

# Memorandum



DATE August 16, 2017

TO Members of the Economic Development & Housing Committee:  
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,  
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,  
Omar Narvaez

SUBJECT **Overview of Dallas TIF Program**

On Monday, August 21, 2017, you will be briefed on the Overview of Dallas TIF Program. The briefing materials are attached for your review.

Should you have any questions, please contact me at (214) 671-5257.



**Raquel Favela**  
Chief of Economic Development & Neighborhood Services

|   |  |
|---|--|
| c: The Honorable Mayor and Members of the City Council      | Jon Fortune, Assistant City Manager                          |
| T.C. Broadnax, City Manager                                 | Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim) |
| Larry Casto, City Attorney                                  | Jill A. Jordan, P.E., Assistant City Manager                 |
| Craig D. Kinton, City Auditor                               | Joey Zapata, Assistant City Manager                          |
| Rosa A. Rios, City Secretary                                | M. Elizabeth Reich, Chief Financial Officer                  |
| Daniel F. Solis, Administrative Judge                       | Nadia Chandler Hardy, Chief of Community Services            |
| Kimberly Bizzor Tolbert, Chief of Staff to the City Manager | Theresa O'Donnell, Chief of Resilience                       |
| Majed A. Al-Ghafry, Assistant City Manager                  | Directors and Assistant Directors                            |

# Overview of Dallas TIF Program

Economic Development & Housing Committee

August 21, 2017

Robin Bentley, Interim Director  
Office of Economic Development  
City of Dallas



# City of Dallas

# Presentation Overview

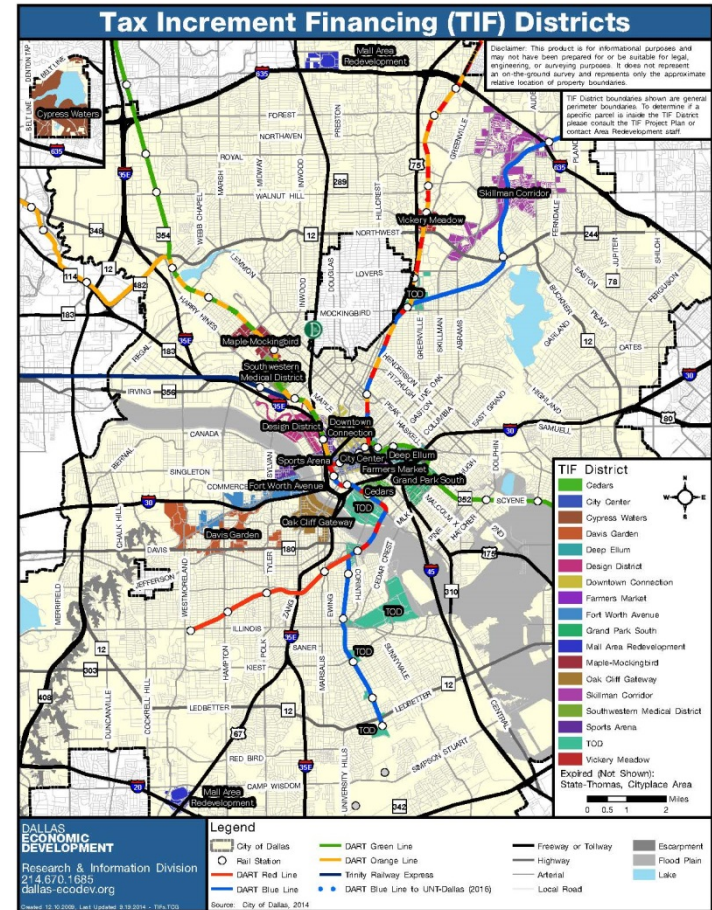
- Overview of the City of Dallas TIF program
- Areas of Focus
  - Improving administrative process
  - Addressing under-performing TIF Districts
  - Closing out expired TIF Districts
  - Incorporating MVA findings
  - Addressing FMPC Cap
  - Developing Universal Design Guidelines
- Next Steps

# Purpose

- Provide information on Dallas TIF program and upcoming changes
- Look at next steps

# Background/History

- First City TIF District created in 1988 (State-Thomas)
- 18 active TIF Districts
- 2 expired TIF Districts (State-Thomas and Cityplace Area)
- Successful program as measured by property value growth. As of 2017, overall property values grew by 253% (\$8.5 billion) cumulatively over the total of the base values for the districts



# Background/History – Statistics

Below is a summary of all development in Dallas TIF Districts:

- 29,743 new residential units completed and an additional 7,531 units under construction in the 20 TIF districts
- Over 10 million square feet of commercial space constructed or renovated and another 3.6 million square feet under construction.
- Over 4,000 hotel rooms completed and 1,517 rooms under construction.
- Total TIF expenditures or allocations of \$1.196 billion leveraged over \$12.7 billion in added or anticipated property value.
- Comprehensive information about the Dallas TIF program is found in the appendices (Source: 2015-16 TIF Annual Reports)

# Background/History – Affordable Housing in TIF Projects

| TIF                                  | Year Established | Affordable Housing Requirement | Requirement Period                 | Residential Units Produced (Completed) | Affordable Units Produced (Completed) | Affordable Units Committed (Approved/UC) | Total Affordable (Committed and Complete) | Total Units Committed after Affordable Housing Required | Affordable Units created with other programs in TIF Districts | Total Affordable (Committed and Complete) |
|--------------------------------------|------------------|--------------------------------|------------------------------------|--|---------------------------------------|--|---|---|---|---|
| Cedars Area TIF                      | 1992             | 20%                            | 2011 forward                       | 317                                    | 193                                   | 18                                       | 0   | 335   |   | 193                                       |
| City Center TIF <sup>1,2</sup>       | 1996             | 10%                            | 2012 forward <sup>1,2</sup>        | 2,044                                  | 114                                   | 29                                       | 3   | 2,073   | 92  | 209                                       |
| Cityplace Area TIF                   | 1992             | none                           | n/a                                | 2,208                                  | 0                                     | 0  | 0   | 2,208   | 162   | 162                                       |
| Cypress Waters TIF                   | 2010             | 20%                            | Inception to TIF Close Out in 2015 | 814                                    | 163                                   | 0  | 0   | 814   |   | 163                                       |
| Davis Garden TIF                     | 2007             | 20%                            | since inception                    | 290                                    | 274                                   | 2,881                                    | 576                                       | 3,171   |   | 850                                       |
| Deep Ellum TIF                       | 2005             | 20%                            | since inception                    | 0                                      | 0                                     | 0  | 0   | 0   |   | 0   |
| Design District TIF                  | 2005             | 20%                            | since inception                    | 214                                    | 43                                    | 309                                      | 62  | 523   |   | 105                                       |
| Downtown Connection TIF <sup>3</sup> | 2005             | 10%                            | since inception <sup>3</sup>       | 985                                    | 230                                   | 1,106                                    | 133                                       | 2,091   | 204   | 567                                       |
| Farmers Market TIF                   | 1998             | none                           | 2014 Forward                       | 970                                    | 0                                     | 408                                      | 60  | 1,378   |   | 60  |
| Ft. Worth Ave TIF                    | 2007             | 20%                            | since inception                    | 200                                    | 40                                    | 0  | 40  | 200   |   | 80  |
| Grand Park South TIF                 | 2005             | 20%                            | since inception                    | 0                                      | 0                                     | 0  | 0   | 0   | 110   | 110                                       |
| Mall Area TIF                        | 2014             | 20%                            | since inception                    | 0                                      | 0                                     | 0  | 0   | 0   |   | 0   |
| Maple/Mockingbird TIF                | 2008             | 20%                            | since inception                    | 249                                    | 52                                    | 0  | 0   | 249   |   | 52  |
| Oak Cliff Gateway TIF                | 1992             | 20%                            | 2009 Forward                       | 984                                    | 179                                   | 166                                      | 34  | 1,150   |   | 213                                       |
| Skillman Corridor TIF                | 2005             | 20%                            | since inception                    | 579                                    | 40                                    | 0  | 0   | 579   |   | 40  |
| Southwestern Medical TIF             | 2005             | 20%                            | since inception                    | 0                                      | 0                                     | 150                                      | 23  | 150   |   | 23  |
| Sports Arena TIF <sup>1</sup>        | 1998             | 20%                            | 2012 forward <sup>1</sup>          | 0                                      | 0                                     | 300                                      | 60  | 300   |   | 60  |
| State Thomas                         | 1988             | none                           | n/a                                | 2,530                                  | 0                                     | 0  | 0   | 2,530   |   | 0   |
| TOD TIF                              | 2008             | 20%                            | since inception                    | 193                                    | 98                                    | 0  | 0   | 193   | 279   | 273                                       |
| Vickery Meadow TIF <sup>4</sup>      | 2005             | 20%                            | since inception                    | 325                                    | 0                                     | 0  | 0   | 325   |   | 0   |
|                                      |                  |                                |                                    | <b>12,902</b>                          | <b>1,426</b>                          | <b>5,367</b>                             | <b>991</b>                                | <b>18,269</b>   | <b>847</b>  | <b>3,160</b>                              |

1. The Intown Housing Program provided affordable units in the downtown area until the program ended in 2002.

2. City Center had an affordable housing set aside to fund new affordable residential units throughout the City. After 2012, 10% of all new units are required to be affordable.

