Memorandum

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CITY SECRETARY
DALLAS, TEXAS

CITY OF DALLAS

DATE June 12, 2015

TO Members of the Economic Development Committee:
Rick Callahan (Vice-Chair), Jerry R. Allen, Scott Griggs, Adam Medrano, Lee Kleinman

SUBJECT **Economic Development Committee**
Monday, June 15, 2015, 9:00 – 10:30 a.m.
1500 Marilla Street, City Hall, Room 6ES, Dallas, Texas 75201

AGENDA

1. Approval of June 1, 2015 Minutes of the Economic Development Committee

2. Creating a Dallas PACE (Property Assessed Clean Energy) Program — Karl Zavitkovsky, Director, Office of Economic Development **(Estimated time 20 minutes)**

3. Proposed Amendment to Chapter 51A, Article XIII, "Form Districts" — David Cossum, Director, Sustainable Development & Construction **(Estimated time 20 minutes)**

4. Upcoming agenda items
   - Expansion of the Adaptive Reuse Grant Program
   - Economic Development Grant Agreement with Toyota Industries Commercial Finance, Inc.
   - Economic Development Grant Agreement with TVM Productions Inc.
   - Dallas Love Field Lease Amendments with Signature Flight Support

Tennell Atkins, Chair
Economic Development Committee

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Ryan Evans, First Assistant City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Note: A quorum of the Dallas City Council may attend this Council Committee meeting.

A closed session may be held if the discussion on any of the above agenda items concerns one of the following:

1. Contemplated or pending litigation, or matters where legal advice is requested to the City Attorney. Section 551.071 of the Texas Open Meetings Act.

2. The purchase, exchange, lease or value of real property, if the deliberation in an Open Meeting would have a detrimental affect on the position of the City in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.

3. A contract for a prospective gift or donation to the City, if deliberation in an Open Meeting would have a detrimental affect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.

4. Personnel matters involving appointments, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.

5. The deployment or specific occasions for implementation of security personnel or device. Section 551.076 of the Texas Open Meetings Act.

6. Deliberations regarding Economic Development negotiations. Section 551.087 of the Texas Open Meeting Act.

Economic Development Committee DRAFT

Meeting Record
June 1, 2015

The Economic Development Committee meetings are recorded. Agenda materials and audiotapes may be reviewed/copied by contacting the Office of Economic Development, Staff Coordinator at 214-670-1686.

Meeting Date: June 1, 2015 **Meeting Start time:** 9:04 AM

Committee Members Present:
Tennell Atkins
Rick Callahan
Adam Medrano
Scott Griggs
Lee Kleinman
Jerry R. Allen

Other Council Members Present:
Dwaine Caraway
Carolyn Davis
Philip Kingston

Staff Present:
Ryan Evans, First Assistant City Manager, City Manager Office
Karl Zavitkovsky, Director, Office of Economic Development
Lee McKinney, Assistant Director, Office of Economic Development
Karl Stundins, Manager, Office of Economic Development
Jody Puckett, Director, Dallas Water Utilities
Mark Duebner, Director, Aviation Department
Lynetta Kidd, Assistant Director, Aviation Department
Robert Miville, Concessions Group /lanager, Aviation Department

Other Presenters:
Anthony Alessi, VP, Business Development, HMS Host
Gilbert Aranza, Chief Executive Officer, Star Consessions

1. **Approval of May 18, 2015 Minutes of the Economic Development Committee**
Presenter(s):

Action Taken/Committee Recommendation(s): Motion made to approve the minutes
Motion made by: Mr. Callahan **Motion seconded by**: Mr. Kleinman
Item passed unanimously: X Item passed on a divided vote: ____
Item failed unanimously: ____ Item failed on a divided vote: ____

Follow-up (if necessary):

2. **Upcoming Agenda Items**
   - By-Laws for the Mall Area Redevelopment TIF District
   - Mall Area Redevelopment TIF District: final Project Plan and Reinvestment Zone Financing Plan
   - Extension of Public Parking Lease Agreement at DalPark Garage (City Center TIF District)
   - Chapter 380 Economic Development Grant Agreement with Cesar Chavez Foundation
   - Call a public hearing for renewal and expansion of Lake Highlands PID
   - Call a public hearing for renewal of Vickery Meadow PID
   - Courtland Mtn. Creek Spec Building – Real Property Tax Abatement
   - Amendment to TIF Policy to add criteria for education /training programs

- Addition to Kaufman County MUD #5

Action Taken/Committee Recommendation(s): Motion made to recommend item to full council for approval

Motion made by: Mr. Kleinman **Motion seconded by**: Mr. Callahan

Item passed unanimously: X Item passed on a divided vote: ____

Item failed unanimously: ____ Item failed on a divided vote: ____

Follow-up (if necessary):

3. **Cypress Waters TIF and MOU Amendments, Related Service Plan/Development Agreements and Boundary Adjustments**

Presenter(s): Karl Zavitkovsky, Director, Office of Economic Development

Action Taken/Committee Recommendation(s): Motion made to recommend item to full council for approval

Motion made by: Mr. Kleinman **Motion seconded by**: Mr. Callahan

Item passed unanimously: X Item passed on a divided vote: ____

Item failed unanimously: ____ Item failed on a divided vote: ____

Follow-up (if necessary):

4. **Saint Elm Hotel and Corrigan Tower-Downtown Connection TIF**

Presenter(s): Karl Zavitkovsky, Director, Office of Economic Development

Action Taken/Committee Recommendation(s): Motion made to recommend item to full council for approval

Motion made by: Mr. Callahan **Motion seconded by**: Mr. Kleinman

Item passed unanimously: X Item passed on a divided vote: ____

Item failed unanimously: ____ Item failed on a divided vote: ____

Follow-up (if necessary):

5. **South Dallas Fair Park Trust Fund Program Update and Funding Review**

Presenter(s): Karl Zavitkovsky, Director, Office of Department

Action Taken/Committee Recommendation(s): Motion made to recommend item to full council for approval * With Kleinman voting No

Motion made by: Mr. Callahan **Motion seconded by**: Mr. Medrano

Item passed unanimously: X Item passed on a divided vote: ____

Item failed unanimously: ____ Item failed on a divided vote: ____

Follow-up (if necessary):

6. **Love Field Concession Status**

Presenter(s): Mark Duebner, Director, Aviation Department

Action Taken/Committee Recommendation(s): Move to approve street prices plus ten percent and modify contracts as soon as reasonably possible.

Motion made by: Mr. Griggs **Motion seconded by**: Mr. Medrano

Item passed unanimously: X Item passed on a divided vote: ____

Item failed unanimously: ____ Item failed on a divided vote: ____

Follow-up (if necessary):

7. Dalfort Area Development Update
Presenter(s): Mark Duebner, Director, Aviation Department

Action Taken/Committee Recommendation(s): Motion made to bring the Item back to the June 15, 2015 Meeting

Motion made by: Mr. Medrano | **Motion seconded by**: Mr. Callahan

Item passed unanimously: X | Item passed on a divided vote: ____

Item failed unanimously: ____ | Item failed on a divided vote: ____

Follow-up (if necessary):

Meeting Adjourned: 10:49 AM

Approved By: ______________________________

Memorandum

CITY OF DALLAS

DATE June 12, 2015

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

SUBJECT **Creating a Dallas PACE (Property Assessed Clean Energy) Program**

On Monday, June 15, 2015, you will be briefed on the Creating a Dallas PACE (Property Assessed Clean Energy) Program. The briefing materials are attached for your review.

If you have any questions, please let me know.

Ryan S. Evans
First Assistant City Manager

C: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
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Elsa Cantu, Assistant to the City Manager – Mayor & Council

Creating a Dallas PACE (Property Assessed Clean Energy) Program

Economic Development Committee

June 15, 2015

Overview

- What is PACE?
- Benefits of PACE
- Implementation Activities
- Next Steps

What is PACE?

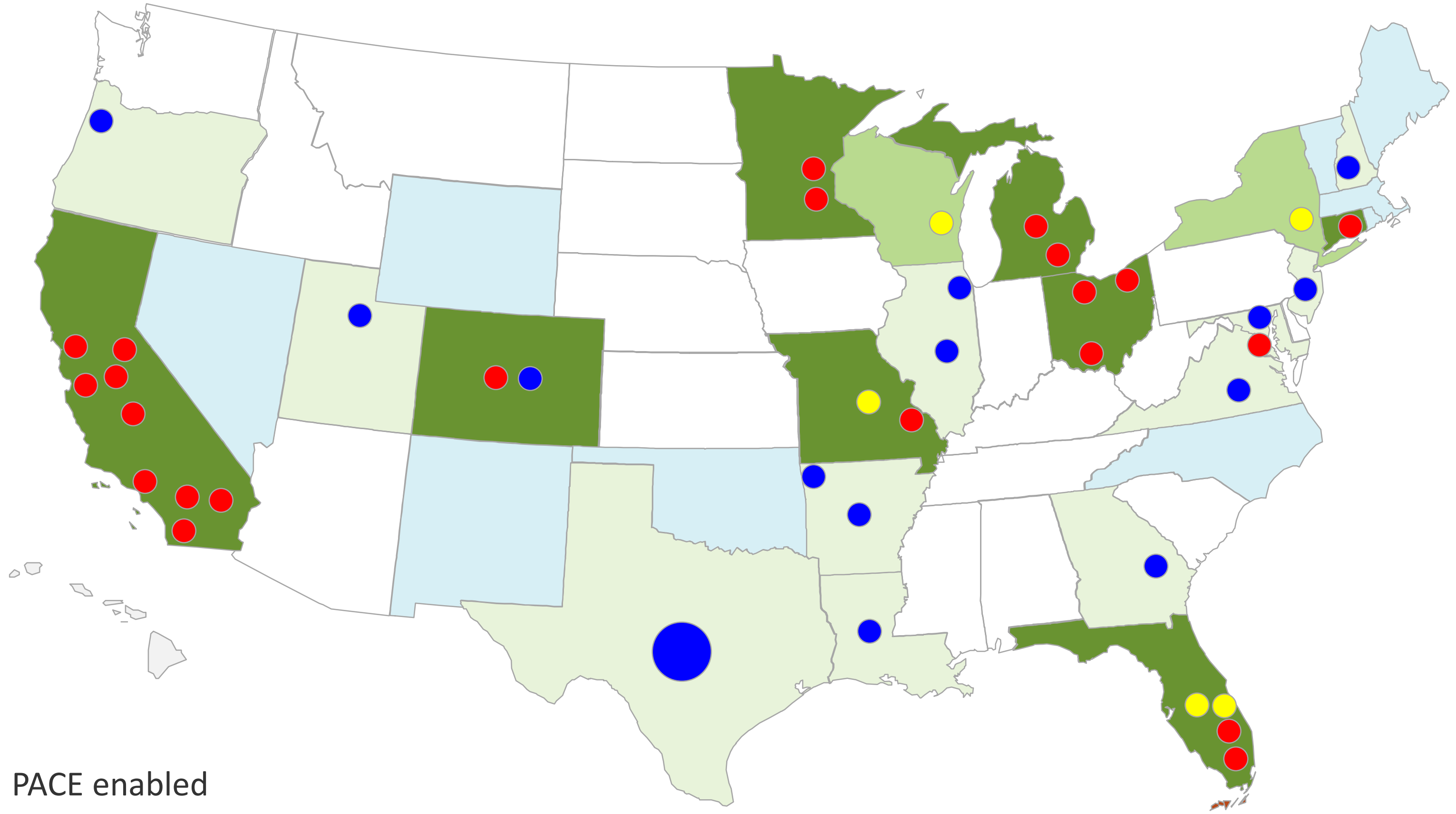
- Property Assessed Clean Energy (PACE) is a financing mechanism to help building owners access long-term loans for clean energy and energy efficiency upgrades on their buildings.
- Texas legislature enacted PACE legislation in 2013, enabling cities and counties to adopt PACE districts.
  - City staff has been exploring creating a PACE program since enabling legislation passed
  - Have met with Pace in a Box, SPEER, interested property owners and energy contractors, NCTCOG, Fort Worth, Plano, and Travis and Dallas County to get feedback
- Many states have PACE programs; most are in early stages like Texas.
- Travis County launched State’s first program in April of 2015.

What is PACE?

- PACE is an innovative financing mechanism that enables owners of privately owned commercial, industrial properties and certain residential properties (five or more units) to obtain low-cost, long-term loans for water conservation, energy-efficiency improvements, and renewable retrofits.
- PACE statute authorizes municipalities and counties in Texas to work with private sector lenders and property owners to finance qualified improvements using contractual assessments **voluntarily** imposed on the property by the owner.
- In exchange for funds provided by a private lender to pay for the improvement, the property owner voluntarily requests that the local government place an assessment secured with a senior lien on the property until the assessment is paid in full.
- The term of an assessment may extend up to the projected life of the improvement, which can result in utility cost savings that exceed the amount of the assessment payment.

