Status of New TIF Districts:

Grand Park South
Skillman Corridor

Economic Development and Housing Committee
October 3, 2005
On February 23, 2005, City Council approved Criteria for Evaluating Potential TIF Districts to assist in evaluating proposals beyond the minimum requirements under Chapter 311.

Since that time, five new TIF Districts have been authorized: Vickery Meadow, Design District, Southwestern Medical, Downtown Connection and Deep Ellum.

The City now has 12 TIF Districts in total. The previously established TIF Districts include State-Thomas, Cityplace, Oak Cliff Gateway, Cedars, City Center, Farmers Market and Sports Arena.

Today we will be discussing two proposed new TIF Districts:
- Grand Park South and
- Skillman Corridor.

Staff has evaluated the proposed districts and finds that each meets the requirements of Chapter 311 and the City’s Criteria for Evaluating Potential TIF Districts.
Background and Purpose

- While the proportion of property contained in TIF Districts is nearing the City policy cap of 5% of the tax base, even with the creation of these two TIF Districts, the policy allows creation of new TIF Districts with property values currently less than $200 million.

- There is interest in creating a few additional TIF Districts however, no other proposed districts are currently ready for review.

- The purpose of this briefing is to review the main components of the Grand Park South and Skillman Corridor TIF District proposals and receive input from the Economic Development and Housing Committee on these proposals.

- Subject to a favorable review, on October 12, 2005, City Council will consider calling public hearings for the creation of the Grand Park South and Skillman Corridor TIF Districts.
Background and Purpose

- Other cities have used TIFs to gain a competitive edge, examples include:
  - Houston – Uptown Galleria area
  - Fort Worth – Cabela’s
  - Fort Worth – Radio Shack
  - Frisco – Stonebriar Mall
  - Grapevine – Grapevine Mills Mall

- Creating a TIF for a purely blighted area without a catalyst project will not work, unless a developer is ready to invest money for a significant project within the first three years after creation of a TIF District.
Grand Park South TIF Proposal

- Staff has been working with the SouthFair CDC for the past year to craft a proposal to assist in revitalizing the neighborhood south of Fair Park.

- Based on staff feedback to the developer, the initial TIF proposal evolved in the following ways:
  - Added density to the proposed development plan to take advantage of proximity to downtown and DART Light Rail station.
  - Added improvements to major corridors and entry ways including MLK, Malcolm X and Grand.
  - Added improvements to the Malcolm X viaduct to improve pedestrian connections to Deep Ellum.
  - Added Design Guideline commitment.
  - Neighborhood hiring.
  - Added funding for historic façade improvements for homes on Park Row.
Grand Park South TIF Proposal

- SouthFair CDC submitted a TIF preliminary plan based on these revisions.
- Staff reviewed the plan and found it to conform with the TIF guidelines.
Grand Park South TIF Proposal

- The proposed TIF District contains approximately 333 acres.

- The proposed TIF District encompasses the neighborhood to the west of Fair Park bounded by Collum, MLK, Good Latimer and the DART maintenance facility.

- The potential TIF District would provide incentives to encourage the creation of a mixed-income neighborhood with supporting retail development and improved pedestrian connections to Deep Ellum and Fair Park.
Grand Park South TIF Proposal Map
Grand Park South TIF Proposal

- The neighborhood currently contains a large proportion of vacant land, underutilized commercial property, scattered single-family housing and some deteriorated multi-family housing.
- Historic South Boulevard is excluded from the TIF District.
- Much of the infrastructure in the area is inadequate, and amenities such as parks and schools are limited.

Vacant multi-family

Large vacant tract
Grand Park South TIF Proposal

Underutilized Retail

Vacant Residential

Malcolm X Bridge

Views of Downtown
Revenues for this TIF District are estimated to be collected in 25 years.

The estimated 2005 base real property value of the zone is approximately $46 million.

