DATE  November 1, 2013

TO    Economic Development Committee:
      Tennell Atkins (Chair), Rick Callahan (Vice Chair), Jerry R. Allen, Scott Griggs, 
      Adam Medrano, Lee Kleinman

SUBJECT    Public/Private Partnership Program

On Monday, November 4, 2013 the Economic Development Committee will be 
briefed on the Public/Private Partnership Program.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.

Ryan S. Evans
Interim First Assistant City Manager

C: The Honorable Mayor and City Council
   A.C. Gonzalez, Interim City Manager
   Rosa Rios, City Secretary
   Warren M. S. Ernst, City Attorney
   Craig Kinton, City Auditor
   Judge Daniel Solis, Administrative Judge Municipal Court
   Frank Librio, Public Information Officer
   Jill A. Jordan, P.E., Assistant City Manager
   Forest Turner, Assistant City Manager
   Joey Zapata, Assistant City Manager
   Charles M. Cato, Interim City Manager
   Theresa O'Donnell, Interim City Manager
   Jeanne Chipperfield, Chief Financial Officer
   Karl Zavitkovsky, Director, Office of Economic Development
   J. Hammond Perot, Assistant Director, Office of Economic Development
   Elsa Cantu, Assistant to the City Manager – City Council
Public/Private Partnership Program

November 4, 2013
Purpose

• Review the City’s Public/Private Partnership Program “Guidelines & Criteria”

• Receive input from the Committee concerning the program
Public/Private Program Review

• The Public/Private Partnership Program is designed to provide City of Dallas economic support to private for-profit commercial projects with an emphasis on targeted geographies for the following purposes:
  – Increase the commercial tax base
  – Create and retain quality job opportunities for Dallas residents
  – Target investment and job growth in Southern Dallas and Enterprise Zones
  – Foster the attraction and expansion of targeted industries and existing firms
  – Maintain a competitive position relative to non-city of Dallas sites
  – Encourage the redevelopment of sites and areas experiencing disinvestment

• The Program Guidelines & Criteria provide a framework for negotiations with businesses/developers on potential projects and is attached as Exhibit A.
Public/Private Program Review

• The program typically supports the following non-residential project types:
  – Business Recruitment/Attraction
  – Business Expansion and Retention
  – Retail Development
  – Commercial Real Estate Development
Public/Private Program Review

• Public/Private Economic Development Tools
  – Tax Abatement – an agreement to forego future real property or business property tax revenue from new investment
  – Business Development Chapter 380 Grants – a grant in lieu of tax abatement or to defray project costs such as land purchase, building costs, public infrastructure costs, development fees, right of way abandonment fees, loan guarantees, training costs, relocation costs, etc.
  – Other Program Tools – State law allows for the creation of programs for grants and/or loans pursuant to Chapter 380 of the Local Government Code

• Eligible projects are presently supported by the program through the Public/Private Partnership Fund (PILOT payments from Water Utilities) and proceeds from GO Bond propositions for Economic Development
Public/Private Program Review

• In addition to the Public/Private Partnership Program, other programs or tools used to support economic development include:
  – Tax Increment Financing
  – Public/Business Improvement Districts
  – CDBG
  – State and County Programs
  – COD Regional Center
  – New Market Tax Credits/Federal tools
Public/Private Program Review

• In accordance with City Council approved Guidelines & Criteria, staff will make proposals to projects that are subsequently considered for approval by the City Council.

• Incentives are proposed for projects wherein, “but for” the incentive, the project would not otherwise occur in the City, or it would be substantially modified in a way that reduces the benefits accruing to the City.

• Considerations when making incentive proposals include primary factors of job creation/retention and private investment as well as secondary factors such as competition for the project, financial gaps, location, zoning, wages, industry type, M/WBE, etc.
Public/Private Program Review

• A project generally must meet predetermined minimum eligibility criteria relative to the particular site under consideration to receive incentive proposals but the Program allows for exceptions, non-conforming and competitive projects.
Public/Private Program Review

• Since inception of the program in 1989, City Council has approved over 330 projects with an associated creation or retention of 63,000 jobs and $6 billion in new investment.

