



Draft Policy for Proposed TIF Districts



Business & Commerce Committee

January 6, 2005

Background and Purpose

- ✓ Council has directed staff to expand Economic Development efforts including the Area Redevelopment Program
- ✓ Staff has identified many opportunities for new TIF Districts and begun work with the development community to find private partners that have the ability to redevelop these properties
- ✓ Four of the possible TIF Districts have submitted an analysis of the potential benefits and costs to the City of Dallas related to each project
- ✓ Chapter 311 of the Local Government Code allows the City the power to create new TIF Districts in areas of the city that substantially impair the sound growth of the municipality, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of: a substantial number of substandard, slum, deteriorated, or deteriorating structures; the predominance of defective or inadequate sidewalk or street layout; faulty lot layout in relation to size, adequacy, accessibility, or usefulness; unsanitary or unsafe conditions; the deterioration of site or other improvements; tax or special assessment delinquency exceeding the fair market value of the land



Background and Purpose



- ✓ Several lessons have been learned from the success of existing Dallas TIF Districts – this briefing will summarize these lessons learned
- ✓ Staff has also worked with Dallas County on the development of its policy related to financial participation in new TIF Districts – this policy will be summarized in this briefing
- ✓ In order to treat all potential development projects consistently and aid in the efficient processing of new TIF proposals, Council can adopt a policy related to the evaluation of new TIF Districts – this briefing will propose a draft policy and evaluate four new TIF proposals in terms of this draft policy



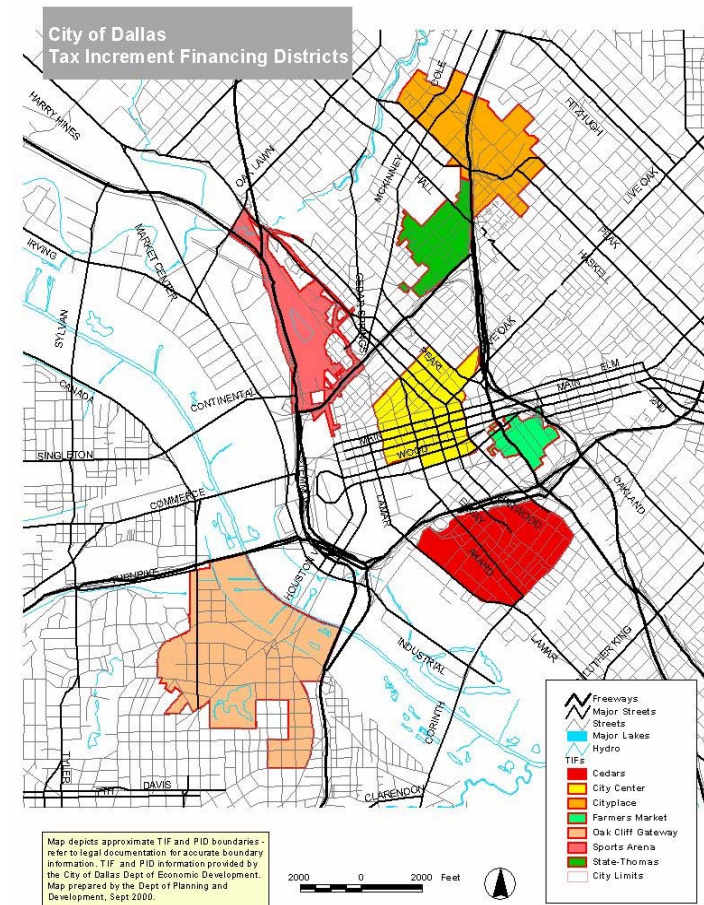
Areas under consideration for New TIF
Districts – Areas with Immediate Developer
Interest in bold

- ✓ Bachman Lake
- ✓ Bexar Street
- ✓ Fair Park – West Gate
- ✓ Fair Park – 2nd Avenue
- ✓ University of North Texas campus
- ✓ **Design District**
- ✓ **Southwest Medical District**
- ✓ Southwest Center Mall
- ✓ Ross Avenue
- ✓ **Live Oak/I-45 (City Lights)**
- ✓ **Park Lane Place**
- ✓ **Lake Highlands**
- ✓ Casa Linda
- ✓ Spring Valley/Coit
- ✓ Fort Worth Avenue
- ✓ Live Oak/Baylor Area
- ✓ Westmoreland DART Station
- ✓ Trinity/Mockingbird
- ✓ Deep Ellum
- ✓ Ledbetter/Loop 12
- ✓ Revised City Center TIF

