

# Memorandum



DATE June 13, 2014

TO Members of the 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, June 16, 2014 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*

Ryan S. Evans  
Interim First Assistant City Manager

C. The Honorable Mayor and Members of the City Council

A.C. Gonzalez, Interim City Manager

Warren M. S. Ernst, City Attorney

Judge Daniel F. Solis, Administrative Judge

Rosa A. Rios, City Secretary

Craig D. Kinton, City Auditor

Jill A. Jordan, P. E., Assistant City Manager

Forest E. Turner, Assistant City Manager

Joey Zapata, Assistant City Manager

Charles M. Cato, Interim Assistant City Manager

Theresa O'Donnell, Interim Assistant City Manager

Jeanne Chipperfield, Chief Financial Officer

Karl Zavitkovsky, Director, Office of Economic Development

J. Hammond Perot, Assistant Director, Office of Economic Development

Shawn Williams, Interim Public Information Officer

Elsa Cantu, Assistant to the City Manager – Mayor and Council

# Public/Private Partnership Program

June 16, 2014



# Purpose

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- Provide a brief review of the Program
- Present information requested at the last briefing related to project funding
- Receive Committee recommendation for City Council to adopt the Public/Private Partnership Program “Guidelines & Criteria” on June 25, 2014

# 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.
- Guidelines and Criteria require adoption every two years by state statute.

# 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 supported by the program through the Public/Private Partnership Fund (PILOT payments from Water Utilities) and proceeds from GO Bond propositions for Economic Development

# Program Review

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- The program typically supports the following non-residential project types:
  - Business Recruitment/Attraction
  - Business Expansion and Retention
  - Commercial Real Estate Development
  - Retail/Neighborhood Development
- Examples of these project types supported by the Program are provided below.

# Business Recruitment/Attraction Examples

- DealerTrack's software development and transaction processing operation at Galleria North-Tower I (March 2012)
  - 250 jobs and \$2.5 million investment supported by a \$210,000 ED grant
  - Estimated 10-yr net fiscal impact: \$8.9 million
- MoneyGram International HQ relocation to 2828 N. Harwood (Oct. 2010)
  - 140 jobs relocated to existing office space supported by \$125,325 ED grant and 7-yr 75 percent BPP tax abatement estimated at \$131,505 of forgone revenue
  - Estimated 10-yr net fiscal impact: \$4.9 million

# Business Expansion/Retention Examples

- The Richards Group expansion/retention at 3504 North Central Expressway (June 2013)
  - 650 jobs and \$50+ million facility supported by 10-yr 90 percent real property tax abatement with an estimated \$1.9 million of forgone revenue
  - Estimated 10-yr net fiscal impact: \$4.3 million
- ReelFx HQ expansion/retention at 301 N. Crowdus St. in Deep Ellum (June 2012)
  - 250 jobs retained and 125 new jobs supported by \$1.75 million ED grant (over 4 years) from P/PPF
  - Estimated 10-yr net fiscal impact: \$9.7 million
- Deloitte expansion/retention at 2200 Ross Ave. (Oct. 2009)
  - 1,111 jobs created/retained in CBD supported by \$2 million ED grant (over 4 years) from P/PPF
  - Estimated 10-yr net fiscal impact: \$30.1 million

# Commercial Real Estate Example

- Mountain Creek Business Park
  - City supported creation of the business park with \$7 million of 1998 bond funds for infrastructure improvements (predominantly the reconstruction and realignment of Mountain Creek Parkway).
  - City Council approved tax abatements are estimated to forgo \$9 million in property taxes.
  - Resulting business projects include: American Leather, Strategic Partners, Costco, Nestle, Niagara, Cummins, and a proposed 1.6m s.f. Prologis industrial development.
  - Current DCAD appraisal for completed projects exceeds \$346 million with an estimated 800+ jobs.
  - Estimated 10-yr net fiscal impact: \$6.1 million (assuming a debt service cost of \$0.40 per \$1 of bonds issued, the revised net fiscal impact is \$3.3 million).

# Retail/Neighborhood Examples

- Glen Oaks Crossings retail center development at I-35 & West Ledbetter.
  - New 182,000 s.f. Walmart Supercenter and 45,000 s.f. of additional proposed retail.
  - City Council authorized a \$2 million ED grant from 2006 bond program in support of the project.
  - Projected 10-yr fiscal impact: \$3.1 million (assuming a debt service cost of \$0.40 per \$1 of bonds issued, the revised net fiscal impact is \$2.3 million).
- Torre Vista Shopping Center at Lake June and Masters.
  - Redevelopment of 160,000 s.f. shopping center with Rio Grande re-tenanting the vacant grocery store anchor
  - City Council authorized a \$1.5 million ED grant in support of the project.
  - Projected 10-yr fiscal impact: (\$190,259) \*note: while 10-yr is negative, the estimated 20-yr fiscal impact exceeds \$1.5 million

# Recap of Program Modifications

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- The suggested reduction of program eligibility in the northern sector has been incorporated into the new policy.
  - North Dallas and CBD minimum investment criteria reduced from \$10 million to \$5 million and the minimum job criteria reduced from 150 to 100.

# DISCUSSION

# Next Steps

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- Adoption of Guidelines & Criteria on June 25, 2014.

# Exhibit A

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## Guidelines & Criteria

## Exhibit A

### **City of Dallas Public/Private Partnership Program Summary for Non-Residential Projects**

#### **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 100 jobs or provide \$5 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;

## **Exhibit A**

### **City of Dallas Public/Private Partnership Program Summary for Non-Residential Projects**

- **Northern 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 Program**

Companies considering a relocation/expansion or new commercial development may be eligible for 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. Grants 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 subdivision 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.

## **Exhibit A**

### **City of Dallas Public/Private Partnership Program Summary for Non-Residential Projects**

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.

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

The City of Dallas Regional Center (CDRC) is dedicated to assisting individuals and their families through the EB-5 immigration process via investment into businesses and development projects located within the Dallas city limits. The CDRC offers a variety of investments to foreign investors that meet or exceed requirements and offer investors features unique to the EB-5 community. Minimum foreign investment is \$500,000 in Targeted Employment Areas or \$1M in other areas. All opportunities supported by the CDRC must provide 10 full-time jobs (directly or indirectly) per investor.

#### **New Market Tax Credits**

The City of Dallas participates in the New Market 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 Neighborhoods.

#### **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.

## **Exhibit A**

### **City of Dallas Public/Private Partnership Program Summary for Non-Residential Projects**

#### **Non-Conforming Projects**

Non-Conforming projects are considered on a case-by-case basis for high impact projects, unique developments, residential developments with special circumstances, 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. Special circumstance residential projects must ensure that a minimum of 20% of the residential units in the development meet affordable housing or mixed-income housing requirements for the location.

#### **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.

##### **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.

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