

Dallas Business Journal - June 9, 2008
<http://dallas.bizjournals.com/dallas/stories/2008/06/09/story2.html>

Dallas Business Journal

Friday, June 6, 2008

Adesa to expand auto-auction business

Dallas Business Journal - by [Margaret Allen](#) Staff writer

Adesa Inc., one of the country's largest wholesale auto auctions, is poised to expand its operations in North Texas by building a 170-acre facility in the largely undeveloped town of Hutchins, located 12 miles southeast of Dallas.

The car auction campus, when ramped up during the next four years, will employ more than 300 people, including at least half of those full time, said Warren Byrd, Adesa's executive vice president for corporate development.

The deal marks the first tenant landed by The Allen Group for its 5,000-acre planned Dallas Logistics Hub business park. Adesa's build-to-suit campus will include three buildings totaling 200,000 square feet, said Dan McAuliffe, president of Allen Development of Texas, who confirmed that negotiations between Adesa, Hutchins and The Allen Group are under way to finalize details.

"We have entered into a 20-year lease," McAuliffe said. Plans call for Adesa's campus to achieve green standards set out by the Leadership in Energy and Environmental Design, he said.

California-based The Allen Group bought the acreage in southern Dallas County with plans of ultimately developing millions of square feet of industrial space and driving a flood of economic development in an area that has struggled to attract businesses.

The Adesa facility will be located on the northwest corner of the intersection of North Lancaster Hutchins Road and East Wintergreen Road, McAuliffe said.

Adesa operates 60 wholesale auto auction facilities across North America, where cars from one to three years old are auctioned to car dealers for resale on their retail lots, according to its Web site.

"This new facility will be among our largest," Byrd said. "Dallas is an extremely key market for Adesa." Its parent company is Indiana-based Kar Holdings Inc., which had revenue of \$1.59 billion in 2007, according to its financial reports. For more than a decade, Adesa has had a small, 50-acre auction site in Mesquite. The company said that site ultimately will be closed after Hutchins is operational, with the employees being offered the chance to transfer to the new facility and the Mesquite land sold.

Adesa will start construction in a few weeks on the Hutchins' campus, and it will be operating by August 2009, Byrd said.

The facility would provide receiving, preparation, detailing, sales, repair and transportation services, and would include an arena auction building, technology center, a reconditioning and mechanical center, and paved, fenced auto storage. The cars through the facility range in age from a month to 10 years, but most will be late-model vehicles, Byrd said.

Adesa, which doesn't own the vehicles, acts as a forum or sort of stock exchange where the nation's dealers exchange cars, he said.

The economic impact of the operation and construction of the facility through 2016 is estimated at \$342.9 million, according to Insight Research Corp. in a study for The Allen Group. Insight estimated the facility would pay \$12.5 million annually in state and local taxes through 2016.

Hutchins officials say the real impact of the facility will be its ripple effect on the small town of 3,000, which has had little to brag about in the way of economic development. Hutchins has been hanging its hopes on the \$90 million Dallas Intermodal Terminal off Interstate 45. The terminal, which straddles the towns of Wilmer, Hutchins and Lancaster, was opened in August 2005 by **Union Pacific Railroad Co.** and subsequently drew The Allen Group to southern Dallas County.

"We feel like now is the time," said City of Hutchins Mayor Ardis Johnson. "We've been sitting out here for 100 years, probably as long as Dallas, and you can see the difference."

Hutchins Economic Development Director John Hubbard said Adesa will drive development of hotels, restaurants and retail services, as well as rooftops.

That's already starting to happen, Hubbard said.

"Just from people hearing about this project, I've dealt with four different people wanting to put in a hotel," he said. "Adesa will take about 15 to 16 months to build. We'll have a hotel out here in the same amount of time."

Adesa estimates that visitors to the auctions will generate 4,530 hotel room nights producing about \$300,000 in hotel revenue and \$227,000 in dining and other expenditures annually in the area, according to the report.



courtesy photo

IMAGINE THIS: Hutchins officials have been told the Adesa Inc. dealer wholesale auction facility in their city will be similar to this Adesa site in Georgia.

[View Larger](#)

Hubbard anticipates a hotel announcement within the next couple months. Talks are under way, as well, with investors interested in building multifamily housing, which he said would then drive retail development.

"This is the beginning of something hopefully pretty big," Hubbard said.

To start, Adesa's plans call for about 100,000 vehicles to be processed annually through the facility, according to the report, increasing in four years to 150,000. Annual payroll at full operation would be about \$15.9 million, the report said.

About 2,000 acres of The Allen Group's land is located in Hutchins, Hubbard said. Because the land is located in an undeveloped area, negotiations are under way between The Allen Group and the City of Hutchins to pay for \$7.1 million in water- and sewer-line extensions, as well as road improvements, city officials said.

Under discussion is the widening of Wintergreen Road from a two-lane road that dead-ends at the Dallas Intermodal Terminal, into a six-lane, divided concrete road, Hubbard said.

Options include using a tax-increment financing district in which The Allen Group would fund construction then be reimbursed by Hutchins over time.

McAuliffe acknowledged the infrastructure discussions, saying they are key to any deals for The Allen Group. A Hutchins-Lancaster agreement around Wintergreen will open up about 800 acres to development, he said.

The Hutchins City Council in May gave permission for Johnson to sign an agreement to finance the improvements. He said lawyers for both sides are hammering out details now.

"We're moving cautiously," Johnson said. "I don't want anything on the back of Hutchins long after I'm gone."

mallen@bizjournals.com | 214-706-7119

All contents of this site © American City Business Journals Inc. All rights reserved.