Current Redevelopment Program Emphasizes Downtown Area

The focus of the Current Dallas Redevelopment Program:

- ✓ Efforts focus on areas in and around downtown where real estate market has failed – not raw land.
- ✓ City initiated projects – not driven by a developer petition.
- ✓ Designed to improve real estate market in a definable neighborhood – not project specific.
- ✓ Typically set up for a 15- to 20-year time frame.
- ✓ To limit City financial risk initial expenditures are made by developers and reimbursed to City with incremental tax revenues.
- ✓ Bond sales only based on existing increment – not speculative increment.



Redevelopment Program Successful in Increasing Property Values

			Initial	2004	Change in	Percentage Change in
			Total Assessed	Total Assessed	Total Assessed	Total Assessed
			Value of Taxable	Value of Taxable	Value of	Value of
			Real Property	Real Property	Taxable	Taxable
TIF District	Year Initiated	Acres	in TIF District	in TIF District	Real Property	Real Property
State-Thomas TIF (actual)	1989	80	\$47,506,802	\$307,693,707	\$260,186,905	547.68%
Cityplace Area TIF (actual)	1992	160	\$45,065,342	\$291,065,959	\$246,000,617	545.88%
Oak Cliff TIF (actual)	1992	350	\$38,570,128	\$55,722,366	\$17,152,238	44.47%
Cedars Area TIF (actual)	1992	247	\$35,300,760	\$44,364,479	\$9,063,719	25.68%
City Center TIF (actual)	1996	180	\$901,942,389	\$1,238,292,883	\$336,350,494	37.29%
Farmers Market	1998	43	\$27,706,851	\$67,945,228	\$40,238,377	145.23%
Sports Arena	1998	72	\$16,635,363	\$38,249,780	\$21,614,417	129.93%
Total for all TIF Districts		1132	\$1,112,727,635	\$2,043,334,402	\$930,606,767	83.63%



Redevelopment Program – Lessons Learned

- ✓ TIF Districts are most successful when:
 - ✓ There are a few property owners
 - ✓ The property owners share a common vision for the redevelopment of the district
 - ✓ Significant private investment occurs within three years of the creation of the TIF District
 - ✓ The district is appropriately sized so that private investment on one property in the district has a positive impact on the value of other properties
 - ✓ Other taxing jurisdictions are willing to participate financially in the TIF District – this leverages City expenditures
 - ✓ The TIF budget is adequate to change the entire nature of the District.
 - ✓ Other public investment is planned or anticipated in the District
 - ✓ Layering TIF Districts with Public Improvements Districts beneficial in maintaining district identity

Redevelopment Program – Dallas County Policy

✓ Dallas County is asked by many communities to participate in new TIF Districts. In conjunction with comments from City of Dallas staff, the Commissioners have adopted the following criteria to evaluate requests to participate in new TIF Districts:

- ✓ The district will increase the County's tax base by at least \$15 million within 3 years of the approval of the District's Plan
- ✓ Present value analysis indicates that the additional tax revenue that the district will generate for the County, within a reasonable period of time, will at least equal the cost of incremental revenue to be foregone
- ✓ The district, if it anticipates issuing debt, provides annual increment revenues that are at least 125% of the average annual debt service requirements and a debt service reserve fund equivalent to at least the average annual debt service requirement

Redevelopment Program – Dallas County Policy (continued)

- ✓ Evaluation criteria (continued)
 - ✓ For districts principally involving a specific developer (or developers), the developer(s) must be willing to execute a formal agreement with the participating taxing entities and provide these entities with some acceptable form of financial security in the event that public improvement expenditures are undertaken as scheduled, but that the anticipated private sector development is not substantially undertaken.
 - ✓ For districts involving the construction of residential housing, at least 20% of the housing constructed shall be generally affordable to low-moderate income people
 - ✓ The district does not involve the relocation of an existing firm or facility from one Dallas County municipality to another
 - ✓ The firm/developer certifies that it is an Equal Opportunity Employer

Redevelopment Program – Major Issues to Evaluate when Setting a TIF Policy

- ✓ Financial Issues
 - ✓ Do new taxes generated by the proposed TIF District exceed the amount of taxes foregone? Over what time period?
 - ✓ Are other taxing units participating? To what level?
 - ✓ Will the developer undertake the project with a lower amount of public assistance?
 - ✓ Is the projected rate of return for the developer reasonable?
- ✓ Policy Issues
 - ✓ Does this project provide affordable housing?
 - ✓ Does the project enhance other public investment such as the DART Light Rail System?
 - ✓ Does the project enhance core assets for the City such as downtown, Fair Park, Love Field, White Rock and Bachman Lakes, destination shopping areas, medical districts, etc.?
 - ✓ Does the project provide direct benefits to distressed areas?