PACE Programs Today

260+ Projects Closed - $83 mil - Pipeline of $300+ mil

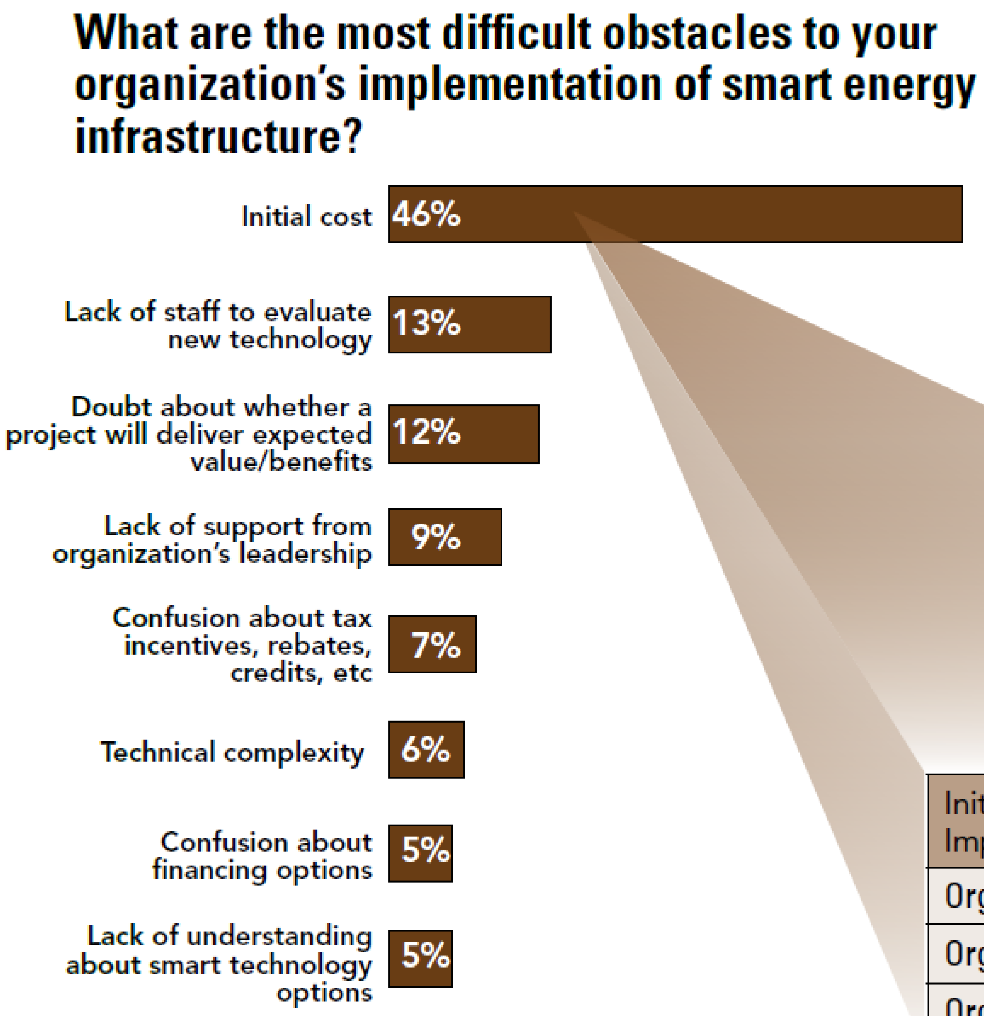


- PACE enabled
- Early stage PACE program development
- Launched PACE programs
- PACE programs with funded projects

Energy in Texas Today

- Texas leads the nation in energy consumption, accounting for 12% of the nation's energy use and is the fifth largest energy consumer in the world
- Demand for electricity has increased 20% since 2000
- Population and Industry growth in Texas is skyrocketing

Why PACE is important



Initial Cost Cited as the Most Difficult Obstacle to Implementing Smart Technology	
Organizations that own and occupy	46%
Organizations that lease as tenants	52%
Organizations that own and lease to others	66%

Source: Stamats Building Media, November 2011

PACE solves a variety of problems

Reason for not spending on energy efficiency	How PACE fixes it
Lack of, or unwillingness to use, available capital	Capital for PACE is available from multiple lenders.
Banks won’t lend for long terms at low interest rates	Banks like certainty of PACE loans paid back on property taxes.
Takes too long to receive ROI	PACE projects are cash flow positive on day one.
Lose money if property sold before ROI realized	Debt transfers to new property owners

How it Works

A Building Owner:

finds a contractor → selects a project → identifies a lender → applies to PACE program

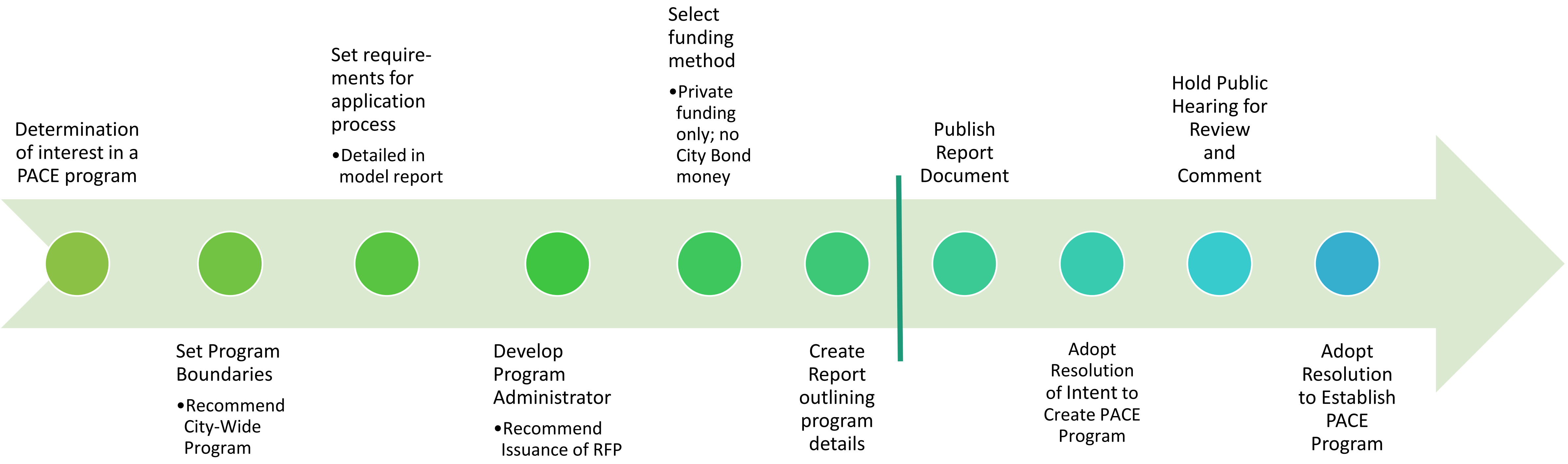
If the owner, building and project all meet PACE requirements:

the owner signs a contract with the PACE program, which places a senior lien on the property → the lender provides funding → the contractor completes the project → the PACE program bills assessments to the owner and forwards the payments to the lender

Benefits of PACE

- Property Owners – lower utility bills, energy & water efficiency, potential property value increase, better loan terms, transferability of debt
- Contractors – source of increase in business, more local hiring, best practices, keeping up with technology advancements
- Lenders – new loans, steady & stable process, fully collateralized, 1st lien position, improved asset value
- Communities – increased competitiveness, economic development and jobs, improved building infrastructure, more appealing building stock
- State of Texas – over the long term, reduced peak demand, improved grid loading, renewables as source, improved air quality, better water conservation

Starting a Local PACE Program



Implementation Steps

- Create Report outlining program details
  - Describes program, benefits, types of eligible improvements, role of third party administrator, application process and financial requirements
- Publish Report Document
  - On Economic Development website and made available at City Hall
- Issue a RFP for a third party administrator
- Adopt Resolution of Intent to Create PACE Program
  - August-September
- Hold Public Hearing for Review and Comment
  - August-September
- Adopt Resolution to Establish PACE Program
  - September-October
- Council consideration of selection of Third-Party Administrator
  - September-October

Implementation Steps: Third Party Administrator

- Responsible for overseeing the PACE program and coordinating efforts between the property owners and lenders throughout the application process, verifying financial ability of the applicants, gathering reporting data to comply with the statute and maintaining the Dallas PACE website
- Will be the primary point of contact for Dallas PACE program
- Maintain list of banks and Independent Third Party Reviewers (qualified engineers) to facilitate PACE transactions; property owners are not required to use entities from these lists
- File Notice of Lien Assessment (as signed by City) with County
- City plans to issue a RFP in June to solicit third-party administrator
- Proposed fees for third party administrators will be included in RFP responses

Implementation Steps: City’s Role

- After administrator has reviewed application criteria, qualified engineers report and financing information, administrator will recommend project for PACE financing.
- City will review recommendation and process an Administrative Action for contracts
- After approval, transaction will close and City will execute notice of lien assessment, and contracts with lender and project owner.
- City will review regular reports for PACE financing activities within the City of Dallas
- City may take a portion of application fee or financing fee to recover staff expenses

Next Steps (Council Action)

August/September

- Adopt Resolution of Intent to Create PACE Program
- Call for a Public Hearing for Review and Comment
- Hold Public Hearing for Review and Comment

September/October

- Adopt Resolution to Establish PACE Program
- Select Third Party PACE administrator

Appendix

Sample PACE projects from other states

Restaurant Retrofit – Edina, MN

$39,000 Lighting Upgrades & Kitchen Hood Controls

"The savings should pay back the investment...It's a no-brainer."

Alan Ackerberg, Parasole Restaurant Group

PARASOLE

C-PACE Connecticut - Norwalk Center

$185,000 Lighting Upgrades

"One of our first projects in 2013 was this Norwalk property, a family owned shopping center whose owner found that PACE was ideal to finance energy efficiency and renewable energy improvements."

Jessica Bailey, CEO, C-PACE Program

cpace | An Energize CT Program

Multi-Family Apartments – Washington D.C.

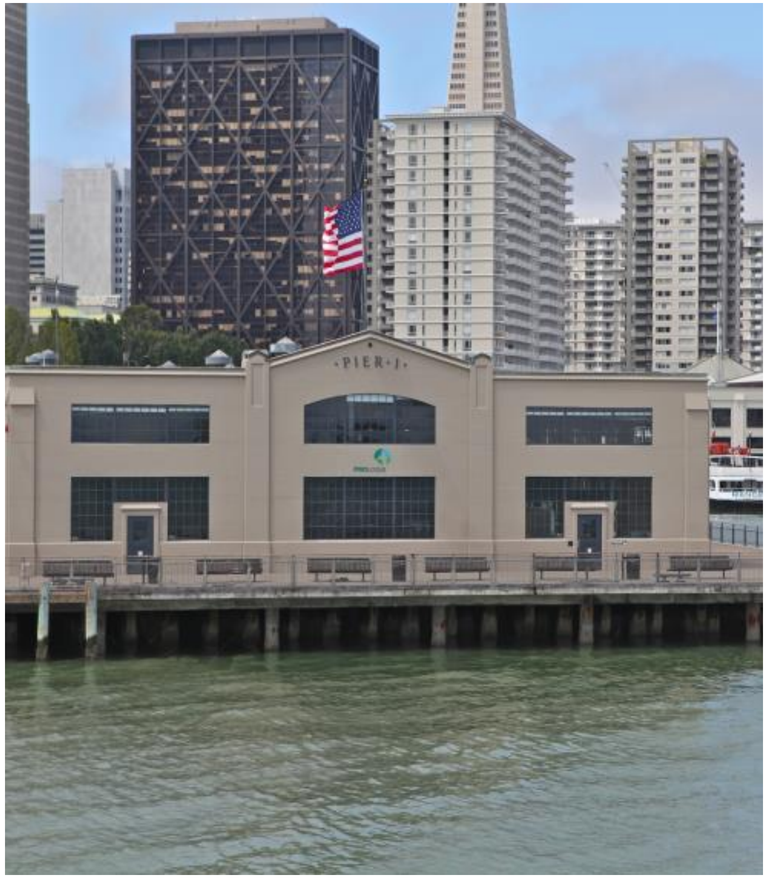
$340,000 Lighting Upgrades, Controls System, Solar Array

This project was a pioneer in the use of commercial PACE to finance the retrofit of an affordable multi-family housing project originally developed through the HOPE VI program administered by the US Department of Housing and Urban Development (HUD). This project yields $41,000 in benefits each year from a 37kW solar array, lighting improvements, water conservation, and other energy efficiency upgrades.

DC PACE COMMERCIAL
an energy finance solution

Prologis, Inc. Headquarters – San Francisco, CA

$1.4 mil Energy & Solar Upgrade – Multi Project



"Prologis is optimistic about the future of PACE. There are a number of opportunities over a long term in other property sectors too."

Aaron Binkley, Director of Sustainability Programs

PROLOGIS

Simon Property Group – Great Lakes Mall, OH

$3.4 mil Energy Efficiency – Multi Project

"We hope to serve as pioneers in this arena, encouraging others to explore the many ways to reduce energy use now, rather than delaying sound financial and environmental decisions."

George Caraghiaur, former SVP for Sustainability at Simon Property Group

SIMON PROPERTY GROUP

Hilton Los Angeles/Universal City, CA

$7 mil Energy & Water Efficiency – Multi Project

- "PACE is the only funding mechanism that is credible in providing verifiable information to our investors, and therefore is the ideal tool for us to move forward in becoming the gold standard in sustainable hotels."

- *Mark Davis, Hilton Los Angeles/Universal City General Manager.*

Hilton
HOTELS & RESORTS

PACE in a Box Frequently Asked Questions (FAQ's)

PACE in a Box Frequently Asked Questions

PACE Frequently Asked Questions:

General:

What is PACE?

The Property Assessed Clean Energy Act (PACE Act) SB 385 was adopted by the 83rd Session of the Texas Legislature and signed by Governor Perry in June 2013. PACE is an innovative program that enables owners of commercial and industrial properties to obtain low-cost, long-term loans for energy-efficiency and water conservation improvements. PACE loans help property owners overcome financial barriers that typically discourage investment in water conservation and energy efficiency retrofits to existing properties. Improvements financed using PACE can generate positive cash flow upon completion with no up-front, out-of-pocket cost to property owners. The term of a PACE loan may extend up to 20 years, resulting in cost savings that exceed the amount of the assessment payment.

