>	66,390	94,435	124,164	155,676	189,079	224,486	262,017	301,800	343,971	388,671
<b>Total 9 Yr. Abatement</b>										<b>\$1,762,018</b>

**Assumptions:**

1. HCAD will reflect 80% of Improvement cost.
2. Annual growth rate at 6% for the first 10 years.



# The Menil Collection

## About Menil Foundation

- 501(c )(3) nonprofit corporation
- Established in 1954
- Private art collection of approx. 17,000 pieces of artwork & rare books
- Largest private collection in the U.S.
- Operates mostly on endowment earnings, donations and rental income
- Admission is free to all guests

## Financial Statistics FY13

- Revenue source
  - 62% from donations/fundraising
  - 24% from endowment earnings
  - 3% from program services (book store)
  - 11% from net rental income

## THE MENIL COLLECTION



## Financial Statistics FY14

- Revenue source
  - 41% donations/contributions
  - 45% from endowment earnings
  - 11% from net rental income
  - 3% from program services





# Menil

## Campus Expansion Plan – 30 Acres

- **Museum and non-museum development**
- **Up 900,000 sf over four phases**
- **Increase tourism and attract visitors**
  - Increase by 50% to 270,000 visitors annually
- **Enhance residential options**
- **Museum Enhancements**
  - Menil Drawing Institution
  - Revitalization of the Bungalows
  - Park and landscape features
- **Non-museum development**
  - High End Multi Family
    - In partnership with private developer
  - Neighborhood serving ground retail
  - Streets, traffic improvements and utilities to serve the site

## THE MENIL COLLECTION





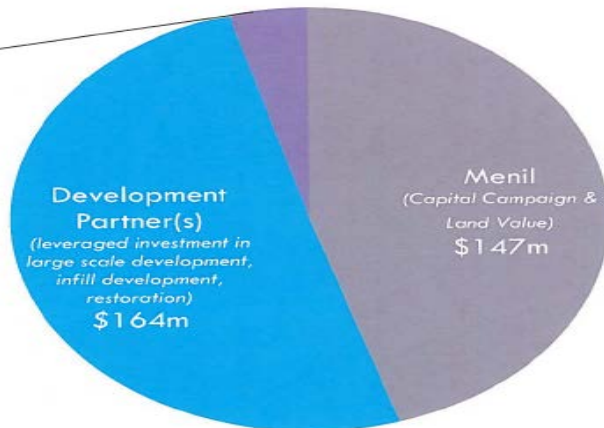
# Menil

## Planned Investment to Implement Master Plan

- Over \$300M Investment
- Menil will initiate capital campaign
- Menil is pursuing partnerships to meet investment goal and project outcome

### Master Plan Capital Contributions

Requested  
Public  
Investment:  
\$14m (4%)



## THE MENIL COLLECTION







# Menil

## Proposal for Chapter 380 Incentive

- **Menil will construct all public improvements and public accessible amenities**
  - Street Improvements surrounding site
  - Water, sewer & storm utilities to extend to the site
- **Vertical development will span over four phases to include:**
  - The construction of a multi-family development
  - The renovation and improvements to the bungalows
  - Construction of ground floor neighborhood retail
    - Restaurants
    - Retail shops
- ***Proposal is for reimbursement of public streets, traffic improvements, utilities and park improvements from property taxes generated from new development***

