



Criteria for Evaluating Proposed TIF Districts



Business & Commerce Committee

February 7, 2005



Background and Purpose



- ✓ Council has directed staff to expand Economic Development efforts including the Area Redevelopment Program
- ✓ The Business and Commerce Committee met on January 6, 2005 to discuss developing a criteria to evaluate new TIF Districts. A draft criteria was presented at the meeting. Council Members suggested some modifications to the criteria and their desire to discuss the criteria at the next committee meeting.
- ✓ Five 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.



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

- ✓ Bachman Lake
- ✓ Bexar Street
- ✓ Fair Park – Grand & Malcolm X
- ✓ **Fair Park – 2nd Avenue**
- ✓ University of North Texas campus
- ✓ **Design District**
- ✓ **Southwest Medical District**
- ✓ Southwest Center Mall
- ✓ Ross Avenue
- ✓ Revised City Center TIF
- ✓ **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

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 – 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 or create core assets for the City such as downtown, Fair Park, Love Field, White Rock and Bachman Lakes, Zoo, Dallas Executive Airport, destination shopping areas, medical districts, University of North Texas campus, etc.?
 - ✓ Does the project provide direct benefits to distressed areas?

Redevelopment Program – 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 - Weight 50 points. Full points will be awarded if:

✓ Direct monetary benefits to all taxing jurisdictions will exceed public funds invested in the proposed TIF District during the term of the TIF District

✓ Direct Cash Benefits accruing to the City from the TIF District will exceed direct City expenditures within the term of the TIF District for full points. Points will be deducted if the City 'payback' term exceeds the life of the TIF District (10 points for each three years)

✓ Other taxing units are participating – Weight 5 points for Dallas County and DISD and 5 points for either DCCCD or Dallas County Hospital District up to a maximum of 15 points

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

- ✓ Financial Benefits
 - ✓ Project Review – Weight 20 points. Staff will evaluate:
 - ✓ Project description – square feet of development by use; rentable space
 - ✓ Rental rates – projected rental and occupancy rates by use; do each rates compare with existing market rates in the area
 - ✓ Site analysis – what are the relative advantages and disadvantages of this development site? What is the current physical condition of the property?
 - ✓ Construction Cost Information – projected construction costs, by use, and per square foot; do these compare with other projects in the area?
 - ✓ Other sources of funds – does the developer expect other sources of funding such as historic or low income tax credits?
 - ✓ Operating Expenses – are these in line with other projects? Is the expected rate of return comparable with other projects that are similar in scope?



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

- ✓ Financial Benefits
 - ✓ A minimum of \$15 million in new private investment will commence within 3 years of the adoption of the TIF District – Weight 15 points
- ✓ Total Financial Points – 100 points
- ✓ A minimum of 70 points are needed for staff to present a positive recommendation on the financial aspects of the proposal

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

✓ Policy Benefits

- ✓ The TIF Plan provides affordable housing – 5 points for each 10% affordable housing units up to 10 points total - A minimum of 10% affordable housing is required for each TIF District (80% of median income basis)
- ✓ The TIF Plan has Urban Design Guidelines and standards for the redevelopment of historic buildings within the District and/or design/historic standards that are incorporated into a Planned Development District – 10 points
- ✓ The TIF Plan guarantees that preferential hiring measures will be implemented for existing residents as new jobs are created in the district – 5 points
- ✓ The TIF Plan enhances public investments that are over \$10 million and occurred within the last 5 years or are projected to occur in the next 5 years such as the DART Light Rail System, Trinity River, bond improvements, etc. – Weight 20 points

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

✓ Policy Benefits

- ✓ The TIF Plan enhances core assets for the City such as downtown, medical centers, Fair Park, White Rock and Bachman Lakes, airports, universities, the Zoo, destination shopping areas, etc. or is a mixed-use transit oriented development – Weight 25 points
- ✓ The TIF Plan supports low energy using development and/or leads to the redevelopment of brownfield areas – 5 points
- ✓ The TIF Plan provide direct benefits to distressed areas – Weight 15 points
- ✓ The TIF Plan agrees to comply with Fair Share Guidelines for private development – Weight 5 points
- ✓ The TIF Plan adds park or green space and/or provides connections to the City’s recreational trail network and makes provisions for the ongoing maintenance of that space – Weight 5 points



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

- ✓ Policy Benefits
 - ✓ Total Policy Points – 100;
 - ✓ A minimum of 70 points are needed for staff to present a positive recommendation on the policy aspects of the proposal

- ✓ Overall Benefits
 - ✓ Staff will not move forward on a proposed TIF District unless both the financial and policy categories qualify for a minimum of 70 points each (140 points total).



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 Chapter 380 grant programs. Major projects may require various incentives and unique considerations.



Criteria for Evaluating TIF Districts – Next Steps

- ✓ This briefing outlines a criteria for evaluating new TIF Districts as modified by suggestions from the January 6, 2005 Business and Commerce Committee meeting. This criteria can also apply for 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.
- ✓ Staff recommends that the Business and Commerce Committee recommend that City Council adopt this criteria.
- ✓ Based on this criteria, staff will evaluate the proposals for new TIF Districts that have been submitted to date and begin bringing them to City Council as soon as possible after that review is complete.