Initial development during the first three years of the TIF would include approximately 152 town homes and zero lot-line residential as well as a sports complex.
Grand Park South TIF Proposal

- Over an 25-year period, projected development includes approximately 290,000 square feet of retail, 274,000 square feet of office and 1,755 residential units.

- Additional taxable value attributed to new private investment is projected to be over $294 million during the 25 year period.

- This TIF District helps implement part of the Fair Park Gateway Concept Revitalization Plan involving SouthFair CDC, private partners, and the City.
Grand Park South TIF Proposal

Grand Park South –
Anticipated
Development
Grand Park South TIF Proposal

- The TIF investment in public infrastructure will encourage private redevelopment at a higher capacity and with additional public benefits that would not otherwise occur.

- Preliminary estimates for TIF public improvements total $16.3 million (in 2006 dollars) for:
  - Environmental Remediation & Demolition
  - Water, Wastewater & Storm
  - Historic Façade Restoration
  - Paving, Streetscape & Utility Burial
  - Open Spaces & Portals
  - Administration
Grand Park South TIF Proposal Evaluation

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Financial</th>
<th>Points (Max)</th>
<th>Points Scored</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Total new taxes generated by the District from all revenue sources exceed amount of taxes foregone - Direct monetary benefits to all taxing jurisdictions exceeds public funds invested during term of TIF District; Cash benefits to the City exceeds City expenditures</td>
<td>50</td>
<td>30</td>
</tr>
<tr>
<td>Financial</td>
<td>Other taxing units participation</td>
<td>15</td>
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</tr>
<tr>
<td>Financial</td>
<td>Comprehensive Review of Project Pro Forma - including rental rates, land costs, site analysis, construction costs, other sources of funds and grants, operating expenses and rate of return for the developer</td>
<td>20</td>
<td>20</td>
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<tr>
<td>Financial</td>
<td>A minimum of $15 million in new private investment will occur within 3 years of adoption of TIF District</td>
<td>15</td>
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<tr>
<td>Subtotal</td>
<td>100</td>
<td>70</td>
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<tr>
<td>Policy</td>
<td>Provides affordable housing - 10 points max. (5 points for each 10% affordable units): A minimum of 10% affordable housing is required for each TIF District</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Policy</td>
<td>Plan provides Urban Design Guidelines and/or historic preservation guidelines, if applicable</td>
<td>10</td>
<td>10</td>
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<tr>
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<td>Provides preferential hiring for neighborhood residents for new jobs created</td>
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<td>5</td>
</tr>
<tr>
<td>Policy</td>
<td>Enhances public investments over $10 million made within last 5 years or expected within the next 5 years (i.e. DART Light Rail System, Trinity River, bond improvements)</td>
<td>20</td>
<td>20</td>
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<tr>
<td>Policy</td>
<td>Enhances core assets of City</td>
<td>25</td>
<td>25</td>
</tr>
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<td>Policy</td>
<td>Provides direct benefits to distressed areas</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Policy</td>
<td>Adds park or green space or to City/County Trail system and provides for ongoing maintenance of these amenities</td>
<td>5</td>
<td>5</td>
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<tr>
<td>Policy</td>
<td>Complies with Fair Share Guidelines for private investment</td>
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<td>5</td>
</tr>
<tr>
<td>Subtotal</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Grant Total : Financial &amp; Policy</td>
<td>200</td>
<td>170</td>
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</tbody>
</table>

• The ranking of the proposed TIF based on the City’s criteria is shown on the table.