3. Downtown Connection used bond proceeds from the Mercantile project to provide affordable housing funding.

4. \$1 million set aside from Vickery Meadow TIF for affordable units citywide.

5. \$1M paid for offsite affordable housing

# Areas of Focus

- **Updating administrative procedures** – TIF application process/fees, underwriting standards have not changed since the program was initiated
- **Improved Project Review** – Creation of a multi-departmental team to better coordinate TIF project review and expedite ongoing development and permitting issues
- **Under-performing TIF Districts** – For a variety of reasons, some TIF Districts have not met financial expectations
- **Expired/Expiring TIF Districts** – Closing out the two completed TIF Districts will create some immediate financial benefit but no additional TIF districts will terminate in the next 3 years
- **Mixed Income Housing** – Need better integration of TIF funding with Housing initiatives, including MVA
- **FMPC Cap** – There is limited capacity to create new TIF Districts without changes to Dallas Financial Management Performance Criteria (FMPC)
- **Development Standards** – staff is exploring the development of universal design guidelines



# Updating Administrative Procedures

- **TIF Application unchanged since start of program**
  - Application is lengthy and not user friendly
- **New TIF Application to be implemented immediately**
  - Sets clear expectations for submission
  - Allows developers to submit their own project financial spreadsheets instead of requiring duplicative efforts to translate information into City format
- **Underwriting** – We are procuring a consultant to underwrite projects currently in our pipeline, and to train staff on underwriting best practices. This consultant should be in place by the end of August.
- **Application Fee** – Staff evaluating use of application fee to offset cost of review and underwriting. Any proposed application fees will be presented as part of a revised TIF Policy to be brought to this committee for review later this year.
- **Monitoring** – Staff is developing compliance monitoring procedures to ensure that contractual obligations, including affordable housing, are met.

# Improved Project Review Process

Create interdepartmental team to improve developer experience by year-end:

- Allows more comprehensive project review
- Helps streamline development process (benefit to developer)
- Helps avoid situations where project is delayed because issue identified after construction is underway
- Proposed team composition
  - Office of Economic Development
  - Housing and Neighborhood Revitalization
  - Fair Housing
  - City Attorney's Office
  - Sustainable Development – Design, Zoning, Permitting, Engineering
  - Transportation
  - Public Works
  - Real Estate
  - Dallas Water Utilities

# Underperforming TIF Districts

Grand Park South TIF District experienced limited activity since its creation in 2005 and has lacked a functioning TIF Board for several years

- Opportunities:
  - City owned land - the area contains some strategically located, city-owned land near the Light Rail system that could be utilized for redevelopment
  - Build on success of South Boulevard/Park Row neighborhood
- Constraints:
  - Limited private investment in the area; market rates for new construction are difficult to establish

# Underperforming TIF Districts

Davis Garden TIF District has not seen forecasted growth in the Canyon area

- Opportunities:

- Significant infrastructure work now complete
- Highway visibility and access
- Need for additional retail choices in area
- Remainder of TIF District showing variety of new construction

- Constraints:

- Limited private investment in the area; market rates for new construction are difficult to establish
- Significant infrastructure still needed
- Changing retail marketplace

# Underperforming TIF Districts

Cedars TIF District has not seen forecasted growth

- Opportunities:
  - Historical structures in area anchored by the Ambassador Hotel
  - Heritage Village
  - Interested developers with some large tracts of land assembled
  - High Speed Rail terminal and Lamar Entertainment District
  - Light Rail connection
- Constraints:
  - Limited time prior to TIF expiration in 2022 means limited ability to collect increment for new projects
  - Many infrastructure needs
  - Lack of land assembly in places
  - No ability to extend term of TIF District under existing policy since the term was previously extended

# Underperforming TIF Districts

## Next Steps:

- Staff will use regularly scheduled board meetings as an opportunity to present ideas to spur development and improve performance to each TIF Board of Directors