What is PACE in a Box?

PACE in a Box is a uniform, user-friendly, sustainable and scalable turnkey program or toolkit to assist local governments in establishing and implementing PACE programs. The toolkit contains all of the design elements, documents and implementation steps necessary for a local government to establish an effective PACE program quickly and economically. *PACE in a Box* will standardize the design of PACE programs in Texas, resulting in uniformity and predictability of requirements for PACE financing among all participating local jurisdictions. As a result, the various stakeholders in PACE financing transactions – property owners, lenders, governmental agencies, energy service companies, manufacturers and others – will be able to accelerate the process of utilizing PACE financing in Texas.

Who is Keeping PACE in Texas?

Keeping PACE in Texas (KPT) is a non-partisan, non-profit organization that assembled the Texas coalition to help get the Property Assessed Clean Energy Act (the PACE Act) enacted in Texas on June 14, 2013. The PACE Act authorizes municipalities and counties in Texas to work with private sector lenders and property owners to finance qualified improvements using contractual assessments voluntarily imposed on the property by its owner. After the legislation was enacted, the coalition led by KPT set out to design *PACE in a Box* and is currently assisting with the implementation of this toolkit.

How are PACE projects funded?

The PACE Act authorizes two sources for financing PACE assessments secured by a property assessment lien – third-party financing (third-party lenders) and public financing (bonds). While early adopters of PACE programs in other states relied on public financing, most of the early PACE programs began seeking ways to access additional funding sources by incorporating private lenders in PACE financing.

The PACE Act allows PACE programs great flexibility in offering PACE assessments funded through private lenders and/or public financing. Although local governments have the option to issue bonds for PACE financing if they so choose, *PACE in a Box* recommends that Texas PACE programs utilize an open-market funding, third-party lender model. This model will minimize the local government's risks and burdens associated with PACE.

Why / How is Texas' PACE program different than other states?

As KPT began researching best practices, it noted a California trend in which hundreds of early adaptor local governments were opting into one or more state-wide competing administrative programs with each providing an exclusive or favored funding mechanism that relies on privately or publicly funded municipal bonds. The competition among these government-selected program administrators and the differing program requirements can be confusing and expensive.

The case for a state-wide, uniform program model was made in 2013 by Connecticut's new PACE statute, which is the only one that created a single governmental state-wide agency to administer a PACE program on behalf of local governments. In its first eight months of operation, Connecticut accounted for one-half of all commercial PACE financing in the U.S. in 2013.

Although a state-administered PACE program is not an option in Texas, the KPT coalition recognized that uniform programs covering large areas provide economies of scale. This vision has created the *PACE in a Box* toolkit that will be utilized throughout the state, and can serve as a nationwide model.

Why was PACE passed?... What are the public benefits of PACE legislation?

In today's world of ever-increasing dependence on energy and water resources, the importance of energy efficiency and water conservation cannot be over emphasized. Commercial and industrial buildings in Texas consume approximately 63% of all energy consumed in the state. But market barriers – like extended payback periods and lack of access to capital – have discouraged building owners from investing in retrofits that would decrease their water or energy consumption. The PACE Act addresses the need for a financing mechanism to remove these barriers and to encourage building owners to make economically viable investments in energy efficiency and water conservation retrofits.

PACE financing enables owners of commercial and industrial properties to help conserve critical water and energy resources, while simultaneously reducing their utility costs and improving their bottom-line profitability. In a broader sense, the availability of PACE financing will help improve the quality and efficiency of our building stock, reduce harmful carbon emissions, and create numerous jobs in the manufacturing, construction and service sectors of our economy.

Does PACE include both water and energy efficiency improvements?

Yes, the Texas Legislature was very clear and intentional in its decision to include both water and energy improvements in the statute. This is a differentiating factor between Texas PACE programs and several other states. The inclusion of both will help Texas obtain energy and water security.

Can PACE projects qualify for rebates, tax incentives and other funding programs from governmental entities?

Yes, PACE projects can qualify and receive additional rebates and incentives. All applicable government, utility provider or manufacturer rebates, and other upfront cost reductions should be applied as a credit against the total project cost for purposes of calculating the amount of the PACE assessment.

Property Owners:

Why is PACE attractive to a property owner?

PACE enables property owners to obtain low-cost, long-term loans for up to 100% of all costs associated with the design and installation of water conservation, energy efficiency, renewable and distributed generation retrofits. These improvements can be structured to generate positive cash flow to the property owner because the cost savings derived from them exceeds the amount of the PACE assessment payment. In addition, PACE enables the property owner to amortize the cost of the improvements over their useful life. Since PACE loans are secured by assessments on the property, they are automatically transferred to successive owners when the property is sold. Consequently, each owner of the property pays only that portion of the assessment that accrues during its period of ownership. And importantly for property owners leasing their property to tenants, PACE assessments can be passed to tenants under the typical commercial office lease.

These attributes of PACE loans enable property owners to overcome traditional barriers to making capital investments in property. Without PACE, property owners will continue tossing the problem of delayed maintenance to a new owner like a hot potato. Until committing capital to modernize real property infrastructure makes sense as a value proposition, property owners will continue to waste operating expenditures on utility bills and risk exposure to utility price increases. Instead, PACE users capitalize money previously spent on utilities; the utility cost savings achieved by a retrofit pay for the retrofit itself. Property owners end up with more valuable property and access to recurring utility savings and pay only for the assessments that accrue while they own the property.

What types of properties qualify for PACE?

The PACE Act permits PACE assessments to be placed on property that is:

- Privately owned commercial real property - including not for profit real property such as private schools, medical facilities, churches, etc.;
- Privately owned industrial real property - including privately owned agricultural real property; or
- Privately owned residential real property with five or more dwelling units.

Any of these properties must also:

- Be located within the jurisdiction of the PACE program;
- Have a title that is not in dispute; and
- Where there is a preexisting mortgage lien on the property: the mortgagee must be given written notice of the owner's intention to participate in the PACE program at least 30 days before the owner enters into a contract with the PACE program; and, the mortgagee must provide written consent to participation in the PACE program.

Properties that are statutorily *ineligible* for PACE assessments include:

- Undeveloped lots or lots undergoing development at the time of the assessment; and
- Government owned real property.

What types of projects are eligible for PACE?

The PACE Act authorizes PACE funding for the installation of Qualified Improvements. Qualified improvements must:

- Be permanently fixed to the real property;
- Have a demonstrated capacity to decrease –

    - Water consumption or demand; and/or
    - Energy consumption or demand (Includes renewables and distributed generation products or devices on the customer's side of the meter that use energy technology to generate electricity, provide thermal energy, or regulate temperature); and
- Have a useful life that exceeds the term of the PACE financing agreement.

Ineligible Improvements – Improvements that are not permanently fixed to real property and can be easily removed are not eligible for financing through the program. For example, screw-in fluorescent light bulbs' removable low-flow showerheads and faucet aerators, and improvements that are not recognized as "energy efficient" according to standard engineering or scientific principles would be considered as ineligible.

Multiple Improvements in a Single Project; establishing the useful life of a multi-measure project – PACE financing will enable some property owners to retrofit their property in a comprehensive manner with Qualified Improvements made up of a number of energy and/or water saving measures. This opportunity poses the most effective, cost saving opportunities.

To determine the useful life of a project made up of multiple measures with different projected life spans, the parties must determine the life of the project using a weighted average of the measures.

Length of Assessment term – The PACE Act requires that the weighted average useful life must be shorter than the assessment term.

What requirements are there for a property owner to utilize PACE?

The PACE Act requires PACE programs to ensure that property owners demonstrate the financial ability to pay the annual PACE assessments. That demonstration must be based on particular statutory underwriting factors, including verification that any participating owner:

- Is the legal property owner;
- Is current on mortgage and tax payments;
- Is not insolvent or bankrupt;
- Holds a title to the property to be subject to a PACE assessment that is not in dispute; and
- Has consent of any preexisting mortgagee to the proposed PACE assessment through a written contract.

Why is a lien placed on the property?

The senior lien status of PACE assessments substantially reduces the risk of non-payment, making PACE loans very secure and attractive to long-term, risk-averse lenders. This enables owners of commercial and industrial properties to obtain **low-cost, long-term** loans for energy-efficiency and water conservation improvements, overcoming financial barriers that typically discourage investment in water conservation and energy efficiency retrofits to existing properties.

What type of lien is it?

A PACE lien placed on the property is a first and prior lien against the property itself. The lien does not take effect until recorded in the property records and runs until the assessment, interest and any penalty are paid in full. The PACE lien has the same priority status as a lien for any other ad valorum tax. The lien runs with the land (the unpaid portion transfers to a new owner upon sale) and is not eliminated by foreclosure on the property.

What is the length of the assessment?

To fix the length of the assessment, the property owner first determines the total cost of the PACE project and the projected utility savings. The assessments term should be stretched long enough to ensure that the savings resulting from the project exceed the cost of the assessment.

The PACE Act requires that the assessment term must be shorter than the useful life of the improvement or, in a multi-measure project, the weighted average useful life of the improvements.

How does PACE add to the value of my property?

PACE users capitalize money previously spent on utilities; the utility cost savings achieved by a retrofit pay for the retrofit itself. Property owners end up with modern infrastructure and increased operating income through recurring utility savings. Thus pay only for the assessments that accrue while they own the property. PACE assessments can be structured to be cash flow positive.

Can the PACE assessment payments be passed through to tenants?

Yes, under most commercial operating leases, PACE assessments can be passed to tenants. Under the leases, tenants will enjoy the resulting decrease in utility bills that will place them in a cash flow positive position.

What is the mortgage holder consent process?

If there is an existing mortgage lien on the property, the mortgagee must be given thirty days advance notice and must provide written consent prior to including the property in the PACE program. A model lender consent form is included in Section 8 of PACE in a Box.

What are the upfront fees?

Improvements financed through PACE can generate positive cash flow upon completion with no up-front, out-of-pocket cost to property owners.

The PACE Act allows the following expenses to be included in the assessment: the cost of materials and labor necessary for the installation or modification of a qualified improvement, permit fees, inspection fees, lender's fees, program application and administrative fees, project development and engineering fees, Independent Third Party Reviewer (ITPR) fees, and any other fees and costs that may be incurred by a property owner incidental to the installation, modification, or improvement.

Didn't the FHFA ban PACE?

The Federal Home Financing Agency (FHFA) prohibits Freddie Mac and Fannie Mae from purchasing any residential mortgage in the secondary market if the property is subject to a PACE assessment. In 2009, Texas passed House Bill 1937, establishing PACE districts. The bill included residential PACE programs and was quickly stalled by the FHFA. The PACE Act includes commercial and industrial PACE programs, excluding residential property with up to four units.

What type of properties do not qualify for PACE?

Properties that are statutorily *ineligible* for PACE assessments include:

- Undeveloped lots or lots undergoing development at the time of the assessment; and
- Government owned real property.

Why would a mortgage holder consent?

Any PACE proposal should be submitted to a mortgagee with an overview of PACE assessment and a solid business plan demonstrating improvement to the property value and a cash-flow positive position for the customer with improvement to the net operating income of the property.

Lenders benefit from PACE financing in multiple ways:

- Collateral is protected:
    - The property is protected from devaluation and income losses from delayed maintenance, end-of-life of infrastructure; and
    - PACE improvements modernize the property and increase value;
- Existing customers are better served because the cash-flow positive nature of PACE assessments improve the financial position of the customer over a traditional second mortgage and do not impair the net operating income of the mortgaged property
- PACE is a new product mortgagees can offer to attract new customers and increase the flow of capital into the market.

How can I find a PACE program available for my property?

Contact your county and municipality to inquire whether a PACE program exists in your area. If none yet exists, begin working with your local business organizations to advocate for one. www.KeepingPACEinTexas.org will provide information on the creation of *PACE in a Box* programs throughout Texas.

If I own and apartment complex with a FNMA or FHLMC loan can I get PACE?

Nothing in law or regulation prohibits the use of PACE to finance improvements to multi-family housing with five or more units. The current FHFA ban on Freddie Mac and Fannie Mae ability to purchase a residential mortgage in the secondary market is limited to properties with four or fewer units.

There is a larger question regarding the logistics of obtaining the mortgagee's consent when the mortgage on a property has been sold into the secondary market. Property owners and lenders should begin working together to incorporate language into first mortgage agreements to anticipate PACE financing for improvements to the collateral so that trustees in control of commercial property in the secondary market have clear authority and a process for granting consent.

Is PACE non-recourse financing?

Yes and no; PACE financing is limited recourse financing. There is no recourse for assessments that have not yet come due. Assessments in arrears are subject to the lender's enforcement terms in the loan documents as well as in the local government's enforcement authority in the statute.

Is PACE off-balance sheet financing?

This issue is unresolved until a major accounting firm rules whether a PACE assessment if off-balance sheet as a matter of generally acceptable accounting procedures. Please consult with your accountant.

Contractors/Engineers/Manufacturers:

How will PACE benefit contractors?

PACE will enable more private sector energy and water conservation projects to become a reality by bringing a state-wide funding mechanism that has many benefits for property owners. The traditional barriers are addressed in a PACE program, resulting in increased improvements and increased business. Furthermore, the standard, uniform approach will enable contractors and ESCOs to be familiar and comfortable with the standards, expectations and processes state-wide.

What technical requirements are necessary to qualify a project for the PACE in a Box program?

Once a project satisfies all underwriting requirements of PACE in a Box, it must meet three technical requirements.

First, the property's current water and energy use is measured so that a *baseline* for comparison is established.