✓ The TIF Proposal scored 170 out of 200 possible points. This exceeds the 140 points needed for a staff recommendation.
Grand Park South TIF Proposal Evaluation - Financial

✓ Total new taxes generated by the proposed TIF exceed the amount of taxes forgone:

<table>
<thead>
<tr>
<th>Taxing Jurisdictions</th>
<th>Additional Revenues to Taxing Jurisdictions During TIF Term</th>
<th>Less:</th>
<th>Net Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Real Property Tax</td>
<td>BPP Tax</td>
<td>Sales Tax</td>
</tr>
<tr>
<td>Participating Jurisdictions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Dallas: 90%</td>
<td>$16,082,150</td>
<td>$678,813</td>
<td>$5,838,009</td>
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<tr>
<td>Dallas County: 55%</td>
<td>$4,556,274</td>
<td>$192,316</td>
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<td>Other Jurisdictions:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>DISD</td>
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<td>$1,716,605</td>
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<tr>
<td>DCHD</td>
<td>$5,675,790</td>
<td>$239,570</td>
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<td>DCCCD</td>
<td>$1,794,354</td>
<td>$75,738</td>
<td>-</td>
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<tr>
<td>DART</td>
<td>-</td>
<td>-</td>
<td>$5,838,009</td>
</tr>
<tr>
<td>Total:</td>
<td>$68,777,614</td>
<td>$2,903,043</td>
<td>$11,676,018</td>
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<tr>
<td>% of Total Tax Revenue</td>
<td>82.51%</td>
<td>3.48%</td>
<td>14.01%</td>
</tr>
</tbody>
</table>

TIF Term | 25 years
Estimated TIF Collection Period | 25 years
Windfall to City of Dallas at TIF Expiration (2035) | $4,132,627
Windfall to Dallas County at TIF Expiration (2035) | $826,773

Notes:
(1) All values are projections and expressed in year 2006 dollars with the exception of windfall values which are expressed in nominal dollars.

(2) The legal TIF life will be set at 25 years. TIF collections will begin in 2006 and continue for 25 years, at which time the budget cap of $16.3 million is expected to be reached. (Dallas County is expected to participate for 20 years)
Grand Park South TIF Proposal

Evaluation - *Financial*

- The City contribution to the TIF fund is estimated at $14.5 million (2006 dollars) over the life of the TIF.
- The City is expected to breakeven (direct monetary benefits exceeding public funds invested) six years after TIF expiration.
- Financial assumptions include City participation at 90% for 25 years and County participation at 55% for 20 years.
- Financial benefits to all taxing jurisdictions from anticipated increases in real property, business personal property, and sales taxes is positive throughout the life of the TIF – net $67 million.
Grand Park South TIF Proposal Evaluation - *Financial*

- Pro Formas for initial projects are reasonable and TIF assistance needed for development to occur.
- A minimum of $15 million in new investment will occur within the first 3 years – the proposal estimates $15.7 million in new private investment during this period.

- A total of 70 out of 100 possible financial criteria points has been met.
Grand Park South TIF Proposal Evaluation - *Policy*

- TIF projects will provide for 20% affordable housing
- Urban Design Guidelines will be developed.
- The developer has agreed to preferential hiring of neighborhood residents for new jobs created.
- The TIF will enhance core assets of the City – Fair Park.
Grand Park South TIF Proposal Evaluation - *Policy*

- The TIF provides direct benefits to distressed areas:
  - CDBG eligible census tract (20% or more of households below the poverty level)
  - Physical blight and deteriorated conditions in a portion of the area.
- Adds green space with pocket parks and pedestrian connections.
- The developer has agreed to comply with Fair Share Guidelines for private investment.
- A total of 100 out of 100 possible policy criteria points has been met.
Grand Park South TIF Proposal

Conclusion

- The TIF Proposal scored 170 out of 200 possible points. This exceeds the minimum 140 points needed for a Staff recommendation.

- On October 12, 2005, City Council will consider calling a public hearing for October 26, 2005 to consider the creation of the Grand Park South TIF District.