## THE MENIL COLLECTION





# Menil

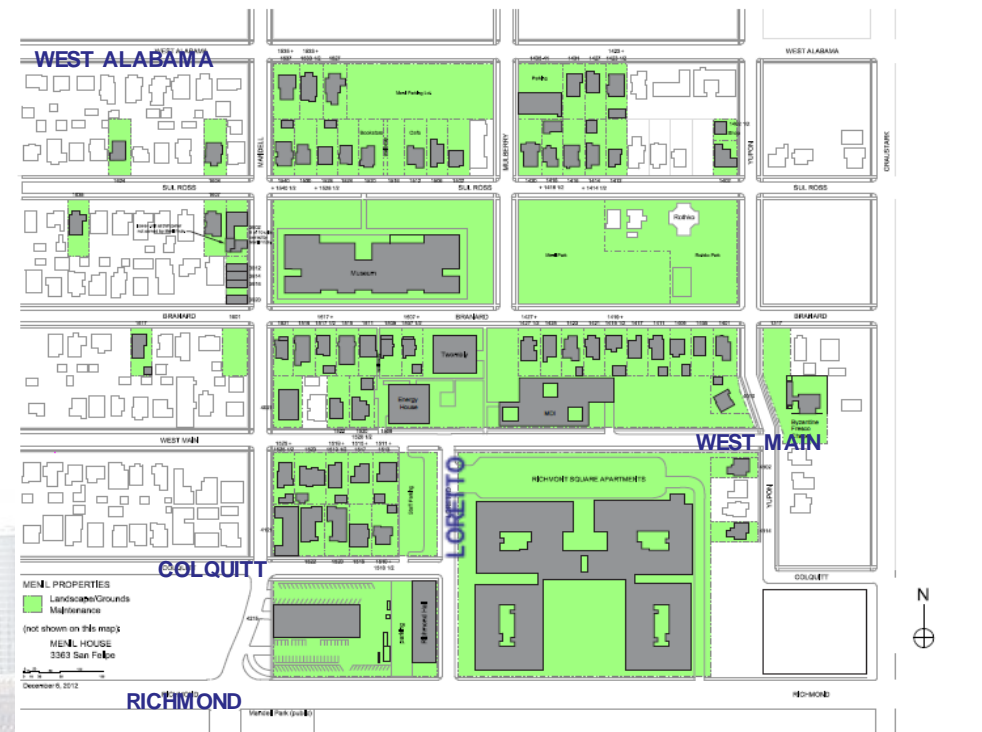
## THE MENIL COLLECTION

- **Street Improvements and/or traffic improvements**

- W. Alabama/Mandell
- Mandell/Richmond
- Construction:
  - W. Main
  - Loretta
  - Colquitt
- Cost Estimates
  - \$3.4M

- **Utilities**

- Water, Storm and Sewer
- \$1.4M





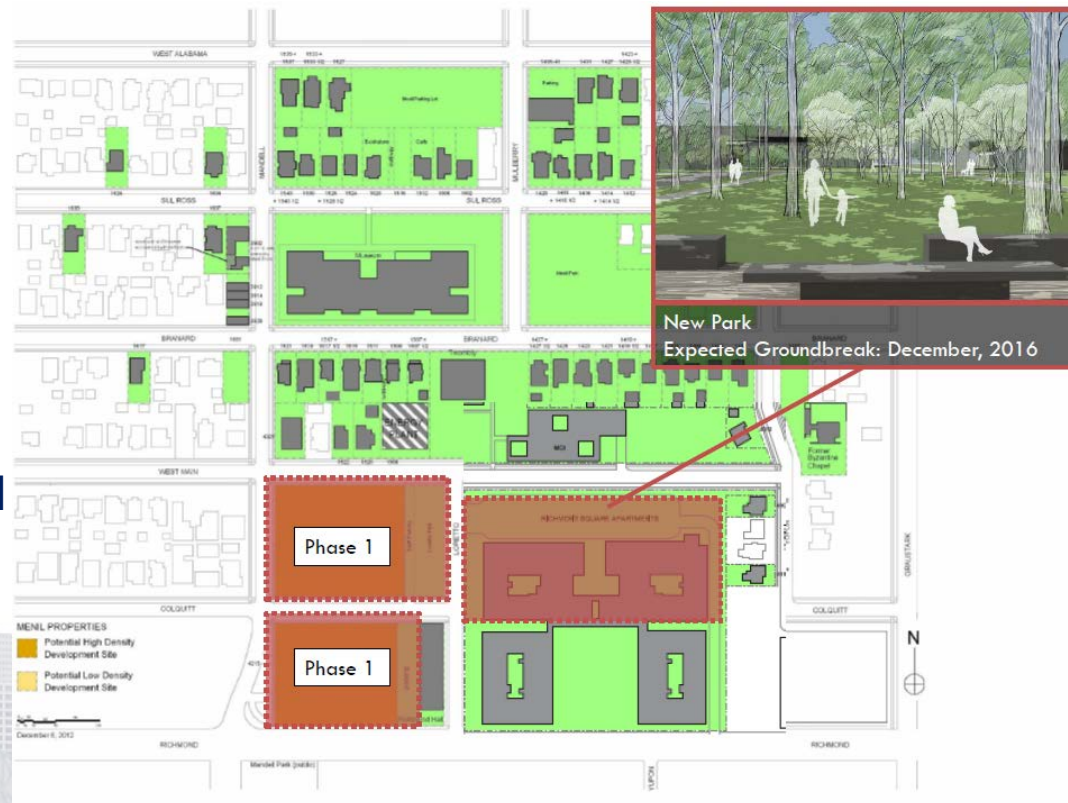


# Menil

## THE MENIL COLLECTION

- **Park Space**

- 2.6 Acres
- 2016 Groundbreaking
- Full public access
  - COH Park Hours
- Maintained by Menil
- Cost estimate \$8.7M
  - \$76/sf
  - Compares to COH





