

# **Public/Private Partnership Program**

## **Guidelines and Criteria**

**Economic Development and  
Housing Committee**

**March 6, 2006**

# Purpose

- ◆ Provide an overview of the existing Guidelines and Criteria.
- ◆ Discuss issues related to future program guidelines.

# OVERVIEW

- ◆ In 1989, the City Council approved Resolution #89-3264 adopting Guidelines and Criteria governing the Public/Private Partnership Program for tax abatement agreements and other incentive programs including infrastructure cost participation, development fee rebates, public improvement districts and tax increment districts.
- ◆ As required by the Property Redevelopment and Tax Abatement Act, the Guidelines and Criteria have been adopted every two years, most recently, on December 8, 2004, as amended.

# OVERVIEW continued

- ◆ The business incentives provided under the Program are designed to:
  - ✓ Increase the commercial tax base
  - ✓ Create and retain quality jobs for Dallas residents
  - ✓ Maintain a competitive position relative to non-City of Dallas sites
  - ✓ Target investment and job growth in Southern Dallas and Enterprise Zones
  - ✓ Foster the attraction of new industry
  - ✓ Encourage the redevelopment of specific sites and areas experiencing disinvestment

# OVERVIEW

continued

- ◆ Incentives are proposed for non-residential projects wherein, “but for” the incentive, the project would not otherwise occur in the City, or it would be substantially modified in a way that reduces the benefits accruing to the City
- ◆ Factors considered prior to making incentive proposals include job creation or retention, tax base, competition for the project, financial gaps, location, zoning, etc.

# OVERVIEW

continued

- ◆ “But for” is assumed to be met in Southern Dallas. (For these purposes, Southern Dallas is defined as South of the Trinity River west of downtown and south of Interstate 30 east of downtown.)
- ◆ A project must meet predetermined minimum eligibility criteria relative to the particular site under consideration to receive City incentives. (Guidelines & Criteria and Enterprise Zone map at back of briefing)

# OVERVIEW continued

- Currently, the Program provides for the following business incentives:
  - ✓ Tax Abatement
  - ✓ Development Fee Rebates
  - ✓ Infrastructure Participation
  - ✓ Right-of-Way Abandonment Fee Rebates/Credits
  - ✓ Tax Increment Financing
  - ✓ Public Improvement Districts
  - ✓ Consideration of Grants and Loans

# OVERVIEW

## continued

- ◆ Since 1990, the City Council has considered Public/Private Program incentives for over 200 projects with over \$4.5 billion in new investment and over 50,000 jobs created or retained.
- ◆ Since 2003, the City Council has considered incentives through the Program for 19 projects with an associated \$429 million in new investment and 5,000 associated jobs.
- ◆ There are currently 75 active Public/Private Program tax abatements that resulted in \$8.7 million in forgone revenue in 2005. (Texas Instruments' abatement accounted for \$6.3 million or nearly 72 percent of this amount. Texas Instruments' abatement will expire after 2007 resulting in the City receiving this tax revenue in FY08-09.)

# OVERVIEW continued

- The 17 City Council approved tax abatements since 2003 are as follows:  
What's Hot, Gilley's, Western Cabinets,  
Focus Service Group, EPI Breads, Strategic  
Partners, Vought Aircraft, Pinnacle  
Industrial Center, LP, Jetro Holdings, Dallas  
Morning News, 7-Eleven, Pratt Industries,  
Hunt Consolidated, Reel Fx, Prime Art &  
Jewel, TCDFW I I-20,LP (Beckleymeade Dist.  
Center), and Sierra Vista (SWC Westmoreland)

# COMPETITIVE ENVIRONMENT

- ◆ Incentives available in other area communities:
  - Tax Abatement
  - Public Infrastructure
  - Utility Infrastructure
  - Sales Tax Rebates/Grants
  - Land Purchase
  - Building Purchase
  - Lease Payments/Subsidized Rent
  - Cash-in-lieu of Tax Abatements
  - Relocation Funding Assistance
  - Interest Buy Down
  - Training Grants
  - Site Development

# Incentives Offered in Texas

City	Tax Abatement	Development Fee Rebates	Tax Increment Financing	Public Improvement Districts	Grant/Loan Programs*	Infrastructure Cost Participation*	Enterprise Zones	MWBE
Arlington	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Austin	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dallas	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Frisco	Yes	No	Yes	Yes	Yes	Yes	No	No
Houston	Yes	No	Yes	Yes	No	Yes	Yes	No
Irving	Yes	No	Yes	No	No	Yes	No	No
Plano	Yes	No	Yes	Yes	No	Yes	No	No
Richardson	Yes	Yes	No	No	Yes	Yes	No	No



\*Note: Provided either by City or 4a/4b sales tax corporation.