- Following the public hearing, City Council will consider an ordinance creating the TIF District, approving the Preliminary Plan, and establishing the TIF Board of Directors (with appointments to be filled at a later date).
Skillman Corridor TIF Proposal

- Staff has been working with the area residents to develop a preliminary TIF Plan.
- Neighborhood residents presented a petition to initiate a TIF District in the area. Unfortunately, the primary development project for the proposed petition-initiated TIF District was unable to move forward.
- Based on the initial TIF proposal staff developed a new City-initiated TIF District for the area that:
  - Expanded the boundaries of the proposed TIF District to include property in the Skillman Corridor from Medallion Center to just north of LBJ and some other property with related concerns
  - Allocated 40% of the TIF District budget to provides incentives for a Lake Highlands Town Center project
  - Allocated 60% of the TIF District budget to help revitalize the entire Skillman Corridor
  - Other standard city requirements such as provisions for affordable housing, neighborhood hiring and Design Guidelines were also included in the plan.
The Skillman Corridor TIF District represents the City's effort to provide a model for redeveloping urban corridors to take full advantage of the expanding DART Light Rail system.

Much of the property in the Skillman Corridor during the same time period and is structurally obsolete.

The current mixture of housing in the corridor does not seem to be sustainable – approximately 70% of all housing is renter occupied.

Staff reviewed the plan and found it to conform with the TIF guidelines.
Skillman Corridor TIF Proposal Map
The present conditions in the area include empty retail shops and dilapidated buildings and inadequate public infrastructure.

Vacant Retail

Lack of Pedestrian Amenities
It is estimated that there will be adequate revenue from the TIF District to collect the needed increment over 20 years although the TIF District will be set up for 30 years in case of shortfalls in the captured increment (the capture of TIF funds would be delayed for 2 years allowing the City to collect 100% of revenue for the general fund). During this initial 2 year period, the City’s general fund is projected to collect $392,000.

The estimated 2005 base real property value of the zone is approximately $341 million.

Initial development in the first three years of the TIF would include 618,000 square feet of residential and 343,540 square feet of retail space. The estimated additional taxable value is $34.5 million.
Over a 30-year period, projected development includes 740,000 square feet of retail development, 6.4 million square feet of residential development including condos, town homes, single-family homes and upgraded apartments.

Additional taxable value attributed to new private investment is projected to be a $592 million (2006 dollars) over the 30 year period.

Redevelopment concepts are shown below:
Skillman Corridor TIF Proposal

Potential Projects
Skillman Corridor TIF Proposal

Potential TOD Town Center Development
The TIF investment in public infrastructure will encourage private redevelopment that would not otherwise occur.

Preliminary estimates for TIF public improvements total $49.7 million (in 2006 dollars) for:

- Environmental Remediation and Demolition
- Interior/exterior Demolition
- Street and Utility Improvements
- Water, Wastewater, Storm
- Land Acquisition
- Park/Plaza Design and Acquisition
- Administration
Skillman Corridor TIF Proposal Evaluation

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- The TIF Proposal scored 170 out of 200 possible points. This exceeds the 140 points needed for a staff recommendation.
Total new taxes generated by the proposed TIF exceed the amount of taxes forgone:

### Skillman Corridor TIF District - Financial Summary

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<tr>
<td>City of Dallas: 85%</td>
<td>$57,192,234</td>
<td>$1,528,089</td>
<td>$24,678,216</td>
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<td>Dallas County: 55%</td>
<td>$16,203,274</td>
<td>$432,927</td>
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<td>RISD *</td>
<td>$214,438,997</td>
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<td>Other Jurisdictions:</td>
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<td>DART</td>
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<td>% of Total Tax Revenue</td>
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<table>
<thead>
<tr>
<th>TIF Term</th>
<th>30 years</th>
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<tr>
<td>Estimated TIF Collection Period</td>
<td>20 years</td>
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<tr>
<td>Windfall to City of Dallas at TIF Expiration (2035)</td>
<td>$10,364,065</td>
</tr>
<tr>
<td>Windfall to Dallas County at TIF Expiration (2035)</td>
<td>$2,134,159</td>
</tr>
</tbody>
</table>

**Notes:**

1. All values are projections and expressed in year 2006 dollars with the exception of windfall values which are expressed in nominal dollars.
2. The legal TIF life will be set at 30 years. Based on projections, TIF collections will begin in 2008 and continue for 20 years, at which time the budget cap is expected to be reached. If the budget cap is not reached, TIF collections can continue through tax year 2035.
3. Forecasts project 20 year City participation at 85%, 20 year County participation at 55%, and $10 million in total collections from RISD.
Skillman Corridor TIF Proposal Evaluation - *Financial*