Redevelopment Program – Draft Policy for Evaluating Public Investment in new TIF Districts

- ✓ Financial Benefits
 - ✓ Total new taxes generated by the proposed TIF District from all revenue sources must exceed the amount of taxes foregone over a period of 20 years - Weight 50 points
 - ✓ Other taxing units are participating – Weight 5 points for each taxing unit participating in the TIF District up to 20 points
 - ✓ The developer cannot undertake the project with a lower amount of public assistance; the projected rate of return for the developer is reasonable – Weight 15 points
 - ✓ A minimum of \$15 million in new private investment will occur within 3 years of the adoption of the TIF District – Weight 15 points
- ✓ Total Financial Points – 100 points

Redevelopment Program – Draft Policy for Evaluating Public Investment in new TIF Districts

✓ Policy Benefits

- ✓ The project provides affordable housing – 5 points for each 10% affordable housing units up to 10 points total

(For example, a development with 20% of the units being leased at an affordable rate would receive 10 points)

- ✓ The project enhances other public investment such as the DART Light Rail System, Trinity River, etc. – Weight 25 points

- ✓ The project enhance core assets for the City such as downtown, medical centers, Fair Park, White Rock and Bachman Lakes, Love Field, destination shopping areas, etc. – Weight 25 points

- ✓ The project provide direct benefits to distressed areas – Weight 25 points

- ✓ The project agrees to comply with Fair Share Guidelines for private development – Weight 15 points

- ✓ Total Policy Points - 100

Redevelopment Program – Review of proposed Design District TIF

✓ Design District –

- ✓ Located primarily on the west side of Stemmons at Oak Lawn including gateways to the Trinity River project
- ✓ Improvements to Old Trinity Trail, and connections to Arena DART station and Oak Lawn DART station
- ✓ Plans are to increase property value by over \$1 billion in a period of 20 years
- ✓ 152 acres in district;
 - ✓ Proposed new residential units – 4,950
 - ✓ Proposed new hotel rooms – 350
 - ✓ Proposed new retail – 1.4 million square feet
 - ✓ Proposed office – 2.0 million square feet
- ✓ Other taxing units likely to participate – 1
- ✓ Developer indicates that they cannot undertake project without City assistance – investment return seems reasonable
- ✓ Affordable housing is not proposed at this time
- ✓ Project benefits distressed area – many buildings are structurally obsolete and at low occupancy levels
- ✓ Developer agrees to abide by Fair Share Policy

Redevelopment Program – Review of proposed City Lights TIF

- ✓ City Lights District –
 - ✓ Located primarily on the east side of I-45 at Live Oak including connections to proposed Good/Latimer DART station
 - ✓ Plans are to increase property value by over \$385 in a period of 15 years
 - ✓ Approximately 65 acres in district (boundaries are being reevaluated based on staff comments
 - ✓ Proposed new residential units – 140
 - ✓ Proposed new retail – 650,000 square feet
 - ✓ Other taxing units likely to participate – 1
 - ✓ Developer indicates that they cannot undertake project without City assistance – investment return seems reasonable
 - ✓ Affordable housing is not proposed at this time
 - ✓ Project supports DART Light Rail station, Latino Cultural Center, Arts District and downtown investments
 - ✓ Project benefits distressed area – many buildings are structurally obsolete and at low occupancy levels
 - ✓ Developer agrees to abide by Fair Share Policy

