

A MONTHLY BRIEFING

RECYCLING THE CITY

In this issue of D Economy, read about the new Cadbury Schweppes Americas Beverage lease and the new building going up in the Turnpike Distribution Center (page 2). Also, read about Dallas' steady employment picture between April and May (page 3). Finally, learn about three Dallas companies named among the fastest growing in the nation (page 4).

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Being essentially landlocked by inner-ring suburban cities, only a tenth of Dallas' land is undeveloped. Much of the city's new construction must come from infill development—the reuse or demolition of aging and functionally obsolete buildings.

This is good for the city because it can renew areas that are in decline or head off a decline, as well as improve the city's property tax base. The city's Brownfields program helps to facilitate environmental cleanup of some of these infill sites.

Redevelopment of existing structures, however, is not without challenges. Demolition or converting existing buildings to new use can add hundreds of thousands if not millions in cost, and the developer must deal with envi-



Figure 1.
CONCRETE AND STEEL TO BE RECYCLED AT THE ALFORD REFRIGERATED WAREHOUSES SITE. PHOTO BY ANN GRIMES.

ronmental concerns related to the construction materials used in an older building.

Sometimes the old materials don't even make it to a landfill because haulers may be tempted to dump them illegally to avoid paying the landfill's tipping fees (\$16 per ton at the McCommas Bluff Landfill). Thankfully, recycling construction materials is an attractive alternative. The existence of concrete and metal recycling companies reduces the temptation to dump illegally, and they bring savings

to the demolition process, too.

Older buildings typically have a lot of concrete, primarily from floor slabs. A concrete recycler can crush concrete into different sizes for reuse. For example, Kristian Teleki of Matthews Southwest says that concrete from the demolition of the Alford Refrigerated Warehouses, which may be replaced by a residential project, will be reused for various purposes on site, including as a sub-base and slope stabilizer (Figure 1).

Concrete recycling firms will often set up shop on the site of the demolition, primarily for larger projects. This was the case for the American Airlines Center and the Victory development, which were built on top of an electric power generating plant, railroad maintenance facility and city landfill. They may also accept concrete waste for free, which they then crush and prepare for use as flex base for road foundations.

Because of concrete recyclers, the city landfill doesn't receive very much commercial concrete. What little it does receive comes primarily from municipal activities. As recently as 2004 this concrete was simply buried at the landfill; now, it is recycled and used to build access roads and storm water control features at the landfill.

The landfill rarely receives metals because they are too valuable as recyclables. A recycler may melt steel for reuse. Recycling steel as well as concrete offsets the cost of demolition for developers.

Although many consider industrial recyclers to be eyesores, their services are invaluable to the city. They greatly reduce the likelihood of illegal dumping, which limits an area's development possibilities, and they free up space in the city's landfill. They also reduce developers' demolition costs because of the value of the salvaged material, making infill development more financially feasible. Ultimately, infill development improves the city's competitiveness as a place to live and work.

-Sonya Smith

Center City News

- The owner of Lincoln Plaza, California State Teachers Retirement System, is planning a \$5 to \$8 million remodeling of the building, located at 500 N. Akard Street (Council District 14). The lobby will get a new look, along with a new video wall, and the elevators will get new video panels. The lower concourse will have a new shared conference room, a Starbucks and a new convenience store. The building will also be fitted with wireless connectivity, and new landscaping will be installed. The building's cafeteria on the second floor will make way for a new Bon Appetit restaurant, which is only the second in the state. Most of the remodeling will be completed in the fourth quarter of 2007. SOURCE: GLOBEST.COM, JUNE 19, 2007.
- Unicare Life & Health Insurance Co. has opened an office in the West End, the Community Resource Center, to provide better access to care for Medicaid users. The company is in charge of all Medicaid managed care cases in the Dallas area. The office is located at 1801 Lamar St. (Council District 2). SOURCE: DALLAS BUSINESS JOURNAL, JUNE 22, 2007.