# Incentives Offered Nationally

City	Tax Abatement	Development Fee Rebates	Tax Increment Financing	Public Improvement Districts	Grant/Loan Programs	Enterprise Zones	MWBE
Atlanta	Yes	Yes	Yes	Yes	Yes	Yes	No
Charlotte	No	Yes	Yes	Yes	Yes	Yes	No
Chicago	Yes	Yes	Yes	Yes	Yes	Yes	No
Dallas	Yes	Yes	Yes	Yes	Yes	Yes	No
Phoenix	Yes	Yes	Yes	Yes	Yes	Yes	No
San Diego	Yes	Yes	Yes	Yes	Yes	No	No
St. Louis	Yes	No	Yes	Yes	Yes	Yes	Yes

# ISSUES FOR DISCUSSION

1. Eligibility Criteria
2. M/WBE – Fair Share

# ELIGIBILITY CRITERIA

- ◆ The City has engaged in numerous initiatives to foster redevelopment in the priority areas of Southern Dallas and Downtown including:
  - NIP Program ( Land Bank, Subdivisions, Frazier Court)
  - University of North Texas Campus
  - Bond Program Financing (1998 and 2003)
  - New Terminal and Tower at Dallas Executive
  - Runway Improvements at Hensley Field
  - In-Town Housing Program
  - Tax Increment Financing
  - Historic Tax Credits
  - Arts District Venues
  - Parks Masterplan

# ELIGIBILITY CRITERIA

- Economic Development Strategic Plan highlights Southern Dallas, Downtown, and the Center City as points of emphasis for business expansion and retention (BEAR), transit-oriented development (TOD), residential growth, and retail development.

# ELIGIBILITY CRITERIA

- ◆ Continue to utilize incentives to encourage investment in high priority areas of Southern Dallas.
- ◆ Consider increasing investment and job minimums.
- ◆ Provide special consideration for projects in our Strategic Investment Areas.

# ELIGIBILITY CRITERIA

Policy	Location	Criteria	Tax Abatement
<b>Current</b>	Downtown	50 plus jobs <b>or</b> \$5M investment	Up to 90% real prop. for 10 yrs <b>or</b> up to 75% bus. prop. for 5 yrs
<b>Proposed</b>	Downtown	250 plus jobs <b>or</b> \$25M investment	No Change but limitations as follows for (1) real property abatements: none in Connection TIF, none in City Center TIF until 2012, none for spec office, and non-TIF sites require 750 jobs and \$100M investment, and (2) existing firms must expand jobs by 25% for bus. Prop. abatement
<b>Current</b>	Southern Dallas Enterprise Zone and Commercial Zone "S"	25 plus jobs <b>or</b> \$1M investment	Up to 90% real property for 10 yrs <b>or</b> up to 50% bus. prop. for 5 yrs
<b>Proposed</b>	Southern Dallas Enterprise Zone and Commercial Zone "S"	No Change	No Change

# ELIGIBILITY CRITERIA

Policy	Location	Criteria	Tax Abatement
Current	Northern Dallas Enterprise Zone	50 plus jobs <b>or</b> \$2.5M investment	Up to 50% real property for 10 yrs <b>or</b> up to 50% bus. prop. for 5 yrs
Proposed	Northern Dallas Enterprise Zone	200 plus jobs and \$10M investment	No Change
Current	Northern Dallas Commercial Zone "N"	100 plus jobs <b>or</b> \$5M investment	Case-by-case
Proposed	Northern Dallas Commercial Zone "N"	250 plus jobs and \$15M investment	No Change

# M/WBE - Fair Share

- ◆ As part of the City's M/WBE Program, staff has considered inclusion of a Fair Share requirement on private construction for projects considered for tax abatement.
- ◆ To secure Fair Share, staff is considering the following options:
  - A minimum percentage of total tax abatements granted include Fair Share (i.e., two-thirds of all abatements granted include a Fair Share component)
  - A minimum percentage of total investment covered by tax abatements include Fair Share (i.e., two-thirds of private investment eligible for abatement is subject to Fair Share)
  - Include Fair Share as consideration in negotiation of abatements (i.e., allocate a portion of negotiated tax abatement percentage to Fair Share commitment)