• For 2013, there were 43 certified tax abatement agreements pursuant to the program that resulted in 6,152 direct jobs (4,053 were contractually required), $826,601,886 in associated taxable value and $2,227,126 in direct tax revenue.
  – Tax revenue foregone in 2013 from the certified abatements is $3,874,295.

• Additional project benefits not included in direct tax revenue described above include sales taxes, taxes on non-abated property, revenue to other taxing jurisdictions such as DISD and Dallas County, direct and indirect revenues from company and employee purchases, hotel taxes and future taxes when the abatements expire.

• Staff conducts compliance certification annually for each tax abatement agreement.
Public/Private Program Review

Example Project

• Company X desires a new 200,000 s.f. facility wherein it will employ 200 persons in frozen food packaging and distribution

• Project specifics:
  – company considering sites in four area cities and desires to lease facility from local developer
  – 30 acre site needed
  – $8,750,000 estimated value of new facility
  – $4,000,000 estimated value of new equipment/fixtures
  – $600,000 public infrastructure
  – $44,000 average annual salary ($21.15 hr.)
Example Project – continued

• Company representative, consultant, local developer, or a Chamber of Commerce may contact the four cities to investigate potential economic incentives.

• City staff evaluates project specifics including job creation or retention, private investment, competition for the project, financial gaps, location, zoning, wages, industry type, M/WBE, etc.

• Staff will conduct due diligence on the project, negotiate appropriate and necessary incentives in light of project needs, and then provide a formal proposal pursuant to Public/Private Partnership Program guidelines.
Example Project – continued

• City of Dallas staff proposes a 50% tax abatement on the value of real property improvements for 10 years and public infrastructure participation of $200,000 (33% of total public infrastructure costs).

• If Dallas site is selected, the proposed incentive agreement will be presented to Economic Development Committee for recommended action at City Council.
Example Project – continued

**Example Project Summary**
- 200 new jobs with $44,000 salary
- 200,000 s.f. facility with $8,750,000 real property (RP) tax value
- $4,000,000 business personal property (BPP) tax value
- $600,000 new public infrastructure required

**Incentive Summary**
- Tax Abatement 50% for 10 years on $8,750,000 improvement value results in $348,690 city tax revenue foregone
  - ($8.75m x 0.00797) x 0.50 = $34,869 (annual taxes forgone on RP improvement value)
- $200,000 infrastructure participation from bond or Public/Private Fund resources - thirty percent (33%) of $600,000 total public infrastructure cost
- Total incentives $548,690

**City Revenue Summary**
- Direct property tax revenue on improvements for 10 year period is $667,490
  - ($8.75M x 0.007970) x 0.50 = $34,869 (annual RP tax revenue)
  - $4,000,000 x 0.007970 = $31,880 (annual BPP tax revenue)
- Other non-property tax or indirect revenue include sales taxes, hotel taxes, employee expenditures, etc.
### Example Project Summary

**Summary of City Direct Revenue – With Project/Without Project**

<table>
<thead>
<tr>
<th></th>
<th>With</th>
<th>Without(*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>200</td>
<td>0</td>
</tr>
<tr>
<td>Taxable Land Value (30 acres @ $2.50 s.f.)</td>
<td>$3,267,000</td>
<td>$4,949*</td>
</tr>
<tr>
<td>Real Property Investment</td>
<td>$8,750,000</td>
<td>$0</td>
</tr>
<tr>
<td>Business Prop. Investment</td>
<td>$4,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>Total Value</td>
<td>$16,017,000</td>
<td>$4,949</td>
</tr>
<tr>
<td>Annual Tax Revenue</td>
<td>$119,791</td>
<td>$37</td>
</tr>
<tr>
<td>10 year Tax Revenue (no appreciation)</td>
<td>$1,197,911</td>
<td>$370</td>
</tr>
<tr>
<td>15 year Tax Revenue (no appreciation)</td>
<td>$1,796,867</td>
<td>$555</td>
</tr>
<tr>
<td>Total City Incentives (abatement &amp; infrastructure)</td>
<td>$527,205</td>
<td>$0</td>
</tr>
<tr>
<td>Total 10 Year Net Direct City Revenue</td>
<td>$670,706</td>
<td>$370</td>
</tr>
<tr>
<td>Total 15 Year Net Direct City Revenue</td>
<td>$1,269,662</td>
<td>$555</td>
</tr>
<tr>
<td>Private Investment Leveraged Per Public Dollar</td>
<td>30 to 1</td>
<td>0</td>
</tr>
</tbody>
</table>