Southern Sector News

- Plano-based Cadbury Schweppes Americas Beverage has consolidated six distribution centers located in Texas, Louisiana and Oklahoma to Turnpike Distribution Center at 4040 Pipestone Road (Council District 3). The company increased its initial lease of 155,000 square feet in December 2005 to almost 600,000 square feet. The new location will be a five-state regional distribution center for the company's soft drink products such as Dr Pepper, 7UP, RC Cola and Snapple, and it will employ 70 people with operations around the clock. Recent infrastructure improvements to I-30 and Cockrell Hill Road by the City of Dallas, Dallas County and the Texas Department of Transportation are credited for making Turnpike a competitive industrial park. SOURCE: DALLAS BUSINESS JOURNAL, JUNE 1, 2007.
- The owner of the Turnpike Distribution Center, Principal Real Estate Investors, has teamed up with Holt Lunsford Commercial to build a new 551,000 square foot speculative industrial building. The two intend to benefit from the scarcity of large warehouse facilities in Dallas because companies such as Cadbury Schweppes Americas Beverage are increasingly consolidating several smaller facilities into larger, regional ones. The groundbreaking will be held in late July. SOURCE: DALLAS BUSINESS JOURNAL, JUNE 8, 2007.
- One June 12, the groundbreaking for the Trinity River Audubon Center was held. The site of the new facility, by Loop 12 between I-45 and Highway 175, was once an illegal landfill (Council District 5). The Trinity River Audubon Center will be a place where an estimated 125,000 students and visitors a year can learn about plants and animals. Construction is scheduled to be complete on the \$10.8 million center in the summer of 2008. SOURCE: OAK CLIFF TRIBUNE, JUNE 14, 2007.

Real Estate News

- A survey by PMI Group, a mortgage insurance firm, ranked Dallas 47th out of the 50 biggest housing markets in the country most likely to have a home price decline. PMI Group found that Dallas has a 7.5 percent chance of falling home prices in the next two years. Only Fort Worth (7.4%) and Pittsburgh (6.4%) had less risk than Dallas. The markets most likely to have house price declines were Riverside, California (65%), Phoenix, Arizona (64%) and Las Vegas, Nevada (61%). SOURCE: DALLAS MORNING NEWS, JUNE 19, 2007.
- Santa Barbara, California-based OLS Real Estate Group is bringing its hometown style to East Dallas. The company plans an infill townhouse development at 4908 Chambers St. where it will begin constructing the first phase of a three phase project, the Santa Barbara Villas, in October (Council District 2). The project will ultimately consist of 130 townhouses between 1,700 and 2,100 square feet, priced around \$400,000 to \$450,000. SOURCE: GLOBEST.COM, JUNE 25, 2007.
- One Lincoln Center has a new tenant, Atlanta-based Tatum LLC. The executive and consulting services firm is expanding its Dallas presence with a new 17,233 square foot lease in the building at 5400 LBJ Freeway (Council District 13). SOURCE: DALLAS BUSINESS JOURNAL, JUNE 27, 2007.
- Real estate broker Staubach Co. has announced it will be relocating its headquarters from Addison to a new building located at 8343 Douglas Avenue in 2009 (Council District 13). Lincoln Property is the developer of the seven-story building, and Staubach will lease 119,203 square feet. Groundbreaking of the new building will be in July. SOURCE: DALLAS MORNING NEWS, JUNE 28, 2007.

Employment

The unemployment rate in Dallas plateaued from April to May at 4.1 percent. The state and national rates also remained the same at 3.9 and 4.3 respectively, while the MSA rate increased by 0.1 percentage point to 3.9 percent (Table 1).

The number of unemployed persons in the city declined by 1.9 percent while the labor force was essentially unchanged for the second consecutive month (Table 2).

The chart in Figure 2 measures the difference between the city unemployment rate and the U.S. rate—a negative number means the city’s rate is higher than the U.S. The city continues a four month trend of beating the national rate. May’s gap remains unchanged from April’s gap, a positive 0.2 percent.

Figure 3 depicts the number of employed persons in the city as 582,091 in the month of May. This number reflects employment by Dallas residents only.