# Discussion

- ◆ Summary of potential revisions to the Public/Private Partnership Program Guidelines and Criteria for discussion:
  - Revise Minimum Eligibility Criteria
  - Provide special consideration for projects occurring in Strategic Investment Areas
  - Include a Fair Share requirement related to construction on projects considered for tax abatement



City of Dallas

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

## **City of Dallas Public/Private Programs**

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

## **Tax Abatement**

Temporary abatement of either real estate or personal property taxes. In limited cases, Southern Dallas projects may be considered for a combination of both real and personal property tax abatement when the combined amount does not exceed 90% of the City taxes on total new improvement value. Tax abatement for net new business personal property will require businesses to remain within the tax abatement reinvestment zone for twice as long as the duration of the abatement period. Recipient firms provide initial certification of required improvements and annual certification of job requirement. City staff may consider Dallas resident employment, contracting with local and minority and women owned businesses, efforts to exceed minimum environmental regulations, wage rates, community activities, and target industry projects when negotiating this incentive. All financial incentive terms must begin by January 1 of the second calendar year following City Council authorization.

## **Infrastructure Cost Participation**

City pays some or all of required City infrastructure (within ROWs or easements dictated to City). Participation is considered on a 'case by case' basis up to a maximum of 50% of eligible costs and contingent upon funding availability. Participation above 30% requires City bidding procedures.

## **Development Fee Rebates**

'Case by case' rebate of City fees charged in the regulation of land development on a not-to-exceed basis. Rebate payable after Certificate of Occupancy and contingent upon funding availability.

## **ROW Abandonment Rebates and Credits**

Rebate of and/or credit against monetary fees charged by the City for abandonment of public right-of-way and contingent upon funding availability. Rebates payable after City issues a Certificate of Occupancy; credits are offset against the costs of constructing certain negotiated public improvements which are not otherwise required of the developer.

## **Target Industry Projects**

Target Industry projects are generally defined as follows: Brownfields or recycling, medical and high tech. Target Industry projects must be confirmed in advance by the City in order to receive consideration under this designation.

## **Public Improvement Districts**

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

## **Tax Increment Districts**

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

## **Non-Conforming Projects**

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

## **Unique & Special Developments**

Projects which have a metro-wide market area, and bring significant outside income into the City's economy and/or non-residential projects located in blighted areas as defined by the reinvestment zone provision in the Property Redevelopment and Tax Abatement Act.

## **Competitive & Retention**

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

## **Other Sources of Financial Assistance**

### **Grants and Loans**

For qualified and approved businesses, the City will pursue programs for making loans and grants to promote local economic development.

## **Business Development Grant Program**

Companies considering a relocation/expansion in the city of Dallas may be eligible for a front-end funded grant in lieu of a tax abatement or a grant to defray project costs such as: land purchase, building costs, loan guarantees, training costs, relocation costs. Grants will be considered on a case-by-case basis and are subject funding limitations. Companies will be required to meet eligibility requirements of the Public/Private Partnership Program.

## **Local Government Corporation (LGC) Grant Program**

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

## **Enterprise Zone Project Designation (State)**

For qualified and approved businesses of 100 or more new jobs to the state of Texas, the City may apply to the State to rebate sales and use taxes paid, on a per-job basis. Also available is a reduction on a firm's franchise tax.

## **Freeport Exemption**

The City offers property tax exemption on eligible goods 'in transit'-those to be sent out of state within 175 days from acquisition to be assembled, stored, manufactured, processed or fabricated. Oil and natural gas do not qualify.

## **Foreign Trade Zone F**

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

## **Small & Minor Business Loans**

Direct loans for property acquisition, construction, equipment and working capital- may include management and technical assistance. For more information, contact Southern Dallas Development Corporation at (214) 948-7800.

