

Legislation Text

File #: 2899, **Version:** 1

CC MEETING: October 18, 2016

DATE: October 11, 2016

TO: Leonard Martin, City Manager

FROM: Andrea Roy, Economic Development Manager

Consider A **Resolution Authorizing The City Manager To Enter Into A Tax Incentive Agreement With Billingsley Development Corporation At The Northwest Corner Of Parker Road And Plano Parkway.**

BACKGROUND:

Billingsley Development Corporation has requested a tax incentive and reimbursement of building permit fees for an approximately 450,000 square foot regional office facility on approximately 30+ acres at the northwest corner of FM 544/Parker Road and Plano Parkway in Austin Ranch for the purpose of relocating AmerisourceBergen Specialty Group's regional offices to this site.

AmerisourceBergen Specialty Group currently occupies multiple locations within the Metroplex, and due to its extensive growth and desire to consolidate its operations into one location, the company wishes to contract with Billingsley to construct a build-to-suit office campus to ultimately house approximately 3,000 employees. AmerisourceBergen is a global pharmaceutical sourcing and distribution services company with over \$135 billion in annual sales. The company is currently ranked #12 on the Fortune 500 list.

Billingsley will construct AmerisourceBergen's office complex in two phases. Phase I will consist of 300,000 square feet with an investment value of \$75 million. Phase II will consist of 150,000 square feet of office with an investment value of \$38 million. Development of Phase I will commence immediately, while Phase II will commence once notice is provided to Billingsley by AmerisourceBergen (by July 1, 2019) in accordance with the letter of intent. It is the intention of AmerisourceBergen to occupy Phase I upon its completion with a 12.5-year lease, and then occupy Phase II two to three years later with a 10-year lease so that both leases would co-terminate. While neither Billingsley nor AmerisourceBergen is contractually obligated to construct or occupy Phase II of the project, it is AmerisourceBergen's plan to move forward with Phase II as proposed, as this aligns with the termination of one of the company's current leases which houses hundreds of employees in another city, and contributes to the company's ultimate goal of bringing its employees together in a single facility.

In addition to the City's proposed incentives, Billingsley has also provided concessions in order to attract AmerisourceBergen to Carrollton, including a significant reduction in the land cost and the construction of a parking garage estimated at \$13 million. Billingsley has also provided an enhanced tenant finish-out allowance, which will contribute to this project becoming a signature campus for AmerisourceBergen.

FINANCIAL IMPLICATIONS:

Billingsley Development Corporation, the owner, has requested a 75%, 13-year real property tax rebate in

exchange for the approximately \$113 million in real property improvements that will be made within the two phases. During the 13-year term, the owner will receive an estimated \$6.8 million tax benefit and the City will receive approximately \$2.4 million in revenue.

Additionally, the owner has requested that building permit fees associated with both Phase I and Phase II of the project be reimbursed in an amount not to exceed \$400,000 in an effort to offset the up-front development costs.

The total cost of the facility is approximately \$113 million, which will generate about \$2.4 million to the City during the term of the agreement. The City's 13-year total direct and indirect net benefit of the project is \$4.8 million. Additional benefits of the project include revenue to Denton County, Lewisville ISD (\$22 million over the 13-year period), DART, hotel occupancy taxes, and utility revenues.

A companion request by AmerisourceBergen for a job creation grant and business personal property tax rebate (13-year, 75%) will be considered by City Council on the same agenda.

IMPACT ON COMMUNITY SUSTAINABILITY:

In accordance with the City of Carrollton's goal of enhancing the tax base through new development and attraction of quality employers, this project meets all criteria.

STAFF RECOMMENDATION/ACTION DESIRED:

Staff recommends that City Council authorize the City Manager to enter into an incentive agreement with Billingsley Development Corporation providing up to a thirteen (13) year, seventy-five percent (75%) real property tax rebate; and reimbursement of 100% of building permit fees associated with the project, not to exceed \$400,000.