*Undeveloped 30 acres with Agricultural Exemption*
Public/Private Program Review

Project Impact Analysis

• OED also completes economic and fiscal impact analyses of development projects (See Appendix B for summary of example results)
  – Economic impact – changes in the number of jobs, income levels and value of goods and services produced in the Dallas city limits
  – Fiscal impact – changes in Dallas’ general fund spending and revenue caused by a development project

• Staff evaluation of the project’s viability and merit is based in part on results of these impact analyses

• Since they are separate analyses one or both can be performed on a project
Economic Impact Process

• (1) Calculate construction impacts – temporary economic activity associated with physical investment for the project
  – Based on amount of capital investment, number of construction workers
• (2) Calculate annual operating impacts – ongoing economic activity associated with the day-to-day operations of the project
  – Based on salary of workers, number of net new jobs to Dallas (some Dallas workers will switch jobs), new residents and visitors generated, value of goods and services produced at the facility
• Model uses job and output multipliers to calculate total economic impact from project (2.1 and 1.7 for this industry respectively)
  – Every direct job generates 1.1 additional jobs
  – Every $1 of economic activity generates another $0.7 in additional activity
• Results include direct, indirect and induced impacts
  – Direct – from the project itself (includes project firm households)
  – Indirect – from suppliers to the project facility
  – Induced – spending by households employed by supplier firms
  – Total economic impact = direct + indirect + induced
Fiscal Impact Process

• Calculating fiscal impact, based on:
  – Jobs created
  – Number of new residents
  – Number of visitors
  – Income level
  – Property investment
  – Retail sales
  – City investment or incentives

• Projects typically create not only new jobs but new residents and visitors, which represent revenue and costs to the city in addition to the facility itself

• For the project, results include:
  – Total City general fund spending
  – Total City general fund revenue

• Qualitative issues such as traffic, adequacy of infrastructure, code compliance, etc. are typically considered and assessed outside the model
Next Steps

• Prepare for adoption of Guidelines & Criteria in June 2014.
Exhibit A

Guidelines & Criteria
Exhibit B

Impact Analysis
**Food Processing Example**

Exhibit B
Proposed Project Information Worksheet
Economic Development Committee

A. Project Summary

<table>
<thead>
<tr>
<th>City Council District</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project/Company Name</td>
<td>Lone Star Foods</td>
</tr>
<tr>
<td>Project Location</td>
<td>100 Lone Star Drive</td>
</tr>
<tr>
<td>Project Type</td>
<td>New Facility</td>
</tr>
<tr>
<td>Facilities (Square Feet)</td>
<td>200,000</td>
</tr>
<tr>
<td>Construction Schedule</td>
<td>Begin Oct-10, Complete Oct-11</td>
</tr>
<tr>
<td>Private Improvement Investment</td>
<td></td>
</tr>
<tr>
<td>Real Property</td>
<td>$8,750,000</td>
</tr>
<tr>
<td>Business Property</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Jobs</td>
<td></td>
</tr>
<tr>
<td>Created</td>
<td>200</td>
</tr>
<tr>
<td>Retained</td>
<td>0</td>
</tr>
<tr>
<td>Average Wage Rate</td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>$44,000</td>
</tr>
<tr>
<td>Hourly</td>
<td>$21</td>
</tr>
<tr>
<td>City Incentive Summary</td>
<td></td>
</tr>
<tr>
<td>Tax Abatement</td>
<td>$327,205</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$200,000</td>
</tr>
<tr>
<td>Other - Grant</td>
<td>$0</td>
</tr>
</tbody>
</table>