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



**City of Dallas**

# **City of Dallas—Public/Private Partnership Program**

## **Guidelines and Criteria for Non-Residential Projects**

	Tax Abatement*	Infrastructure Cost Participation	Development Fee Rebates	ROW Abandonment Rebates/Credits	
	<b>Minimum Eligibility Criteria</b>	<b>percentage on added real estate or personal property value</b>	<b>City pays portion of required City infrastructure within ROWs or easements</b>	<b>rebate of fees charged by the City in the regulation of land development</b>	
SOUTHERN DALLAS ENTERPRISE ZONES and COMMERCIAL ZONE "S"	<ul style="list-style-type: none"> <li>· projects creating or retaining 25 plus jobs</li> <li>OR</li> <li>· minimum \$1 million investment</li> </ul>	<ul style="list-style-type: none"> <li>· up to 90% abatement for 10 years on added real estate value</li> <li>OR</li> <li>· up to 50% abatement for 5 years on net new business personal property</li> </ul>	<ul style="list-style-type: none"> <li>· case-by-case</li> <li>· up to 50% maximum</li> <li>· over 30% requires City bidding procedures</li> <li>· participation shall not exceed 25% of total on site improvement costs</li> </ul>	<ul style="list-style-type: none"> <li>· case-by-case</li> <li>· 100% rebate on not-to-exceed basis</li> <li>· payable after Certificate of Occupancy issued</li> </ul>	<ul style="list-style-type: none"> <li>· 25% rebate</li> <li>· credit for special public improvements</li> </ul>
NORTHERN DALLAS ENTERPRISE ZONES	<ul style="list-style-type: none"> <li>· projects creating or retaining 50 plus jobs</li> <li>OR</li> <li>· minimum \$2.5 million investment</li> </ul>	<ul style="list-style-type: none"> <li>· up to 50% abatement for 10 years on added real estate value</li> <li>OR</li> <li>· up to 50% abatement for 5 years on net new business personal property</li> </ul>	<ul style="list-style-type: none"> <li>· case-by-case</li> <li>· up to 50% maximum</li> <li>· over 30% requires City bidding procedures</li> <li>· participation shall not exceed 25% of total on site improvement costs</li> </ul>	<ul style="list-style-type: none"> <li>· case-by-case</li> <li>· 100% rebate on not-to-exceed basis</li> <li>· payable after Certificate of Occupancy issued</li> </ul>	<ul style="list-style-type: none"> <li>· 25% rebate</li> <li>· credit for special public improvements</li> </ul>
CENTRAL BUSINESS DISTRICT (ZONE "C")	<ul style="list-style-type: none"> <li>· projects creating or retaining 50 plus jobs</li> <li>OR</li> <li>· minimum \$5 million investment</li> </ul>	<ul style="list-style-type: none"> <li>· up to 90% abatement for 10 years on added real estate value</li> <li>OR</li> <li>· up to 75% abatement for 5 years on net new business personal property</li> </ul>	<ul style="list-style-type: none"> <li>· case-by-case</li> <li>· up to 50% maximum</li> <li>· over 30% requires City bidding procedures</li> <li>· participation shall not exceed 25% of total on site improvement costs</li> </ul>	<ul style="list-style-type: none"> <li>· case-by-case</li> <li>· 100% rebate on not-to-exceed basis</li> <li>· payable after Certificate of Occupancy issued</li> </ul>	<ul style="list-style-type: none"> <li>· rebate not available</li> <li>· credit for special public improvements</li> </ul>
NORTHERN DALLAS COMMERCIAL ZONE "N"	<ul style="list-style-type: none"> <li>· projects creating or retaining 100 jobs</li> <li>OR</li> <li>· minimum \$5 million investment</li> </ul>	<ul style="list-style-type: none"> <li>· case-by-case</li> </ul>	<ul style="list-style-type: none"> <li>· not available</li> </ul>	<ul style="list-style-type: none"> <li>· not available</li> </ul>	<ul style="list-style-type: none"> <li>· not available</li> </ul>
NON-CONFORMING	<ul style="list-style-type: none"> <li>· case-by-case</li> </ul>	<ul style="list-style-type: none"> <li>· negotiable terms</li> </ul>	<ul style="list-style-type: none"> <li>· negotiable terms</li> </ul>	<ul style="list-style-type: none"> <li>· negotiable terms</li> </ul>	<ul style="list-style-type: none"> <li>· negotiable terms</li> </ul>

The information contained herein shall not be construed as implying or suggesting that the city of Dallas is offering or is under obligation to provide tax abatement or other incentives to any applicant, and all applicants shall be considered on a case-by-case basis. Pawnshops, Sexually Oriented Businesses, Bars, Truck Stops and Dealerships are excluded from consideration for incentives provided under this program.