Second, each potential energy or water conserving measure is evaluated to determine projected savings compared to the baseline in a technically sound, consistent and transparent manner. Findings from these two steps together are compiled in a document referred to as an energy /water assessment report. PACE law requires that each report is evaluated by an *independent third party reviewer (ITPR)*.

Third, after the project retrofit activities are completed, the project must be reviewed by the ITPR to ensure that the project meets the intent of the energy/water assessment report, is properly completed, and is operating as intended. The purpose of performing *measurement and verification (M&V)* after installation is to validate that the measures are operating as expected and the energy/water savings are being realized. Project evaluation by an ITPR provides assurances to the property owner, the lender, and the local government that due diligence has been met and that a professional has validated the project using standardized engineering protocols.

What technical methodology is used for data collection, measurement and savings calculations?

The technical methodology incorporated into the PACE review process relies primarily upon the Investor Confidence Project (ICP) - Energy Performance Protocols (EPP) for Standard and Large Commercial Facilities.

The ICP EPP contains processes that form a framework for bringing together all aspects of project implementation from establishing a baseline and audit, through M&V. They have been created by a large stakeholder community of industry experts and are continuously reviewed and improved. PACE in a Box relies on the EPP because they are the result of a nationwide effort to standardize the technical review of energy efficiency projects to bring uniformity and reliability on a national scale. The EPP help ensure that conservation measures are evaluated consistently throughout the state and create a national standard for lender review of PACE projects.

What protocols are available to reference within PACE in a Box?

There are a number of protocols available to reference within the *PACE in a Box* Technical Standards Manual in Section 8. PACE. These protocols generally fall under the various sections within the following technical documents:

1. Investor Confidence Project (ICP) - Energy Performance Protocols (EPP) for Standard and Large Commercial Facilities
2. *International Performance Measurement and Verification Protocol* (IPMVP) Concepts and Options for Determining Energy and Water Savings Volume I, January 2012
3. IPMVP Concepts and Practices for Determining Energy Savings in Renewable Energy Technologies Applications
4. Federal Energy Management Program's M&V Guidelines: Measurement and Verification for Federal Energy Projects Version 2.2 (and version 3.0)

Are Independent Third-Party Reviewers recommended for PACE projects?

Yes. The Texas PACE law requires an independent third party review of a baseline water/energy assessment report for each proposed qualified project. It is the responsibility of the Independent Third Party Reviewer (ITPR) to validate projected future energy or water savings. Additionally, after a qualified project is completed, the ITPR must verify that the qualified project was properly completed and is operating as intended. This requirement provides assurances to the PACE in a Box program, the property owner, and the lender that due diligence has been executed, that a standard of consistency has been applied throughout the PACE process, and that a professional licensed engineer has validated the expected energy and water savings from the proposed project.

Is Measurement and Verification a requirement for PACE projects?

Yes. Property owners are encouraged to address M&V in their contracts with engineers and contractors. A Best Practices Guide can be found in Section 8. The PACE Act requires that an ITPR energy conservation measure and/or a water conservation measure is installed and operational and continues as contractually specified in the M&V portion of the contract between the property owner and the contractor. Determine whether the equipment is installed correctly and is operating as intended.

Local Governments:

What are the public benefits of PACE legislation?

Texas faces significant challenges in meeting the energy and water needs of a rapidly growing economy. By far, the most affordable and readily available supply of energy and water we find will be the existing supply that we can stretch because we conserved these resources and used them more efficiently. Meeting these challenges will require significant financial investments. PACE enables property owners to make valuable improvements to property that reduce demands for energy and water in a way that benefits all parties to the arrangement, is completely voluntary and puts no public funds at risk. The energy and water savings help make Texas businesses, industry and agriculture more competitive; and, by definition, every property improvement requires work to be done locally.

By creating new investment opportunities, PACE will stimulate employment growth and economic development in municipalities and counties throughout Texas in addition to helping local communities achieve critical energy and water conservation goals. And PACE projects will help local governments avoid the costs of purchasing additional power and water to meet growing demand and the costs of clean air nonattainment and other environmental costs.

How much flexibility does PACE in a Box provide? Do we have to implement PACE as it is outlined in the box?

Texas is vast and diverse in climate, water resources, industry and local governments. While the PACE policy, process and documentation must be uniform throughout the State in order for Texas to take full advantage of the PACE opportunity, the *PACE in a Box* toolkit recognizes that each project will be unique and is flexible so as to accommodate the diverse needs and interests of:

- Local governments in both rural and metropolitan communities;
- Communities with differing climates and water resources;
- Large and small scale projects, including multifamily residential housing, agricultural, industrial and commercial properties and properties owned by nonprofit organizations;
- Local and regional banks, large and small scale capital sources and governmental bond issuers; and
- Diverse projects ranging from single-measure upgrades to holistic retrofits.

PACE in a Box contains a model PACE program based on current standards and best practices obtained from studying PACE programs established in other states and modified for the Texas marketplace. By utilizing the *PACE in a Box* toolkit, local governments can minimize start-up costs and move quickly to the implementation phase of an up-to-date, robust PACE program. This helps achieve the goal of implementing uniform, user-friendly, sustainable and scalable PACE programs throughout Texas. While *PACE in a Box* is only a recommendation, the benefits of uniformity and scale will be lost if governments follow a different path.

Can we join a regional program instead of creating our own program?

Yes. Scaling up local programs to joint programs with regional administration reduces implementation time and transaction costs, minimizes administrative overhead, and promotes widespread utilization of PACE financing. Having regional administration in place will make it much easier for rural counties and smaller local governments to offer PACE financing than it would be if these communities were required to create a PACE program on their own.

The KPT coalition encourages local governments to create regional programs designed to be easily joined by other local governments at a later date.

How much will this cost to implement?

PACE in a Box is designed to be a turnkey program with best practices accompanied by model documents and contracts – everything a community needs to establish a sound PACE program. The design is intended to drive the creation of larger, regional programs in which many counties and municipalities share program administration with significant economies of scale that minimize transaction and overhead costs. PACE in a Box is designed in a way to impose the costs of the PACE program on its users so that no taxpayer dollars are required to support the ongoing administration of the program. While non-general revenue bonds can be a source of funding under the PACE Act, the PACE in a Box design focuses primarily on private sector lenders as the less costly program preference of both business and local government stakeholders. Lean, effective regional programs with large numbers of participants are key to program sustainability over the long term.

What are our options for administration of this program?

The PACE Act gives a local government authority to hire and set the compensation of a program administrator and program staff or to contract for the professional services necessary to administer a program at the local or regional level. Third-party administrators can be another governmental body, private sector entities, or a collaboration of several entities. If the local government selects another governmental unit to administer the program, then an interlocal government agreement will be negotiated. If the local government intends on using non-governmental entities as third-party administrators, the local government will issue a request for proposal (RFP). In order to obtain the goals of uniformity and other PACE in a Box benefits, these negotiations must require the third-party administrators to faithfully administer the PACE in a Box model program.

Delegating administrative functions to a third-party is optional and can reduce local government responsibilities in establishing and administering PACE programs. Local governments may consider doing a cost study to evaluate the administrative options.

Is PACE a federal, state or local program?

PACE is local. State legislation created this local authority. The PACE Act authorizes local governments to implement PACE programs within their jurisdictions. The PACE Act gives local governments broad discretion in designing the specific attributes of their PACE programs. Regional cooperation among local governments on PACE can help minimize administrative costs and will attract more competitive lending to a larger market.

Is a local government required to establish a PACE district?

No. State law enables, but does not require jurisdictions to offer a PACE program. If a local government chooses to offer PACE, THEN the governing body is required to designate the specific geographic area (the "region") in which PACE assessments may be placed. The region:

- <u>may</u> include the jurisdictional boundaries of the entire local government; and
- <u>must</u> be located wholly within the local government's jurisdiction (including a municipality's extraterritorial jurisdiction).

The PACE Act also gives a local government the ability to create multiple PACE regions within its boundaries, which can be separate, overlapping, or coterminous.

When a local government chooses to offer a PACE program, why should it consider using the PACE in a Box model?

PACE in a Box is a toolkit designed specifically to help local governments deliver PACE programs in Texas using best practices that comply with the enabling legislation, minimize expense and effort of implementation, and contribute to developing programs that are *uniform, user-friendly, sustainable and scalable*.

Uniform -- The PACE in a Box toolkit provides a standardized system for implementing PACE programs so as to:

- Avoid inconsistencies and unnecessary complexities in order to attract private lenders to Texas PACE programs
- Minimize programmatic risk and cost for local governments
- Provide consistent standards to measure and verify energy and water savings financed by PACE

User –Friendly -- The process for determining eligibility and participation in a PACE program should be straightforward, easy to understand and easy to use. Several elements of PACE in a Box make the program user-friendly:

- Emphasizes Private Sector Marketplace of actors and choices
    - creates an attractive, secure investment for third-party lenders and relies on the marketplace to determine whether and when PACE financing will be a useful tool for business
- Provides Project Flexibility
    - accommodates both rural and metropolitan communities
    - accommodates large and small scale projects, including multifamily residential housing, agricultural, industrial and commercial properties and properties owned by nonprofit organizations, and ranging from single-measure upgrades to holistic retrofits
    - workable for local and regional banks, large and small scale capital sources and governmental bond issuers
- Ensures Transparency
    - standardized record keeping included in the toolkit will permit objective analysis and promote an ongoing cycle of review and improvement

Sustainable -- The PACE Act allows administrative costs of the PACE program to be included in the property assessments so that these costs will be paid by users of the program and need not burden local treasuries.

Scalable – Many stakeholders have emphasized that being able to scale up the size of market being served is a key to attracting the highest quality service providers and most favorable, competitive prices and financing. Texas has 254 counties and over 1,200 municipalities. The toolkit allows local and regional programs across the state to have a similar look and feel for businesses trying to decide if the market is big enough to serve cost-effectively.

What are the main steps in starting a PACE program?

A local government that determines "it is convenient and advantageous to establish" a PACE program under the PACE Act must address a number of preliminary questions and then take four statutorily required steps to assure public accountability.

Preliminary Organization -- This preliminary development stage will determine the "big picture" decisions of program design and provide much of the content for the public report. Although the PACE in a Box toolkit provides uniform policies, procedures, and documents, there remain some matters best addressed by each local government. These include:

- Determine which local officials and staff need to be Involved in the Implementation of the PACE program
- Designate a PACE region
- Determine whether to establish or join a regional PACE program
- Determine roles and responsibilities of the local government and third-party administrator (Third-party administrators can be another governmental body, private sector entities, or a collaboration of several entities.)
- Determine how the local PACE program will be funded
- Establish internal quality assurance and anti-fraud measures
- Adopt a plan for ensuring sufficient capital for third-party financing

Statutory Steps for Creating a PACE Program **--** The PACE Act requires a county or municipality (local government) to take four steps in a prescribed order to establish a PACE program. Briefly, they are:

1. Publish a report on the proposed program design and make it available for public inspections
2. Adopt a resolution of intent to create a program
3. Hold a public hearing
4. Adopt a resolution establishing the program

Funding:

Why is PACE attractive to private lending companies?

PACE loans are attractive to lenders because they are very secure investments. Like a property tax lien, the assessment lien securing the PACE loan has priority over other liens on the property. Therefore, the risk of loss from non-payment of a PACE loan is insignificant compared to most other types of loans. PACE assessments provide lenders with an attractive new product to assist existing and new customers in addressing an almost universal pent-up demand for needed commercial and industrial property equipment modernization. In order to protect the interests of holders of existing mortgage loans on the property, the PACE Act requires their written consent to the PACE assessment as a condition to obtaining a PACE loan.

What types of PACE requirements assist in the protection of the investment?

The following are some but not all requirements to assist in the protection of the investment:

a) The PACE Act requires local governments creating PACE programs to describe the quality assurance and anti-fraud measures to be instituted for the program.
b) Independent Third-Party Reviewer/engineer Reviewer (ITPR) with no financial interest in the project will attest in the review he/she believes the savings (energy, demand, water, and cost), expected project life, and cost are reasonable and in compliance with the PACE program guidelines and standard engineering practices. After the construction of the project is complete there will be a site inspection by an ITPR who will determine whether the scope of the project was completed and is operating properly.
c) The PACE Act requires the PACE program to ensure that property owners have access to third-party lenders with adequate funding for PACE projects.
d) The property owners must demonstrate the financial ability to pay the annual PACE assessments based on particular statutory underwriting factors.
e) To be eligible for PACE financing, the projected savings derived from the PACE improvement must be greater than the cost of the PACE assessment over the life of the assessment.
f) The assessment is secured by a lien on the property itself (not the owner or the improvement).

What happens to the lien after a bankruptcy or if the building is unoccupied for a long period?

A PACE lien has the same priority status as a lien for any other ad valorem tax and runs with the land (the unpaid portion transfers to a new owner upon sale); and is not eliminated by foreclosure of a property tax lien.

Delinquent installments of the assessments incur the same interest and penalties in the same manner as delinquent property taxes. A local government may recover costs and expenses, including attorney's fees, in a suit to collect a delinquent installment of an assessment in the same manner as in a suit to collect a delinquent property tax.

Memorandum

CITY OF DALLAS

DATE June 12, 2015

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

SUBJECT **Proposed Amendments to Chapter 51A, Article XIII, "Form Districts"**

On June 15, 2015 you will be briefed on proposed amendments to Article XIII, "Form Districts." Article XIII was approved on February 10, 2008, to establish zoning to encourage walkable, mixed use development consistent with *forwardDallas!* The proposed amendments are intended to address issues with block perimeters, block face, and non-conforming buildings and structures. The briefing materials are attached for your review.