B. Economic Impact Estimates (Dallas City Economy Only, $ Million)

<table>
<thead>
<tr>
<th></th>
<th>10-Year</th>
<th>20-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Impact Jobs</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Economic Output</td>
<td>$161,700,000</td>
<td>$365,100,000</td>
</tr>
<tr>
<td>Indirect and Induced Impact*</td>
<td>220</td>
<td>220</td>
</tr>
<tr>
<td>Economic Output</td>
<td>$114,100,000</td>
<td>$256,400,000</td>
</tr>
<tr>
<td>Total Impact Jobs</td>
<td>420</td>
<td>420</td>
</tr>
<tr>
<td>Economic Output</td>
<td>$275,800,000</td>
<td>$621,500,000</td>
</tr>
</tbody>
</table>

C. City of Dallas General Fund Fiscal Impact ($ Million)
(From direct, indirect and induced economic impacts)

<table>
<thead>
<tr>
<th></th>
<th>10-Year</th>
<th>20-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total City GF Revenue Generated</td>
<td>$2,729,000</td>
<td>$6,599,000</td>
</tr>
<tr>
<td>Total City GF Service Costs</td>
<td>$2,003,000</td>
<td>$4,209,000</td>
</tr>
<tr>
<td>Net Impact Before Incentives</td>
<td>$726,000</td>
<td>$2,390,000</td>
</tr>
<tr>
<td>City Incentives</td>
<td>$494,000</td>
<td>$527,000</td>
</tr>
<tr>
<td><strong>Net City Fiscal Impact</strong></td>
<td><strong>$232,000</strong></td>
<td><strong>$1,853,000</strong></td>
</tr>
</tbody>
</table>

*Indirect impacts represent supplier effects, induced impacts represent spin-off household effects.

- Economic and fiscal impacts are summarized for Council presentation
- A – Project description
- B – City economic impact
- C – City general fund fiscal impact
- Project year one is for construction so ten-year impact results include first nine years of incentives. 20-year impacts include all ten years of incentives.
Economic Impact Results

B. Economic Impact Estimates  (Dallas City Economy Only, $ Million)

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</tr>
<tr>
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<td>420</td>
<td>$275,800,000</td>
</tr>
</tbody>
</table>

- **Economic impact includes jobs and economic output and shows direct and the indirect + induced impacts which are the spin-off from the project**
- **City total economic impact**
  - Over 10 years = $275.8M
  - Over 20 years = $621.5M
Food Processing Fiscal Results

C. City of Dallas General Fund Fiscal Impact ($ Million)
(From direct, indirect and induced economic impacts)

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<tr>
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<td>$494,000</td>
<td>$527,000</td>
</tr>
<tr>
<td><strong>Net City Fiscal Impact</strong></td>
<td><strong>$232,000</strong></td>
<td><strong>$1,863,000</strong></td>
</tr>
</tbody>
</table>

- City fiscal impact includes revenue, spending and net fiscal results and accounts for any incentives or infrastructure spending by the City
- Net City general fund fiscal impact (revenue – spending including incentives)
  - 10-year = $232,000
  - 20-year = $1.863M
City of Dallas Public/Private Programs

It is the purpose of the following programs to provide assistance only for projects where such assistance is necessary to stimulate private investment. Accordingly, these programs are available when agreements between the City and private parties that are not tax-exempt are approved by City Council prior to private investment occurring. Projects seeking economic incentives must provide written assurance that 'but for' the incentives sought, the proposed project would be substantially altered such that the project would not otherwise occur in the city or the economic returns to the city would be reduced. Projects occurring in Southern Dallas are provided special consideration.

The information contained herein shall not be construed as implying or suggesting that the City of Dallas is offering or is under any obligation to provide tax abatement or other incentives to any applicant, and all applicants shall be considered on a case-by-case basis. Pawnshops, sexually-oriented businesses, bars, truck stops, and truck dealerships are excluded from consideration for incentives provided under this program.

Eligibility Requirements

Each geographic area of the City has a minimum requirement in order to be considered for incentives:

- **Southern Dallas**: Projects must create/retain 25 jobs or provide $1 million of investment;
- **Northern Dallas and Central Business District**: Projects must create/retain 150 jobs or provide $10 million of investment; and
- **Non-Conforming Projects**: Projects will be considered on a case-by-case basis.