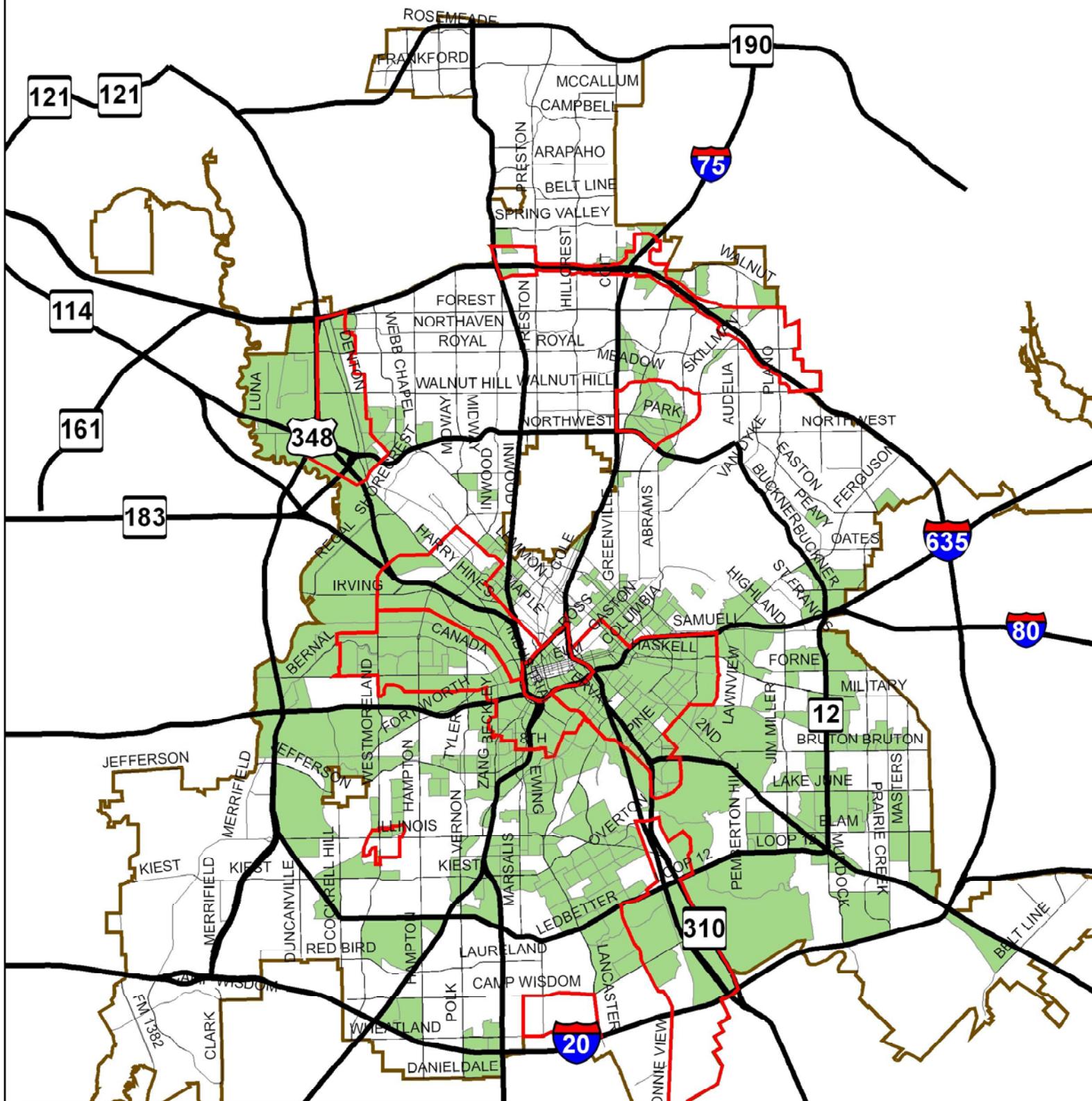
Firms willing to pay at or above Living Wage levels for certain job classifications may be considered for a 10% bonus tax abatement.

December 2004



# **City of Dallas Enterprise Zone & Strategic Investment Areas**

City of Dallas



## Legend

-  Strategic Investment Areas
  -  Enterprise Zone 2000 Census Block Groups
  -  City Limit