Ryan S. Evans
First Assistant City Manager

C: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
David Cossum, Director Sustainable Development and Construction
Rick Galceran, P.E., Director, Public Works
Sana Syed, Managing Director, Public Information Office
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Proposed Amendments to Chapter 51A Article XIII Form Districts

Economic Development Committee

June 15, 2015

BACKGROUND

- February 2008 Dallas adopted Article XIII Form Districts
- This is the first amendment to Form Districts
- ZOC discussed 6 times from October through December
- On December 18, 2014 ZOC recommended to CPC
- On February 5, 2015 CPC recommended approval

BACKGROUND

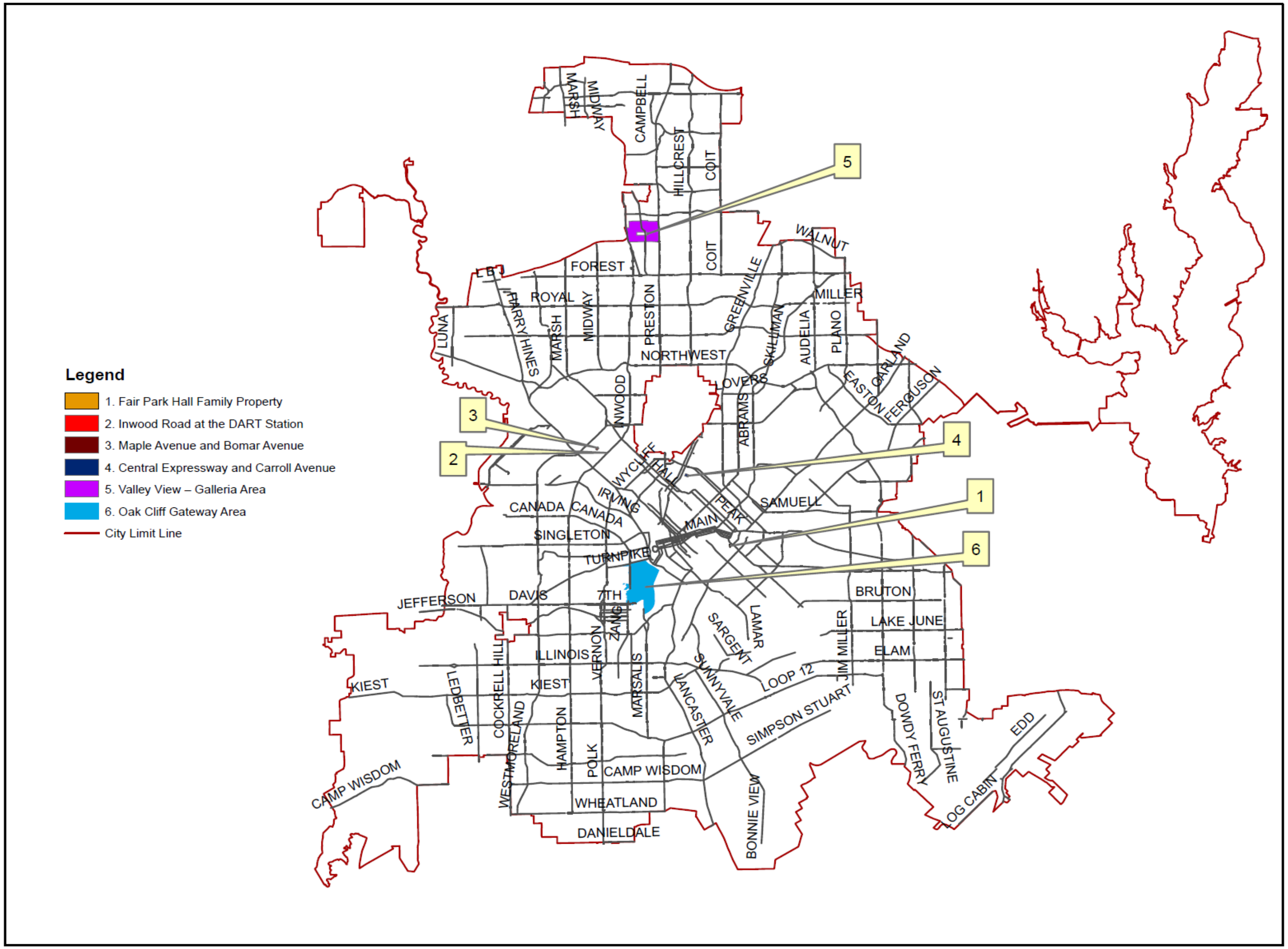
4 Existing Article XIII Form Districts

- Fair Park Hall Family property (Z090-218) (Council District – 7)
  Mix of WR-5 & WMU-5 Districts w/ Height Overlay
- Inwood at the DART Station (Z123-312) (Council District – 2)
  WMU-8 w/ Shopfront Overlay
- Maple and Bomar (Z112-228) (Council District – 2)
  WR-5 District
- Central and Carroll (Z101-319) (Council District – 2)
  WMU-8 District

2 PD's with Article XIII as base

- Galleria - Valley View (Z123-186) (Council District – 11)
  PD 887 allowing WR & WMU districts, modifications to open space, thoroughfare, setbacks, height allowances
- Oak Cliff Gateway (Z067- 203) (Council District – 1)
  PD 468 allowing RTN, WMU-3, WMU-5, WMU-8, WMU-12, WMU-20, WR-3, a Parking District, Mixed Use Districts, a Height Overlay and 4 Shopfront Overlays

BACKGROUND



Legend
1. Fair Park Hall Family Property
2. Inwood Road at the DART Station
3. Maple Avenue and Bomar Avenue
4. Central Expressway and Carroll Avenue
5. Valley View – Galleria Area
6. Oak Cliff Gateway Area
City Limit Line
1
2
3
4
5
6

BACKGROUND

- There have been several requests for form districts but they were amended to be a PD because the site was unable to meet the form based standards.

ISSUES

After reviewing the plans for the PD's that were adopted, Staff observed the issues most often encountered in meeting form district standards were:

- **BLOCK PERIMETERS and BLOCK FACE**
- **NON-CONFORMITY**
- **ARTIFICAL LOTS**
- **UTILITY CONFLICTS**
- **PEDESTRIAN PASSAGE**

BLOCK PERIMETER AMENDMENTS

Current:

- A block size is measured by block perimeter which may not exceed 1,600 linear feet (the total of each street R.O.W. around the entire block) or 2,400 linear feet under certain conditions.
- Any blockface greater than 500 feet must include a public pedestrian passage

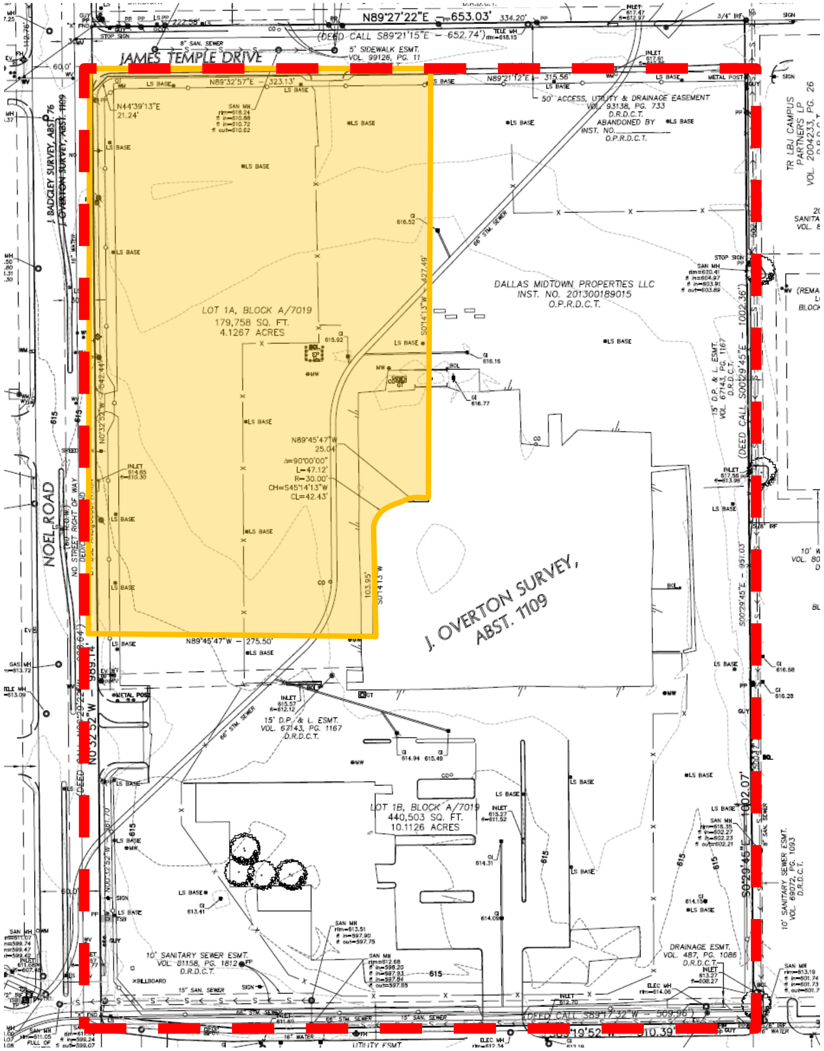
A Block in Deep Ellum

- 1,316 foot block perimeter

BLOCK PERIMETER AMENDMENTS

Current:

- The block regulations do not allow or promote infill development
- Many blocks in Dallas were built for automobile, and exceed the 1,600’ and 2,400’ allowed perimeter
- Developers have no alternative but to create a PD to implement form-based when unable to meet block perimeter requirements because neither CPC or BDA can alter the requirements of Article XIII



BLOCK PERIMETER AMENDMENTS

Proposed Amendment:

- Delete Block Perimeter measurement
- Blockface to be used for measurement
- BLOCK FACE means one side of a street between two consecutive intersections. Measurement of a block face is measured along the inner edges of each street right-of-way or pedestrian passage
  - No blockface may be greater than 500 feet in length without being broken or interrupted by an alley, street, or pedestrian passage to provide through access to another alley, street or pedestrian passage.
  - Individual lots with less than 100 feet of street frontage are exempt from the above requirement
- Total additions less than 35 percent of the original floor area existing as of [date of passage] do not trigger compliance with Blockface length

BLOCK PERIMETER AMENDMENTS

Proposed Amendment:

- The building official may issue a waiver to the blockface if it’s found that the spirit and intent of this subsection has been met and:
  - the property shares a property line with a cemetery, Dallas Area Rapid Transit right-of-way, a railroad, a levee, or a natural feature; or
  - the location and size of the existing structure on the property prevents the property from being developed in accordance with Blockface length

NON-CONFORMITY AMENDMENTS

Current:

- Definition does not provide specific measurements or standards to determine if work on a nonconforming structure would cause the structure to become more nonconforming (as to the yard, lot, and space regulations).

NON-CONFORMITY AMENDMENTS

Proposed Amendment

- Total additions to existing non-conforming structures less than or equal to 35 percent of the original floor area existing as of [date of passage] must comply with the **use and placement requirements** and the **height and elements requirements** in Section 51A-13.304 for each development type.

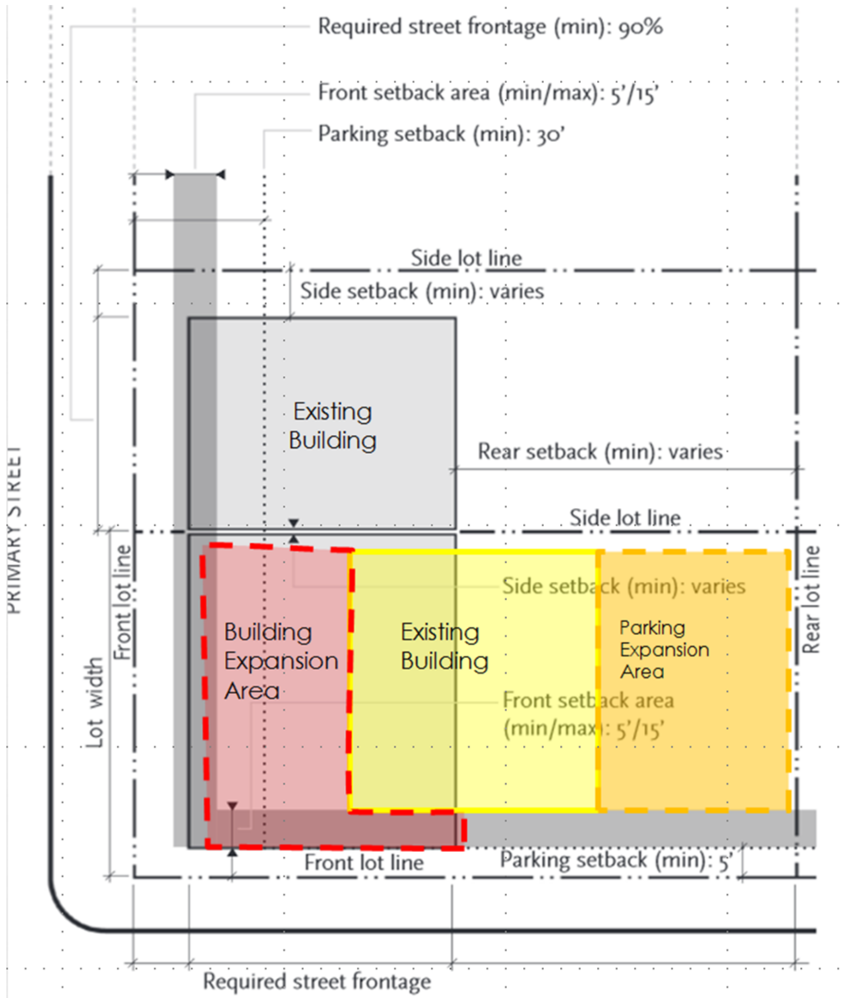
  (aa) Additions are not required to comply with maximum setback requirements and minimum story requirements.