Tax Abatement

Temporary abatement of either real estate or personal property taxes. Recipient firms must meet primary considerations of capital improvements and job creation/retention. City staff may consider secondary considerations such as Dallas resident employment, efforts to exceed minimum environmental regulations, wage rates, community activities, target industry projects, and M/WBE participation when negotiating this incentive. A firm's tax abatement percentage will be reduced by 25 percent for any single year of the tax abatement term in which secondary considerations included in the agreement are not met unless an alternative method is prescribed by City Council in a project specific resolution. Real property tax abatement is not available in TIF Districts. In limited cases, projects may be considered for a combination of both real and personal property tax abatement when the combined amount does not exceed 90 percent of the City taxes on total new improvement value. All tax abatements must begin by January 1 of the second calendar year following City Council authorization.

**Abatement Benefits**

- **Southern Dallas**: Real property tax abatement up to 90 percent for 10 years and/or a business personal property tax abatement of up to 50 percent for five years;
- **North Dallas**: Real property tax abatement up to 50 percent for 10 years and/or a business personal property tax abatement of up to 50 percent for five years;
- **Central Business District**: Business personal property tax abatement of up to 75 percent for five years and/or for non-TIF District sites real property tax abatement of up to 90 percent for 10 years; and
- **Non-Conforming Projects**: Projects will be considered on a case-by-case basis.
Business Development Chapter 380 Grant/Loan Program
Companies considering a relocation/expansion or new commercial development may be eligible for a loan or grant in lieu of tax abatement or to defray project costs such as: land purchase, building costs, public infrastructure costs, development fees, right of way abandonment fees, loan guarantees, training costs, relocation costs, etc. Grants or loans will be considered on a case-by-case basis and are subject to funding limitations and investment/job eligibility requirements. Companies will be required to meet eligibility requirements of the Public/Private Partnership Program. Pursuant to this program the City may administer and accept resources from other political subdivisions of the state to support this program and may administer and accept resources from the Federal government to support transit-oriented and mixed-use commercial developments.

Transit-Oriented Development (TOD) Program
Minimum eligibility for consideration of city incentives through the Public/Private Partnership Program will require a cumulative investment of $300 million for new mixed-use, commercial, retail and/or residential development in proximity of at least two DART light-rail transit stations (with one or both in Southern Dallas). TOD projects are eligible for consideration for the full complement of necessary and appropriate incentives available through this program including, but not limited to, tax increment financing, tax abatement, grants and loans, and infrastructure cost participation. Residential developments seeking incentives will be required to have a 20 percent affordable housing set aside in North Dallas and mixed-income housing in Southern Dallas. Further, projects must meet the City's established Good Faith Effort guidelines for M/WBE participation.

Economic Development GO Bond Program for Southern Dallas
General Obligation Bond funding may be used as described in this paragraph for private commercial, industrial, retail, residential, and mixed-use development in the Southern area of the city that promotes economic development. Funding may be provided as a catalyst to promote private economic development and may be used for planning, designing, extending, constructing and acquiring land for public streets, utilities and other related infrastructure facilities or uses consistent with this purpose. Funding is also available in support of mixed-use or residential development, for the acquisition of improved and unimproved properties and for the cost of demolition of existing structures. Private developments may be eligible for economic development grants and loans pursuant to Chapter 380 of the Texas Local Government Code. Grants and loans will be considered for infrastructure improvements and/or land acquisition consistent with the scope of funding and other uses described above. Grants or loans will be considered on a case-by-case basis subject to funding limitations and development agreements approved by City Council, which agreements will contain appropriate conditions, safeguards and benchmarks to ensure that the public purpose of economic development will be carried out. Residential developments will be required to have a mixed-income set aside. Further, it is anticipated that resources and other forms of development assistance from other applicable City economic development programs may be utilized to support this program.

