

Legislation Text

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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 And Job Creation Grant Agreement With AmerisourceBergen Specialty Group, Inc.**

BACKGROUND:

AmerisourceBergen Specialty Group currently occupies multiple locations within the Metroplex. Due to its extensive growth and desire to consolidate its operations into one location, the company wishes to contract with Billingsley Development Corporation to construct a build-to-suit office campus on 30+ acres at the northwest corner of FM 544/Parker Road and Plano Parkway in Austin Ranch. 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 at an investment value of \$75 million. Phase II will consist of 150,000 square feet at 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 at a single site.

FINANCIAL IMPLICATIONS:

AmerisourceBergen has requested a 75%, 13-year business personal property tax rebate in exchange for its approximately \$15 million investment in business personal property improvements within the two phases. During the 13-year term, the company will receive an estimated \$315,000 in tax benefits, and the City will receive approximately \$100,000 in tax revenue.

Additionally, AmerisourceBergen will initially relocate 1,184 jobs to Carrollton as part of Phase I, with an estimated 800 jobs to be relocated with Phase II. Additionally, approximately 1,000 new employees are expected to be hired over a ten-year period. To support this level of job creation, the company has requested a 10-year job creation grant which provides for \$1,000 per job, up to \$1,331,000, then reducing to \$350 per job for the later years of the agreement, capped at \$592,200. The total job creation grant will not exceed

\$1,923,200. Because the job creation grant provides direct financial assistance from the City to the company, specific performance requirements are outlined in the agreement, including a minimum average salary of \$72,000, which is reported to the City annually. Additionally, if Phase II of the project is not initiated by the company, the job creation grant is forfeited beyond the first year. The City's rate of return on the job creation grant is 20%, with a payback period of 6.4 years.

The total cost of the facility is approximately \$113 million, which will generate over \$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 revenue benefits will be realized by Denton County, Lewisville ISD (\$22 million over the 13-year period), DART, hotel occupancy taxes, and utility revenues.

A companion request by Billingsley Development Corporation for a real property tax rebate and building permit fee reimbursement 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 City Council authorize the City Manager to enter into an incentive agreement with AmerisourceBergen Specialty Group, Inc. providing a thirteen (13) year, seventy-five percent (75%) business personal property tax rebate.