  (bb) An addition that is attached to the original structure is not required to comply with minimum story height and is not required to have an entrance on a primary street.

  (cc) Additions must be constructed within the buildable envelope but are not required to fill the entire buildable envelope.

- An addition that exceeds 35 percent of the floor area existing as of [date of passage] must comply with Article XIII regulations.

NON-CONFORMITY AMENDMENTS



ARTIFICIAL LOT AMENDMENTS

Current:

- Artificial lots are not recognized under Article XIII
- For example: linear parks, such as hike and bike trails or Trinity River Corridor, must make entire span of open space come into compliance, when only a small portion is being developed for a trail head or parking lot.

Proposed Amendment:

- For building sites over two acres in size, the current artificial lot provisions in Sec. 51A-10.122 apply.

UTILITY CONFLICTS

Current:

- Article XIII specifies that "where **overhead** utilities exist or are proposed, two small trees may replace a required large canopy tree except where a mixed-use shopfront or single-story shopfront is proposed or required. The replacement small tree must be planted **every 20 feet on center**, on average."
- Not all utilities are overhead
- The replacement small trees cannot always be planted 20 feet on center and need to allow flexibility for locating.

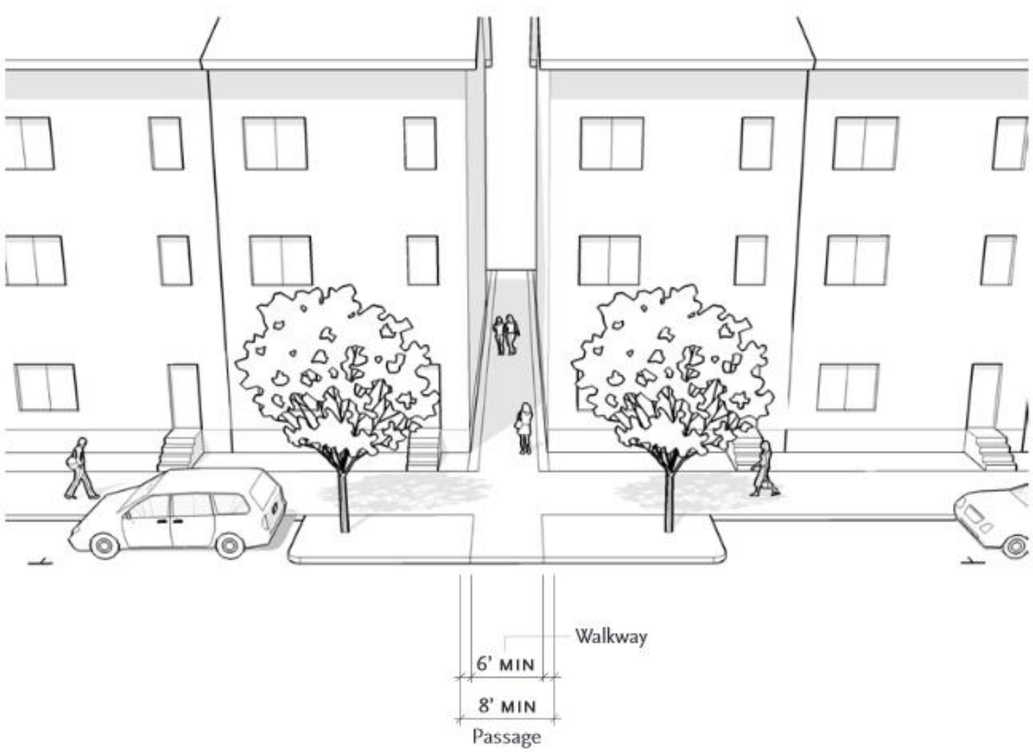
Proposed Amendment:

Where ~~overhead~~ utilities exist or are proposed, two small trees may replace a required large canopy tree except where a mixed-use shopfront or single-story shopfront is proposed or required. The replacement small tree must be planted ~~every 20 feet on center, on average~~ <u>in the tree planting zone or to the building setback, but no closer than 10' from the building front, to avoid utility lines</u>.

PEDESTRIAN PASSAGE AMENDMENTS

Current:

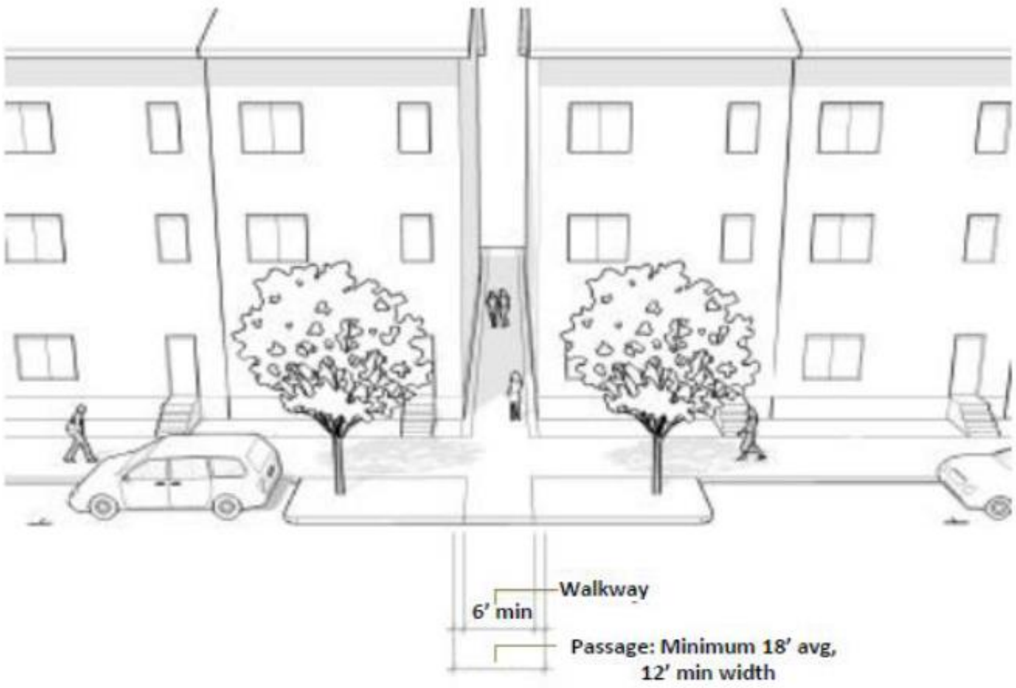
Pedestrian Passage width is narrow, creating a passage that is perceived to be unsafe and lacks space to provide pedestrian amenities.



PEDESTRIAN PASSAGE AMENDMENTS

Proposed Amendments:

- Pedestrian passage must be have a minimum average width of 18 feet with a minimum 12 feet wide at all times.
- By allowing an average width, allows for flexibility for site conditions.



Next Steps

- Schedule for City Council Agenda

Appendix

ARTIFICIAL LOT AMENDMENTS

Current Sec. 51A-10.122 Artificial Lots

(A) In general. If the building site is over two acres in size, the applicant may request that the building official create an artificial lot to satisfy the requirements of this division. The building official shall not create an artificial lot which would, in his or her opinion, violate the spirit of the landscape regulations. Any artificial lot. created by the building official must:

(1) wholly include the area on which the construction work is to be done; and

(2) have an area that does not exceed 50 percent of the area of the building site.

(B) In city parks over five acres. In City parks over five acres in size, the director of park and recreation may create an artificial lot to satisfy the requirements of this division. Any artificial lot created by the director of park and recreation must wholly include the area on which the construction work is to be done.

(C) Platting not required. An artificial lot need not be platted; however, it must be delineated on plans approved by the building official prior to the issuance of a building permit.

Memorandum

CITY OF DALLAS

DATE June 12, 2015

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

SUBJECT **Adaptive Reuse Grant Program Expansion**

On June 17, 2015, the City Council will be asked to consider authorization to expand its existing Southern Dallas Adaptive Reuse Grant Program by $250,000, from $150,000 to $400,000.

The Adaptive Reuse Grant Pilot Program was approved by CR 14-0703, dated April 23,2014 and funded at a level of $150,000 by the City's Public Private Partnership Fund (PPPF). Established to award building improvement grants to eligible commercial building owners who operate businesses in the building being improved, the program's objective is to repurpose underutilized buildings in southern Dallas and/or to support new and expanded uses as an alternative to demolition or vacancy (See attached program statement and eligibility criteria).

Program highlights are as follows:

-Buildings must be located in southern Dallas (The South Dallas Fair Park area has a specially designated adaptive reuse initiative and is not included in the geography of this program)
-Maximum grant/project: $30,000
-Minimum owner investment: $250,000 (recommend lowering to $150,000 which is deemed to be a more realistic small business investment hurdle)
-Grant recipient must own the building and utilize a minimum of 51% for business operations
-Maximum building size: 10,000 square feet
-Grant payment tied to verification of code compliance and certificate of occupancy

The pilot program has been a success and current funding is now fully utilized. Three grants, totaling $90,000, have been approved and funded, with two additional grant applications, totaling $60,000, pending final approval. There are a significant number of existing occupied or vacant small buildings in southern Dallas that have fallen into disrepair and have become eyesores in their communities. Many are boarded and have code violations. There are opportunities to transform this existing building stock to better serve needs of the community, while removing urban blight. Adaptive reuse of these existing buildings contributes to economic vitality, aesthetic appeal and a more vibrant community and complements grow South and Neighborhood Plus objectives.

Additional Public Private Partnership funding for the program in an amount not to exceed $250,000 will be awarded on a project by project basis via Administrative Actions, approved by the City Manager in accordance with the attached program eligibility criteria. A grant agreement will define and secure obligations of the grantee.

RECOMMENDATION

Staff recommends approval of the subject item.

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

Ryan S. Evans
First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
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Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Adaptive Reuse Opportunity - Rendering

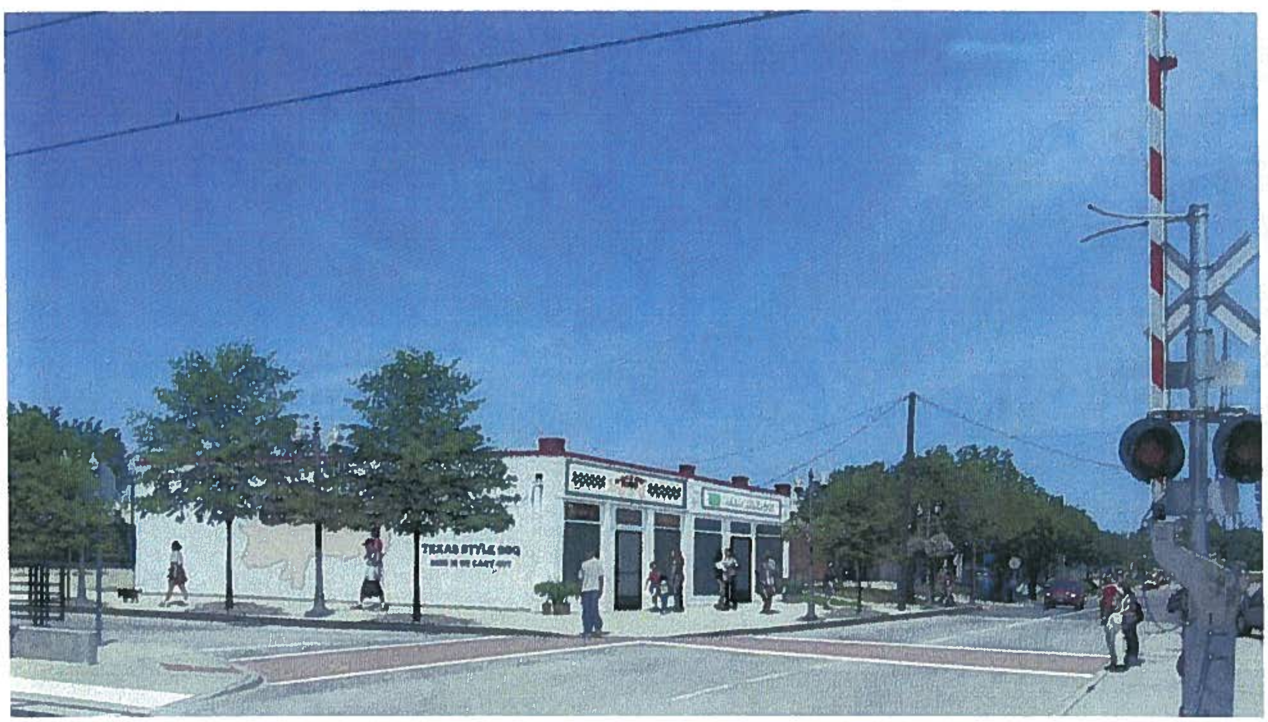
Before

After

Adaptive Reuse Opportunity- Rendering

Before

After



ATTACHMENT A

Southern Dallas Adaptive Reuse Grant Program Statement

Award Adaptive Reuse Grant Program (Adaptive Reuse Program) building improvement grants up to $30,000 from Public/Private Partnership funds to eligible commercial building owners who are business operators in the building being improved to repurpose underutilized buildings in southern Dallas to support new and/or expanded uses as an alternative to demolition, vacancy and/or undesirable uses.