# Menil

## Proposed 380 Agreement Terms

- **Project represents approximately \$300M investment**
  - Includes land
  - Approximately \$250M towards vertical development (including museum bldgs)
  - Approximately \$170M reflected as taxable value
- **Phase I construction planned to begin 2015**
- **Phase IV planned to be completed by 2024**
- **First year impact is 2018**
- **Reimbursement of 50% of property taxes from new development**
- **Maximum Reimbursement \$10M over 20 years**
- **Year 1 payment estimated at \$150k from Phase I**
- **Payments grow incrementally to include all 4 Phases**
- **Estimated payback term is 18 years**
- **Year 18 payment estimated at \$900k**





# Fountain Residential Partners Completed or Planned Houston Projects

## Pioneers at University of Houston



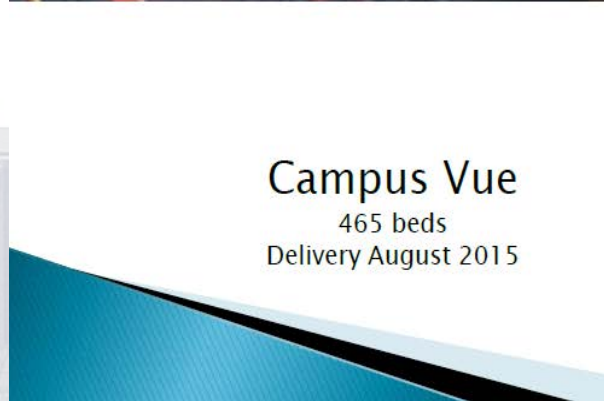
FOUNTAIN RESIDENTIAL  
PARTNERS

- Specializes in Student Housing
- Completed more than \$1B in projects since 2000
- Developed student housing in the following markets:
  - Texas Christian
  - Univ. of North Tx.
  - U of H
  - Oregon State
  - UT – San Antonio



### The Vue on MacGregor

347 Beds; 100% Leased  
Opened in August 2014



### Campus Vue

465 beds  
Delivery August 2015







# Fountain Residential The Site at I45 and Cullen Boulevard







# Fountain Residential The Site at I45 and Cullen Boulevard

UNIT TYPE	UNIT COUNT	BED/UNIT	TOTAL BED
A1	3	1	3
A2	22	1	22
B1	4	2	8
D1	3	4	12
S1	52	1	52
TH1	48	4	192
TH2	48	4	192
TH3 (POWDER)	3	5	15
TH4 (POWDER)	3	5	15
TH5	4	4	16
TOTALS	190		527



Stuart Roosth  
ARCHITECT  
885 FOREST CENTRAL DR #104  
DALLAS, TX 75204

  
FOUNTAIN RESIDENTIAL  
PARTNERS  
2626 COLE AVE #820  
DALLAS, TX 75204

*Note: Enhancements may be modified in conjunction with planned DOT project.*





# Fountain Residential Cullen Blvd Proposed Development

- Student housing for U of H and TSU
- Four Story
- 190 units with 527 beds
- \$22M Investment







# Fountain Residential Tax Abatement Terms

- **Fountain Residential will invest approximately \$22M**
  - Approximately 80% (\$17.2M) reflected as taxable value
- **Construction to begin 2015 through August 2016**
- **Tax Abatement Effective Jan. 2017**
- **First year impact is 2018**
- **10 year tax abatement**
- **90% abatement**
  - Project Site is located within a high poverty census block (21.24%)
- **Subject to recapture if project exceeds expected performance**
- **Annual abatement table below:**

<b>Tax Year</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Fiscal year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>New Improvements 1</b>	17,248,560	17,766,017	18,298,997	18,847,967	19,413,406	19,995,808	20,595,683	21,213,553	21,849,960	22,505,459
<b>Abatement at 90%</b>	97,967	100,906	103,933	107,051	110,263	113,571	116,978	120,487	124,102	127,825
<b>Total Abatement</b>										<b>1,123,082</b>

**Assumptions:**

1. HCAD will reflect 80% of Improvement cost.
2. Annual growth rate at 4% for the first 10 years.