Redevelopment Program – Review of proposed Park Lane Place TIF

✓ Park Lane Place –

- ✓ Located primarily on the east side of Central Expressway south of Park and includes improvements to Vickery Meadow '5-corners' area, and connections to Park Lane DART station
- ✓ Plans are to increase property value by over \$1 billion in a period of 20 years
- ✓ Approximately 40 acres in area west of Greenville Avenue and 50 acres in Vickery Meadow are included in district
 - ✓ Project will increase proposed new residential units by 170 units
 - ✓ Project will increase new hotel rooms by 350
 - ✓ Project will increase new retail space by 510,000 square feet
 - ✓ Project will create new development sites in Vickery Meadow and improve traffic in the '5-corners' area
- ✓ Other taxing units likely to participate – 1
- ✓ Developer indicates that they will build a much lower density project without City assistance and not work with Vickery Meadow improvements – investment return seems reasonable
- ✓ Affordable housing is not proposed at this time
- ✓ Project supports DART Light Rail station and Northpark destination shopping district
- ✓ Project benefits Vickery Meadow distressed area
- ✓ Developer agrees to abide by Fair Share Policy

Park Lane Place Proposal - Background

✓ TWO DEVELOPMENT OPTIONS:

✓ Low Density Center:

- ✓ Surface Parking
- ✓ 440,000 s.f. of office space
- ✓ 120,000 s.f. of retail and restaurant space
- ✓ 500 low-rise residences

✓ Urban Center:

- ✓ Requires public assistance
- ✓ Adjacent to DART's Park Lane Station – project extends station south of Park Lane and creates a shop-lined pedestrian corridor from station into the district
- ✓ Urban arrangement oriented to internal streets with landscaped sidewalks and stores on both sides
- ✓ 310,000 s.f. of office space
- ✓ 730,000 s.f. of retail and restaurant space
- ✓ 670 high-rise and mid-rise residences
- ✓ Hotel

Redevelopment Program – Review of proposed Lake Highlands TIF

- ✓ Lake Highlands –
 - ✓ Located southeast of the intersection of Skillman and Walnut Hill with connections to White Rock Trail and city park system, and connections to proposed Lake Highlands DART station
 - ✓ Plans are to increase property value by over \$400 million in a period of 20 years
 - ✓ 97 acres in district
 - ✓ Proposed new residential units – 980
 - ✓ Proposed new retail space– 100,780 square feet
 - ✓ Proposed office space – 2,500 square feet
 - ✓ Other taxing units likely to participate – 1
 - ✓ Developer indicates that they cannot undertake project without City assistance – investment return seems reasonable
 - ✓ Affordable housing is not proposed at this time
 - ✓ Project supports DART Light Rail station and White Rock Trail investments and benefits distressed area – many buildings are structurally obsolete and at low occupancy levels
 - ✓ Developer agrees to abide by Fair Share Policy

Redevelopment Program – Review of proposed Lake Highlands TIF

- ✓ Southwest Medical District –
 - ✓ Located southeast of the intersection of Harry Hines Boulevard with connections to proposed Southwest Medical DART station
 - ✓ Plans are to increase property value by over \$200 million in a period of 20 years
 - ✓ 34 acres in district
 - ✓ Proposed new residential units – Approximately 1,600
 - ✓ Proposed new retail space– 70,000 square feet
 - ✓ Proposed office space – 70,000 square feet
 - ✓ Other taxing units likely to participate – 1
 - ✓ Developer indicates that they cannot undertake entire project without City assistance – investment return seems reasonable
 - ✓ Affordable housing is being evaluated as a component of this project
 - ✓ Project supports DART Light Rail station and benefits distressed area – many buildings are structurally obsolete and at low occupancy levels and some land with real or perceived environmental issues
 - ✓ Developer agrees to abide by Fair Share Policy



Redevelopment Program – Applicable to non-TIF projects

- ✓ This same type of analysis is available to non-TIF District projects.
- ✓ TIF Districts are not the only funding mechanism available to the City. They do not work well in areas where the infrastructure is developed, there are no historic buildings, or need for demolition or environmental remediation.
- ✓ For example, a major new factory or plant expansion in any part of the city may be better suited to other incentives such as tax abatement, developer fee rebates or a Chapter 380 grant.



Redevelopment Program – Conclusion



- ✓ This briefing outlines a criteria for evaluating new TIF Districts and incentives for other major impact projects.
- ✓ The criteria balances financial considerations, setting minimum standards and return levels as a minimum for the City participation, and policy considerations such as augment other public investment and promoting core City assets such as the Trinity River, White Rock and Bachman Lake.
- ✓ Staff recommends that Council adopt this criteria.