- The Office of Economic Development (OED) will manage the Adaptive Reuse Program on behalf of the City of Dallas. The OED will:

- Post the Program on the City's Web Site

- Screen grant applicants for eligibility

- Award improvement grants up to $30,000 per business, and execute grant agreements with the approved grant applicant

- Conduct annual environmental and code compliance reviews for each approved property/business assisted

- Conduct improvement site visits and coordinate code inspections

- Process payments upon verification of code compliance, maintenance of the improvements and certificate of occupancy

- Maintain all relevant project documentation

Eligibility and Criteria

- Program period until depletion of funds

- Maximum Grant amount $30,000 approved by Administrative Action

- Minimum project investment $150,000

- Document code compliance and maintenance of improvements for a period of 5 years

- Grant recipient must be owner of repurposed building

- Recipient must utilize 51% of building for owner business operation

- Building must be located in southern Dallas (south of the Trinity River and south of I 30 from downtown to the Dallas east boundary). Excludes South/Dallas Fair Park area which will have a program designated for this geography

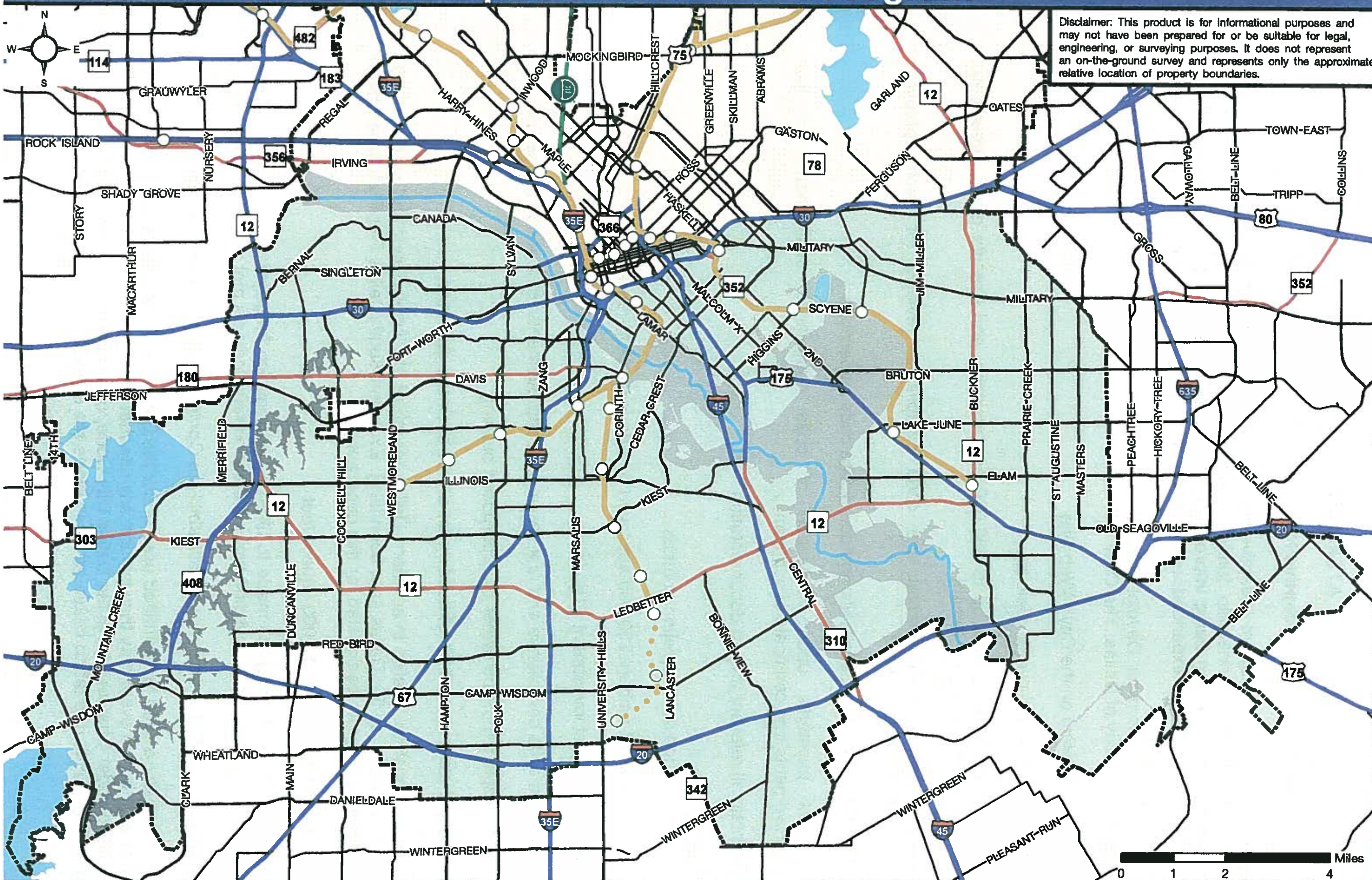
- Maximum building size 10,000 square feet

- Payment of Grant proceeds made to Grantee with Invoice for payment and approval from Code Compliance for the building and job creation requirements met and documented

- If requested, ECO to verify funds availability to Contractor prior to work starting

- Funds may be used for permitted uses under the Dallas Development Code on the property, but no event may they include any use that requires a sexually oriented business license under Chapter 41A of the Dallas City Code, or a liquor store, a pawn shop, a body piercing studio, or a tattoo studio as those terms are defined by the Dallas Development Code.

Adaptive Reuse Grant Program



Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.

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DEVELOPMENT

Research & Information Division
214.670.1685
dallas-ecodev.org

Created 4.15.14, Last Updated 5.5.15 - AdaptiveReuse.TCG

Legend

- Program Eligible Area
- Rail Station
- Future Station
- DART Light Rail
- Commuter Rail
- Future DART Light Rail
- Freeway
- Tollway
- Highway
- Arterial
- Trinity River
- Flood Plain
- Lake
- City of Dallas

Source: City of Dallas, 2015

Memorandum

CITY OF DALLAS

DATE June 12, 2015

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

SUBJECT **Economic Development Grant Agreement with Toyota Industries Commercial Finance, Inc.**

On June 17, 2015, the City Council will be asked to consider authorization of a Chapter 380 economic development grant agreement with Toyota Industries Commercial Finance, Inc. (TICF), in an amount not to exceed $277,500 pursuant to the Public/Private Partnership Program.

For the past several months, city staff has been in discussions with representatives of TICF as they have been evaluating sites in southern California and in the North Texas area for the location of its new U.S. headquarters.

The proposed economic development grant will incent TICF to locate its new U.S. headquarters (approximately 60,000 square feet) to an existing office facility at 8951 Cypress Waters Boulevard within the Cypress Waters development. TICF will lease the facility for seven (7) years with two (2) additional 5-year options. TICF also anticipates investing approximately $4 million in real property improvements (i.e. leasehold improvements).

The terms of the proposed Chapter 380 economic development grant payment are as follows:

- TICF will be eligible for payment of the proposed grant ($277,500) upon verification of: (1) a Certificate of Occupancy and at least $4 million invested in real property improvements associated with design, engineering, and construction (including hard and soft costs) of leasehold improvements at the facility, and (2) at least 150 FTE's located at the facility on or before December 31, 2016.

- TICF will be required to reimburse the City in the amount of $138,750 should it not maintain at least 150 FTE's at the facility for a period of five (5) years beginning from the date of payment of the grant.

The proposed project surpasses minimum Public/Private Partnership Program guidelines and results in an estimated 10-year net fiscal impact of $3.6 million.

Toyota Industries Corporation (TICO) is the original Toyota company founded in 1926. TICO manufactures automatic looms, forklifts, A/C compressors, and engines, which are distributed in North America through Toyota Material Handling North America (TMHNA) and distributed in the U.S. through Toyota Material Handling USA (TMHU), both of which are located in Columbus, Indiana.

In conjunction with some recent corporate restructuring, TICO has formed a new wholly-owned subsidiary called Toyota Industries Commercial Finance (TICF). This new entity will function as the U.S. headquarters for TICO's commercial sales finance company in order to strengthen and expand TICO's industrial vehicle/materials handling equipment operations (i.e. lending money to businesses to acquire TICO's forklifts and industrial trucks).

The planned move of Toyota's North American headquarters to Plano specifically includes Toyota Motor Sales (TMS) and Toyota Motor Credit Corporation (TMCC), which are separate from TICO and TICF. None of the assets or employees related to TICF are a part of the TMS/TMCC planned move to Plano.

Due to TICF's preferred timeline for the project, they have requested that this item be acted on before the next available agenda in August. As such, this item has been placed on the June 17 Addendum.

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

Ryan S. Evans
First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
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J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Proposed Project Information Worksheet
Economic Development Committee

A. Project Summary

City Council District		6
Project/Company Name		Toyota Industries Commercial Finance, Inc.
Project Location		8951 Cypress Waters
Project Type		existing office facility
Facilities (Square Feet)		60,000
Construction Schedule	Begin	September 2015
	Complete	December 2015
Private Improvement	Real Property	$4,000,000
	Business Property	$2,000,000
Jobs	Created	169
	Retained	0
Average Wage Rate	Salary	$80,237
	Hourly	n/a
City Incentive Summary	Tax Abatement	n/a
	Infrastructure	n/a
	Other - Grant	up to $277,500

B. Economic Impact Estimates (Dallas City Economy Only)

	10-Year	
	Jobs	**Economic Output**
Direct Impact	169	$237,175,305
Indirect and Induced Impact*	321	$236,375,305
Total Impact	**490**	**$473,550,610**

C. City of Dallas General Fund Fiscal Impact

(From direct, indirect and induced economic impacts)

	10-Year
Total City GF Revenue Generated	$8,046,070
Total City GF Service Costs	$4,093,060
Net Impact Before Incentives	$3,953,010
City Incentives	$277,500
Net City Fiscal Impact	**$3,675,510**

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

D. Other Taxing Jurisdictions 10-yr Estimated Tax Revenue (based on $6 million in private improvements)

	Property Taxes (Real & Business Personal)	**Sales Taxes**
Coppell ISD	$521,640	n/a
Dallas County	$87,516	n/a
DCCCD	$44,892	n/a
Parkland Hospital	$99,360	n/a
DART	n/a	n/a

Fact Sheet
June 17, 2015 Council Agenda Item
Chapter 380 Economic Development Grant Agreement with
Toyota Industries Commercial Finance Inc. (TICF) for
new U.S. headquarters in Cypress Waters

Authorize a Chapter 380 economic development grant agreement pursuant to the Public/Private Partnership Program with Toyota Industries Commercial Finance, Inc. in an amount not to exceed $277,500 to stimulate business development activity in the City of Dallas in conjunction with the location of its new U.S. headquarters to an existing office facility at 8951 Cypress Waters Boulevard - Not to exceed $277,500 - Financing: Public/Private Partnership Funds

---

For the past several months, city staff has been in discussions with representatives of Toyota Industries Commercial Finance, Inc. (TICF) as TICF has been evaluating sites in southern California and in the North Texas area for the location of its new U.S. headquarters.

The proposed economic development grant will stimulate TICF to locate its new U.S. headquarters (approximately 60,000 square feet) to Dallas in an existing office facility within the Cypress Waters development. TICF will lease the facility for seven (7) years with two (2) additional 5-year options. With the project, TICF also anticipates investing approximately $4 million in real property improvements (i.e. leasehold improvements).

The terms of the proposed Chapter 380 economic development grant payment are as follows:

- TICF will be eligible for payment of the proposed grant ($277,500) upon verification of: (1) a Certificate of Occupancy and at least $4 million invested in real property improvements associated with design, engineering, and construction (including hard and soft costs) of leasehold improvements at the facility, and (2) at least 150 FTE's located at the facility on or before December 31, 2016.

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The proposed project surpasses minimum Public/Private Partnership Program guidelines and results in an estimated 10-year net fiscal impact of $3.6 million.

Background Information about Toyota Industries Commercial Finance, Inc.
Toyota Industries Corporation (TICO) is the original Toyota company founded in 1926. TICO manufactures automatic looms, forklifts, A/C compressors, and engines, which are distributed in North America through Toyota Material Handling North America (TMHNA) and distributed in the U.S. through Toyota Material Handling USA (TMHU), both of which are located in Columbus, Indiana.