# Expired/Expiring TIF Districts

- Closing out Cityplace Area and State-Thomas TIF Districts releases approximately \$1.3M to the contributing taxing entities
- No other TIF Districts are scheduled to terminate until 2022
- The following chart shows a comprehensive list of TIF Districts and expiration date, as well as set-asides and cash balances

| TIF # | TIF District                                  | Fund | Expiration Year *  | TIF Set-Asides     | Net Cash Balance   |
|-------|---|------|--------------------|--------------------|--------------------|
| 1     | State - Thomas                                |      | Expired            | \$0                | \$520,042          |
| 2     | Cityplace Area                                |      | Expired            | \$0                | \$865,983          |
| 4     | Cedars  | 0033 | 2022               | \$1,224,087        | \$0                |
| 3     | Oak Cliff Gateway (OC/Bishop-Jefferson)       | 0034 | 2028/2044          | \$0                | \$0                |
| 5     | City Center (CC/Lamar-West End)               | 0035 | 2022/2037          | \$3,964,937        | \$0                |
| 6     | Farmers Market                                | 0036 | 2028               | \$987,137          | \$0                |
| 7     | Sports Arena (Victory/Riverfront/West Dallas) | 0038 | 2028/2042/<br>2042 | \$129,522          | \$0                |
| 11    | Downtown Connection                           | 0044 | 2036               | \$0                | \$0                |
| 10    | Southwestern Medical                          | 0046 | 2028               | \$0                | \$0                |
| 9     | Vickery Meadow                                | 0048 | 2028               | \$555,000          | \$0                |
| 20    | Mall Area Redevelopment                       | 0049 | 2045               | \$0                | \$6,294            |
| 8     | Design District                               | 0050 | 2028               | \$2,075,916        | \$436,131          |
| 14    | Skillman Corridor                             | 0052 | 2036               | \$381,800          | \$0                |
| 13    | Grand Park South                              | 0054 | 2036               | \$0                | \$120,379          |
| 12    | Deep Ellum                                    | 0056 | 2028               | \$180,896          | \$0                |
| 15    | Fort Worth Avenue                             | 0058 | 2030               | \$0                | \$0                |
| 16    | Davis Gardens                                 | 0060 | 2040               | \$0                | \$0                |
| 17    | TOD   | 0062 | 2039               | \$0                | \$0                |
| 18    | Maple Mockingbird                             | 0064 | 2034               | \$120,180          | \$0                |
| 19    | Cypress Waters                                | 0066 | 2041               | \$0                | \$0                |
|       | <b>Total</b>                                  |      |                    | <b>\$9,619,475</b> | <b>\$1,948,830</b> |

\* Expiration dates shown for all sub-districts

The City Center, Sports Arena, and Oak Cliff Gateway TIF Districts have sub-districts that expire in different years. The sub-districts are listed at the left of the chart; the expiration year of each sub-district is shown in the order the sub-districts are listed



# Mixed-Income Housing

Work with Housing Department to integrate MVA results into TIF implementation.

# FMPC Cap

- State law says that the total appraised value of property in all TIF Districts cannot exceed 25% of the total taxable real property appraised value in the City.
- The City's Financial Management and Performance Criteria sets a lower cap – it limits the proportion of value of property in TIF Districts at 10% of the City's total appraised value.
- Based on 2017 certified tax rolls, the proportion of Dallas' property value in reinvestment zones is now at 10.3% of the City's total appraised value.

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# FMPC Cap

- Possible actions
  - Amend FMPC to increase cap
  - Take no action, and wait for existing TIF Districts to expire
- Staff recommendation is to increase the FMPC cap to 15%, to allow room for property value increases in existing TIFs and for new or expanded districts to address the MVA findings.
- This recommendation will be presented, along with several other unrelated changes to the FMPC, at the September 5 Government Performance and Financial Management Committee.

# Development Standards

- Staff is exploring creation of Universal Design Guidelines for developments receiving financial assistance from the City
- Goal is to incorporate design features that make the facility or home usable to the greatest number of people, and to allow homes to remain usable to their owners as they age in place.
- Includes concepts such as reinforcing walls for future installation of grab bars, increased hallway widths, and no-step entrances.

# Next Steps

- Implement new TIF application immediately
- Engage underwriting consultant and begin underwriting training immediately
- Investigate use of TIF application fee and bring proposal to committee as part of TIF Policy revision proposal later this year
- Work with Housing to integrate MVA findings
- Develop strategies to improve operations of underperforming TIF Districts and review with TIF Boards throughout Q4 of 2017 and Q1 of 2018
- Create compliance and monitoring procedures by end of 2017
- Develop recommendation as to FMPC cap and bring to committee by end of 2017
- Continue research into Universal Design Guidelines

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