

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Jason Moore, Economic Development Manager

DATE: April 1, 2019

SUBJECT: **Approval of an Economic Development Agreement Between the City of Lewisville and DJO, LLC; and Authorization for the City Manager to Execute the Agreement.**

BACKGROUND

DJO, a global provider of high-quality orthopedic devices, is proposing to sublease 40,624 square feet from Teachers Insurance and Association of America at 2900 Lake Vista Drive, Suite 200. DJO has over 12 facilities worldwide, they provide over 1,000 types of medical devices and employ over 5,000 people across the world. As part of their decision to relocate their headquarters out of California in the summer of 2018, they hired the site location and real estate professionals of Jones Lang LaSalle (JLL) to facilitate a search.

In June 2018, staff met with representatives from JLL and Jeff Sears, the Chief Operations Officer for DJO. During that meeting, the company representatives informed city staff that Lewisville was their target location in Texas and that we were competing with another site in Phoenix, Arizona. As such, the company would be seeking application for the Texas Enterprise Fund (TEF) and wanted to obtain the City's assistance through the process. As part of that application, staff brought a proposal to a City Council executive session on June 18, 2018 and received direction to proceed with the deal points found in this agreement.

Upon execution of the TEF application, it was submitted to the Governor's office in July 2018. It was not until early October 2018 that the state officially denied the TEF grant. However, due to the City of Lewisville's strong business climate and ideal location, DJO decided to proceed with the City's deal points to relocate their primary headquarters from California to the Lake Vista business park here in Lewisville.

ANALYSIS

As part of their headquarter operations, DJO will employ and maintain a minimum of 130 employees at 2900 Lake Vista Drive, on the second floor of the TIAA building. Because of the executive level positions that will office here, the annual payroll will be a minimum of \$8,060,000.

For those economic deal points, the City will provide the following incentives:

1. An annual grant for 10 years

- a. Years 1 through 5 = 75% of the municipally imposed business personal property taxes and real property taxes (based on their proportionate share of the facility);
 - b. Years 6 through 10 = 50% of the municipally imposed business personal property taxes and real property taxes (again, based on their proportionate share of the facility).
2. A fee grant in an amount equal to all building permit fees (not including impact fees), for the finish-out of their leased space, estimated to be less than \$10,000.
3. A grant to DJO in an amount equal to the higher amount of fifty percent (50%) or \$750 of the impact study fee charged by Impact DataSource as part of DJO's application to the State of Texas for the Texas Enterprise Fund.

DJO will also participate in the Community Support Grant initiative where they will contribute funding each grant year for the term based on the chart below:

<u>Annual Incentive Value Paid by the City to the Company</u>	<u>Annual Support Paid by the Company to the City for a Community Event, Economic Development Activity or Other Charitable Contribution</u>
\$5,000 to \$10,000	\$1,000
\$10,001 to \$20,000	\$2,500
\$20,001 to \$50,000	\$5,000
\$50,001 to \$75,000	\$10,000
Greater than \$75,001	\$15,000

RECOMMENDATION

It is City staff's recommendation that the City Council approve the agreement as set forth in the caption above; and authorize the City Manager to execute the agreement.