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Estimated Schedule of Project

Begin tenant improvements	September 2015
Complete tenant improvements	December 2015

Fiscal Information

$277,500 (Ch. 380 economic development grant) – Financing: Public/Private Partnership Funds

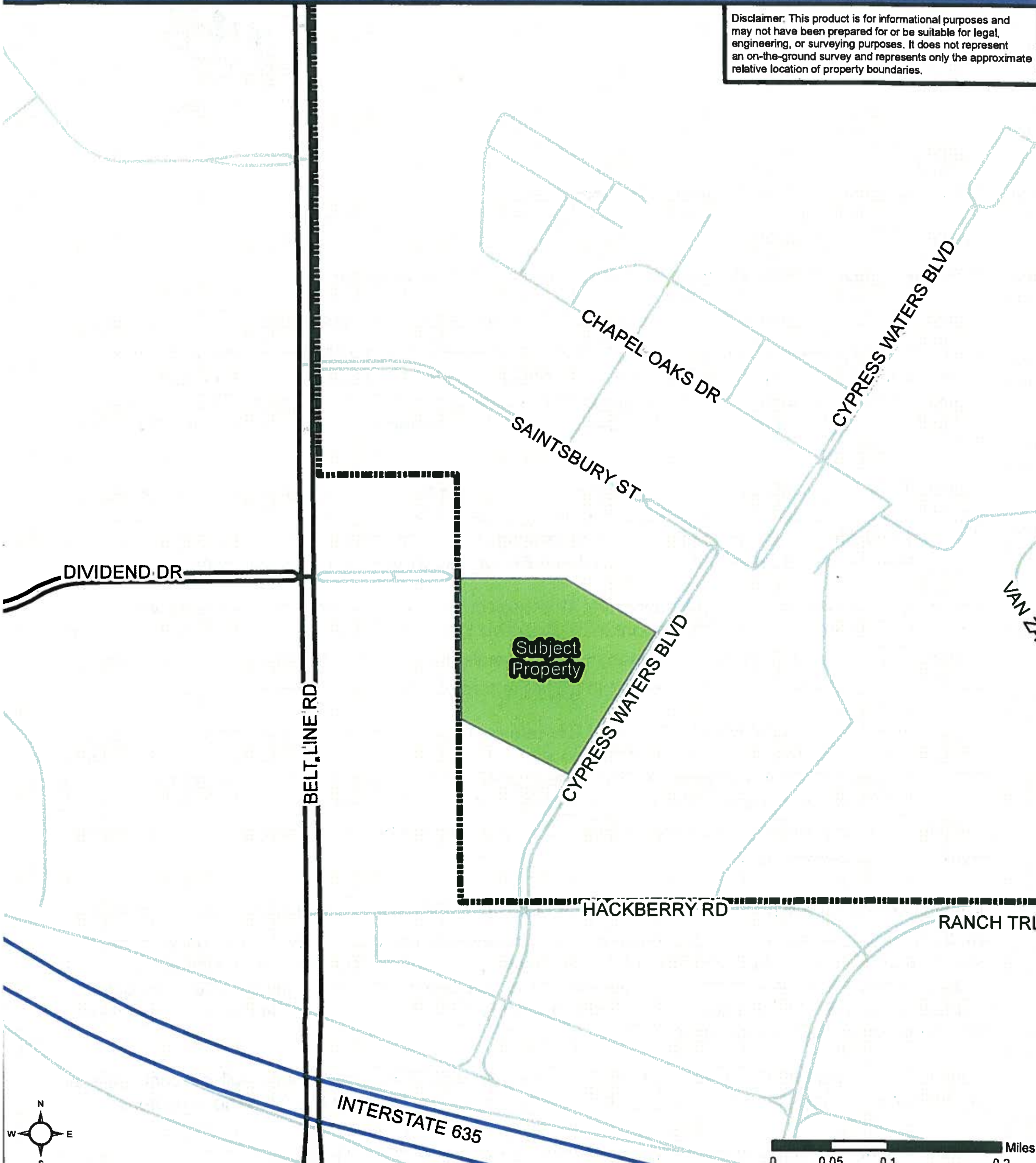
Fiscal Impact

Net fiscal impacts to the City are as follows:

- 10 years: $3.6 million

Exhibit B

Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.



DALLAS ECONOMIC DEVELOPMENT

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Created 5.29.2015 - 15-05-29 Kevin Spath

Legend

Highway

Arterial

Local Road

City of Dallas

Source: City of Dallas, 2015

Memorandum

CITY OF DALLAS

DATE June 12, 2015

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

SUBJECT **Economic Development Grant Agreement with TVM Productions Inc.**

On August 12, 2015, the City Council will be asked to consider authorization of a Chapter 380 economic development grant agreement pursuant to the City's Public/Private Partnership Program with TVM Productions Inc. in an amount up to $150,000 to promote local economic development, stimulate business and commercial activity and provide significant media exposure for the city from the production of 12 episodes of the first season of a new USA Network television series QUEEN OF THE SOUTH.

City staff has been in negotiations with representatives of TVM Productions, Inc., which is a production arm of Fox 21 Television Studios, regarding locating the production of this television series in Dallas. The pilot episode was filmed in Mexico due to requirements in the storyline, but studio executives have agreed to move the series to Dallas and set it in Dallas in the program with the assistance of this grant.

The State of Texas will also be supporting this project with a grant from the Texas Moving Image Incentive Program. Due to highly aggressive incentive programs in other cities, states and countries and the recent reduction in the appropriation to the state's program, the City's supplement to the state's incentives is needed to secure this project in Dallas and retain local crew, vendors and talent.

The operation of the QUEEN OF THE SOUTH television series is expected to result in jobs for 390 crew members with average salaries of $29/hour or $250/day, plus 84 cast members and 1,800 extras hired. Additionally they anticipate approximately 2,000 hotel night stays by 25 visitors who will be spending money while living in the city temporarily. Future seasons are, of course, the desire of the company and, with the city's assistance, they will strive to get the best shows possible on the air so that there will be future seasons.

Local spending for the first season's production of QUEEN OF THE SOUTH is estimated at $18 million (or $1.5 million per episode for 12 episodes, 7 shoot days per episode). This is only the amount spent locally, not their overall budget. The total economic impact from the first season is estimated at $41.4 million. The fiscal impact to the City from the projected spending levels would account for approximately $407,160 in fiscal impact. After providing the $150,000 grant, the City would still receive an estimated net fiscal impact of $257,160.

The proposed economic development grant agreement with TVM Productions will be contingent on verification of compliance with an agreement. The agreement will include the following conditions:

- Shoot a minimum of 12, one-hour episodes of QUEEN OF THE SOUTH.
- An episode will be defined by a minimum seven (7) days of shooting principle photography.
- A minimum of 60 crew members/technicians hired and footage shot will constitute a day of principle photography.

• Production's base of operations (to include production offices, studio/permanent sets) must be located within the City of Dallas proper.

• Shoot primarily within Dallas.

• Include a "Shot on Location in Dallas, Texas" credit in each episode.

• Agree, in good faith, to be good partners with the City and the community, shooting important City landmarks and locations and promoting the City via inclusion in the program and promotional activities of the show when appropriate.

• Provide call sheets, shooting schedules, crew & vendor lists in order to confirm shoot days, numbers of episodes, job creation & commercial activity.

QUEEN OF THE SOUTH is based on the international best-selling book, La Reina Del Sur (aka Queen of the South), by Arturo Perez-Reverte. The novel initially spawned a Spanish-language series on Telemundo in 2011, the network's highest-rated premiere for a telenovela to date that often out ranked English-language programming on broadcast networks. The series ran for 63 episodes, with 4.2 million viewers tuning in for the series finale, a figure that ranks as Telemundo's highest-rated broadcast and one of its most popular shows in its 19-year history.

QUEEN OF THE SOUTH tells the powerful story of Teresa Mendoza (played by Alice Braga). When her drug-dealing boyfriend is unexpectedly murdered in Mexico, Teresa is forced to go on the run and seek refuge in America, where she teams with an unlikely figure from her past to bring down the leader of the drug trafficking ring that has her on the run. QUEEN OF THE SOUTH is executive produced by M.A. Fortin and Joshua John Miller ("The Final Girls"), along with David Friendly ("Little Miss Sunshine, "Big Mammas House") and Pancho Mansfield ("Damien").

Fox Television Studios was formed in 1997 alongside its existing fellow corporate units, 20th Century Fox Television and Twentieth Television. The studio was initially designed to house smaller production units and produced shows such as *Malcolm in the Middle*, *The Bernie Mac Show*, *Burn Notice* and *The Good Guys* (which was shot in Dallas in 2009-2010). Fox 21 was founded by 20th Century Fox Television in 2004 to develop smaller-budgeted but unique and daring shows such as *Homeland* for Showtime, *Sons of Anarchy*, *Breakout Kings*, *Salem* and *Witches of East End*. In December of 2014, Fox 21 and Fox Television Studios were merged into Fox 21 Television Studios, current shows in production include *The Americans*, *Graceland* & *White Collar* to name a few.

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

Ryan S. Evans
First Assistant City Manager

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Memorandum

CITY OF DALLAS

DATE June 12, 2015

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

SUBJECT **Dallas Love Field Lease Amendments with Signature Flight Support - June 17, 2015 Council Addendum Item**

Signature Flight Support Corporation currently has multiple leases with the City of Dallas at Dallas Love Field Airport. One of those leases, Lease No. 1, currently consists of two office buildings and a hangar fronting Lemmon Ave. The two office buildings, a one-story building (20,000 sf.) and a two-story building (25,000 sf.), have been vacant and unused since 2010. This lease expires on October 31, 2043, creating the potential to remain vacant and unused for the remaining twenty eight years of the lease term. While Signature continues to pay ground rent of $31,344 annually, the buildings are not being used to the highest and best use as contemplated by FAA regulation and state statutes.

The recommendation is to terminate Signature's Lease No. 1 and reclaim the two office buildings. The hangar referred above on Lease No. 1 premises will be annexed into Signature's existing Lease No. 2. The use for the property will be consistent with the airports' Good Neighbor Plan (GNP) initiative. The two-story building will be renovated and will be used by the Department of Aviation. It will provide office space for a number of functions that will be displaced by the construction of the new parking garage adjacent to the terminal. The remaining property will be marketed for the opportunity to generate far greater revenue to support the Airport System and meet the goals of the GNP.

The second action is to amend Lease No. 3, which expires on April 30, 2022. This will return approximately 3 acres to the airport along Lemmon Avenue and will extend the remaining portion of the lease to October 31, 2043, which will be coterminous with Lease No. 2. The portion that the City would regain also falls into the Good Neighbor Plan zone and would allow for development and greater revenue production. These amendments also reduce the rent paid by signature by $600,000 annually, in consideration of continued capital improvement and return of the 7.34 acres of property for new development. The opportunity for new revenue is substantial.

These actions will continue the Airport's efforts to create development along the Lemmon Avenue corridor, while preserving and promoting the general aviation development at Dallas Love Field. .

Ryan S. Evans
First Assistant City Manager

Attachment

C: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
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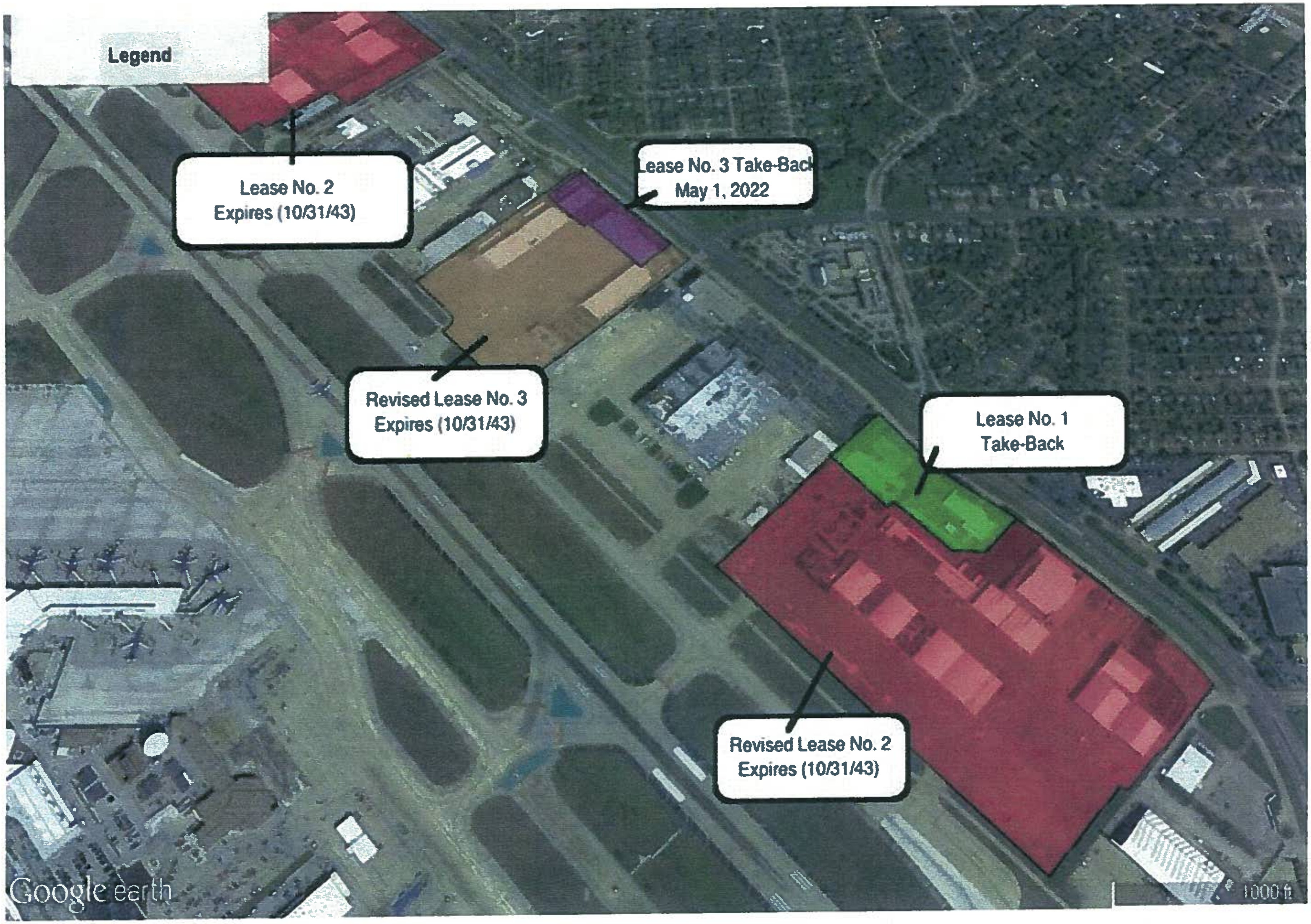

Legend
Lease No. 2
Expires (10/31/43)
Lease No. 3 Take-Back
May 1, 2022
Revised Lease No. 3
Expires (10/31/43)
Lease No. 1
Take-Back
Revised Lease No. 2
Expires (10/31/43)
Google earth
1000 ft