Local Government Corporation (LGC) Chapter 380 Grant Program
The City of Dallas will consider making grants from its general fund to a LGC, subject to annual appropriation of funds and the approval of the Dallas City Council. These funds will be restricted to the
payment of project costs, including the payment of debt service on any bonds issued by the LGC to finance project costs, and the funding of any necessary reserve fund or capitalized interest accounts and the payment of the cost of issuance of bonds.

**Target Industry Projects**

Target Industry projects are provided special consideration for economic incentives and are generally defined as follows: Brownfields or recycling, information technology, building materials and furnishings, company headquarters, logistics, telecommunications, transportation manufacturing and assembly, film/television/media, advanced instruments and food processing/distribution. Due to the temporary nature of film/television production, projects in this industry are not required to meet minimum job or investment eligibility established for the Public/Private Partnership Program. Rather, these projects are considered on a case-by-case basis with consideration given to the positive economic returns projects bring to the City. Target Industry projects must be confirmed in advance by the City in order to receive consideration under this designation.

**Non-Conforming Projects**

Non-Conforming projects are considered on a case-by-case basis for high impact projects, unique developments and competitive situations where projects may receive competing offers of incentives. These projects require a simple majority vote of City Council in Southern Dallas and a 3/4 vote of City Council in the CBD and in Northern Dallas. High Impact Project - Projects creating/retaining a minimum of 500 jobs with substantial capital investment. In addition, this status may be granted to major projects by Fortune 500, Manufacturers 400, or Global 500 listed firms.

**Competitive and Retention Projects**

In special cases, companies receiving competing offers of incentives or those currently located in the city of Dallas considering a relocation/expansion are eligible to apply for financial incentives with negotiable terms. Existing firms must expand job base by 25 percent to be eligible for consideration. Incentives may be offered in specific cases to 'match other offers.' Companies may be required to demonstrate competing cities, offers, land/lease costs, taxes at current rates, utility rates, relocation costs, other significant costs and 'gap' to be filled, etc.

**Other Sources of Financial Assistance**

**Tax Increment Districts**

Special districts funding public improvements (not services) with increased tax revenues resulting from new private development. Tax rates are the same as elsewhere in the City and no added cost to private parties is incurred.

**Public Improvement Districts**

Special districts created by petition to privately fund public improvements or special supplemental services over and above those provided by City, when such services are supportive of related City investments in capital improvements.

**City of Dallas Regional Center - EB-5**

The City of Dallas Regional Center (CDRC) is designed to open a new source of foreign private capital that can be aligned with Dallas’ Public/Private Partnership Program to fuel the City of...
Dallas’ economic growth strategy. The CDRC encompasses the entire City of Dallas geographical area, with an emphasis on Targeted Employment Areas (TEA) such as Southern Dallas. CDRC capital is aggregated from foreign investors into limited partnerships and then invested as debt and/or equity into developments or businesses that meet stringent underwriting criteria. The CDRC is structured specifically to attract high net worth investors, who must pass rigorous screening tests in order to receive a conditional investment visa in exchange for investing a minimum of $500,000 (for investments in a TEA) or $1,000,000 in businesses or projects that generate real and permanent jobs for the City of Dallas.

**New Markets Tax Credits**
The City of Dallas, through the Dallas Development Fund, participates in the New Markets Tax Credit Program (NMTC), a federal program operated by the Department of Treasury, that provides opportunities for new development in traditionally underserved areas. The program provides NMTC investors with a 39% federal tax credit payable over seven years. These investments are partnered with additional funds for businesses and real estate development in Low Income Communities.

**Foreign Trade Zone**
Allows duty-free importing of foreign-made components into the Zone, where they may be assembled, manufactured, processed or packaged. Duties are charged only when products are subsequently distributed into the U.S. market - if they are shipped to international markets, no duty is levied.

**State Incentives**
The City of Dallas will facilitate applications for assistance from State programs including Enterprise Zone Projects, Texas Enterprise Fund, and the Texas Emerging Technology Fund.

**Contact Us**
To obtain more detail on these programs, or to inquire regarding other assistance, contact: Office of Economic Development, Dallas City Hall, 1500 Marilla Street, Room 5CS, Dallas, Texas 75201, Phone: (214) 670-1685, Fax: (214) 670-0158.