- The City contribution to the TIF fund is estimated at $35.5 million (2006 dollars) over the life of the TIF.
- The City would breakeven (direct monetary benefits exceeding public funds invested) within the life of the TIF.
- Financial assumptions include City participation at 85% for 20 years, County participation at 55% for 20 years, and $10 million in total collections from the RISD.
- Financial benefits to all taxing jurisdictions from anticipated increases in real property, business personal property, and sales taxes is positive throughout the life of the TIF – net $380 million.
Skillman Corridor TIF Proposal
Evaluation - Financial

✓ The TIF is capturing value from several projects under construction. Staff has reviewed the key TOD project at Walnut Hill/Skillman and feels TIF assistance is needed for development to occur.

✓ A minimum of $15 million in new investment will occur within the first 3 years – the proposal estimates $34.5 million in new private investment during this period.

✓ A total of 85 out of 100 possible financial criteria points has been met.
Skillman Corridor TIF Proposal Evaluation - Policy

✓ TIF projects will provide for 10% affordable housing.
✓ Urban Design Guidelines will be developed.
✓ Preferential hiring of neighborhood residents for new jobs created will be incorporated in the final TIF plan.
✓ The TIF will enhance public investments over $10 million including:
  ✓ Linkages with one existing DART station and City investment in the trail system.
✓ The TIF will enhance a core asset of the City – proximity to White Rock Lake via the trail system.
Skillman Corridor TIF Proposal
Evaluation - Policy

✓ The TIF provides direct benefits to distressed areas:
  ✓ Part of a CDBG eligible census tract (20% or more of households below the poverty level)
  ✓ Physical blight and deteriorated conditions
✓ Adds green space or to a trail system and provides for on-going maintenance – some green space and potential trail connections are contemplated.
✓ Fair Share Guidelines for private investment will be incorporated in the final TIF plan.

❖ A total of 85 out of 100 possible policy criteria points has been met.
Skillman Corridor TIF Proposal

Conclusion

- The TIF Proposal scored 170 out of 200 possible points. This exceeds the minimum 140 points needed for a Staff recommendation.

- On October 12, 2005, City Council will consider calling a public hearing for October 26, 2005 to consider the creation of the Skillman Corridor TIF District.

- Following the public hearing, City Council will consider an ordinance creating the TIF District, approving the Preliminary Plan, and establishing the TIF Board of Directors (with appointments to be filled at a later date).
Conclusion

- The Grand Park South and Skillman Corridor TIF proposals each pay back the City’s TIF contribution within the life of the TIF.
- $446.5 million in net new revenue for all jurisdictions (including $56 million for the City) is projected during the life of the two TIFs (net yielded after subtracting out TIF contribution). Gross totals by revenue type:
  - Real Property = $442 million
  - Business Personal Property = $9.4 million
  - Sales Taxes = $61 million
- Total projected new development in the two TIFs: Over 9 million square feet of residential, over 1 million square feet of retail, and 290,000 square feet of office development.
- The initial annual windfall to the City once these two TIFs expire, in 2030 and 2035 respectively, is estimated at $14.5 million.
Conclusion

- The City’s Financial Management Performance Criteria recommends limiting the City’s overall tax base within TIF Districts to 5%.
- The City’s existing twelve TIF Districts encompass 3.9% of the total real property tax base (2005 value). The State-Thomas TIF has met its budget cap and will no longer collect TIF revenue (remaining construction projects will be completed by 2007).
- If the two proposed TIF Districts (Grand Park South and Skillman Corridor) are created, the real property tax base in TIFs will increase to 4.5%.
- In accordance with Chapter 311 of the Texas Tax Code, cities are allowed to designate up to 15% of the tax base within TIF Districts.