Dallas payroll employment levels (jobs in Dallas that could also be held by non-residents) grew. Initial Office of Economic Development estimates show that payroll employment grew 3.4 percent annualized in May and remains over 1.06 million. The Education/Health services sector had the largest employment gains with over 1,400 new jobs. The Professional / Business Services, the state’s new job creation leader this month, plateaued at over 185,500 jobs from the previous month.

Table 1.
ANNUAL UNEMPLOYMENT RATES

	2007 May	2007 Apr	Point Change
City of Dallas	4.1	4.1	0.0
DFW MSA	3.9	3.8	0.1
Texas	3.9	3.9	0.0
U.S.	4.3	4.3	0.0
Largest U.S. Cities Avg. **		5.2	

Table 2.
CITY OF DALLAS LABOR FORCE (PERSONS)

	Unem- ployed	Labor Force
2007 May	24,609	606,798
2007 Apr	25,089	606,700
Change	-480	-98
% Change	-1.9	0.0

SOURCE: TEXAS WORKFORCE COMMISSION, U.S. BUREAU OF LABOR STATISTICS, VALUES NOT SEASONALLY ADJUSTED.

* PREVIOUS MONTH'S VALUES REVISED

** LARGEST U.S. CITIES EXCLUDING DALLAS ARE: NEW YORK, LOS ANGELES, CHICAGO, HOUSTON, PHILADELPHIA, SAN ANTONIO, SAN DIEGO, SAN JOSE, AND DETROIT.

Figure 2.
CITY OF DALLAS—U.S. UNEMPLOYMENT GAP

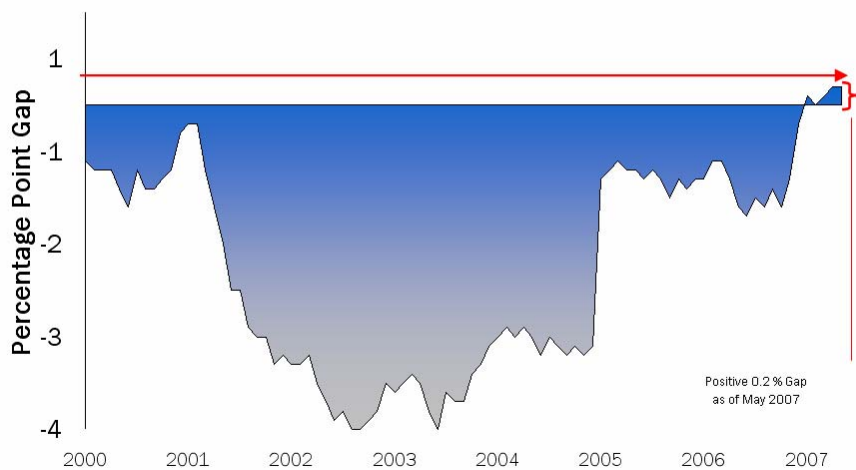
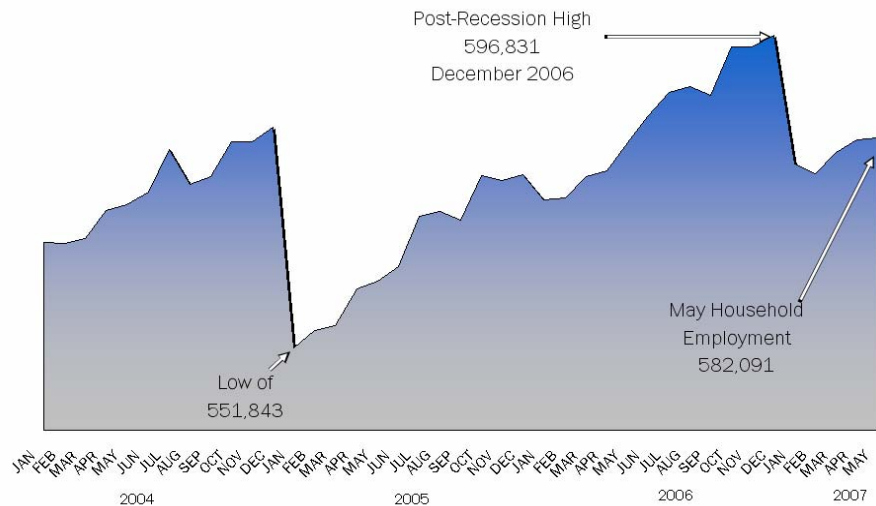


Figure 3.
CITY OF DALLAS EMPLOYMENT



THREE DALLAS COMPANIES RATED FASTEST GROWING INNER CITY COMPANIES

The Initiative for a Competitive Inner City (ICIC) and *Inc.* magazine have placed three Dallas firms on their Inner City 100 list. The list recognizes the fastest growing companies in America's inner cities to publicize private sector entrepreneurial growth and success.

The three Dallas companies are Pinnacle Technical Resources (Council District 2), The Paper Plate (Council District 8) and On-Target Supplies and Logistics (Council District 1).

Pinnacle Technical Resources—Number 5 on the list

In 1996 at the age of 25, Nina Vaca began Pinnacle Technical Resources, a full-service IT outsourcing, consulting, and staffing firm. In only eight years, Pinnacle was making \$30 million in annual revenues and Vaca was earning national accolades. Vaca emigrated to Los Angeles from Ecuador with her parents when she was just two. With her father, Hernan Alfredo, running a chain of travel agencies, and mother Amanda owning several retail businesses, there were no shortages of opportunities for young Nina to be exposed to entrepreneurship. At the

young age of 17, however, exposure became outright involvement when her father passed away, suddenly leaving Vaca and an older sister to run the travel agencies. Having successfully sold the travel-agency chain, Vaca made the move south for college, attending Texas State University to study communications and business. After a brief stint in New York City working as a recruiter for a technology firm, she moved back to Texas, where she started Pinnacle Technical Resources out of the living room of her Dallas home. Hardly jumping out of the gate, Vaca notes that it took her almost three months to land her first client. Today the company employs over 350 people in 15 cities across the country. Vaca's bootstrapping mentality and focus on retained earnings, she points out, allowed for investments in new services that have paid off for the company. In 2000, when most companies began unloading high-priced IT staff, Pinnacle Technical used it as an opportunity to beef up its own staff. In 2006, Pinnacle was awarded its first major contract (\$40 million) with a Fortune 500 company – to provide vendor management services. "This achievement will catapult Pinnacle in 2007," says Vaca. Pinnacle's clients include Verizon, Citigroup, AOL, and AT&T.



The Paper Plate—Number 42 on the list

The idea of running a food-service business came from Linda Carlisle's daughter Kimberly. Kimberly was working in a corporate job and proposed to her mother that the two of them start a business to provide healthy food to business professionals. While in the process of doing research on the food-service industry, the Carlisle family met two sisters who had started a charter school in Dallas and were having difficulty figuring out how to provide meals to students. The Carlises hadn't considered a food-service niche in schools, but researched the subject and decided to do it. Banks were reluctant to fund a start up, especially in the food business when the family had no food service experience, so Linda cashed in her 401k for capital. Their initial experience came from volunteering for a catering business – providing free labor in exchange for hands-on training. In the beginning, establishing credit with vendors, understanding government regulations around feeding schoolchildren, and financing were the biggest problems. Despite these challenges, the company continues to grow, and it built a new facility in 2006 with enough room to train its employees on-site.



On-Target Supplies and Logistics– Number 89 on the list

On-Target Supplies & Logistics is a regional logistics management firm with global customers and international responsibilities. Founded in 1982 as On-Target Industrial Maintenance and Supply Co., Inc., with a two-person staff, the company has grown into a major player in the Dallas business community; it has more than 130 employees and corporate headquarters that boast over 160,000 square feet in space. On-Target's business strategy is to provide products and services to major corporations with a need for contract logistics. They design, implement and manage customized logistics and transportation solutions that help customers gain a competitive edge in today's global marketplace. On-Target has grown into a diverse and profitable corporation. It distributes copier and computer paper, custodial supplies, and computer products and equipment, and also administers the logistics of warehouse and delivery services as well as telecommunications equipment and supplies.



Source: Initiative for a Competitive Inner City, <http://www.icic.org>.