Memorandum

DATE November 14, 2008

TO Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Jerry R. Allen, Dwaine Caraway, Sheffie Kadane, Linda Koop, Mitchell Rasansky and Steve Salazar

SUBJECT Maple/Mockingbird TIF District Briefing; Council District 2

A briefing on the proposed Maple/Mockingbird Tax Increment Financing (TIF) District will accompany this memo, providing additional information on the proposed TIF District.

The Maple/Mockingbird TIF District is located southwest of Love Field Airport and northwest of the Southwestern Medical District (including UT Southwestern Medical, Parkland and Children’s Hospitals) and is intended to create a funding source to encourage the redevelopment of obsolete multi-family and commercial buildings, inadequate retail centers, and underutilized industrial facilities in the area. Anticipated projects within the District will encourage greater retail opportunities and improved housing options for the area.

The taxable appraised value of real property in the Zone for tax year 2008 was $145,215,700, based on information from the Dallas Central Appraisal District. That equated to 0.20% of the $71,956,080,683 of taxable real property in the City of Dallas. Texas cities may not designate a reinvestment zone if the total appraised value of taxable real property in the proposed zone and other existing zones exceeds 15% of the total appraised value of taxable real property in the municipality. The value of the proposed zone and other reinvestment zones in Dallas is less than this statutory limit.

Moreover, the appraised value of taxable real property in this and all other Dallas TIF reinvestment zones combined is below the maximum threshold of 10% of the City’s tax base as set by the City’s Financial Management Performance Criteria (FMPC) as amended on April 11, 2007.

Currently, the proportion of the City’s tax base contained in TIF Districts is 6.77% based on FMPC guidelines (vs. 10% cap) and 8.59% for taxable real property only (State cap is 15%). These numbers include the proposed TOD TIF District. The proposed Maple/Mockingbird TIF District would raise the percentages to 6.94% and 8.79%, of FMPC and State guidelines respectively.

During the 25-year term of the proposed TIF District, additional taxable value attributed to new private investment is projected to be approximately $286 million. TIF collections would begin in 2009 and it is anticipated the TIF budget of approximately $45 million in total dollars ($24.4 million NPV) will be collected in 21 years. The catalyst project for
the proposed TIF District is West Love Market. This development is projected to generate approximately $58 million in added tax value to the district, with a total development cost of $100 million.

On November 10, 2008, City Council took the preliminary step of authorizing a public hearing to receive comments on the proposed district. The Council will conduct a public hearing and consider the creation of the Maple/Mockingbird TIF District on December 10, 2008. A request for a waiver of the 60-day requirement for public hearing was sent to Dallas County and the Dallas Independent School District, as required by State Law.

Upon completion of the briefing, if the Committee is supportive of the proposed Maple/Mockingbird TIF District, Staff will forward the proposal to create the District to the full City Council on December 10, 2008.

Please contact me if you have any questions.

A. C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suohm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge Victor C. Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Budget & Management Services
Karl Zavitkovsky Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Vernae Martin, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

"Dallas, Together, we do it better."
Maple/Mockingbird TIF District

Economic Development Committee

November 17, 2008
Overview

- The purpose of the briefing is to review a proposed TIF located in the area between Love Field and the Southwestern Medical Center.

- The area is on the DART light rail system’s Green Line (Construction completion date December 2010)
  - Inwood Station – located within the TIF District on the southwest corner of Inwood Street and Denton Drive
  - Love Field Station – located north of Burbank Street, west of Denton Drive
  - Southwestern Medical District/Parkland Station – located north of Medical District Drive (formerly Motor Street), east of Harry Hines

- A catalyst mixed use project is expected to kick off area redevelopment
  - West Love Market
Background

- The TIF Program was first implemented in the City of Dallas in 1988. Sixteen TIF Districts were created since then with one additional TIF District (TOD TIF District) to be considered by City Council on December 10, 2008. The City’s TIF policy was created to insure that the TIF program continues to serve evolving City financial needs.

- State Law “caps” at 15% the amount of the City’s real property tax base within reinvestment zones (TIF and Tax Abatement “RZs”) stating that “a municipality may not create a reinvestment zone if the total appraised value of taxable real property in the proposed zone and in existing reinvestment zones exceeds 15 percent of the total appraised value of taxable real property in the municipality”
In April 2007, Council amended the Financial Management Performance Criteria (FMPC) related to reinvestment zones to clarify that:

- The City’s tax base would be defined as **taxable real** and **business personal** property.
- TIF RZs are counted for taxable real property and Tax Abatement RZs for real and BPP (if BPP is being abated).
- RZs that are no longer collecting tax increment or abating taxes (i.e. now contributing 100% to the City of Dallas property tax revenues) will be excluded from the calculation.
Background (continued)

- Currently, the proportion of the City’s tax base contained in TIF Districts is 6.77% based on FMPC guidelines (vs. 10% cap) and 8.59% for taxable real property only (State cap is 15%). These percentages include the proposed TOD TIF District.

- The proposed Maple/Mockingbird TIF District would raise the percentages to 6.94% and 8.79%, of FMPC and State guidelines respectively.
Proposals for new TIF Districts are evaluated on the following criteria:

- **Financial Performance**
  - Taxes generated exceed taxes foregone;
  - Financial Participation by other taxing entities;
  - Incentives needed to make a project feasible (review of pro formas); and
  - Minimum of $15 million invested within 3 years of adoption

- **Public Policy** – The proposed TIF Plan provides for:
  - Affordable Housing
  - Strong Urban Design;
  - Preferential hiring of neighborhood residents;
  - Enhancement of other public investments
  - Enhancement of core assets of the City of Dallas
  - Benefits to distressed areas (statistically low-income areas)
  - Adds parks, trails or green space
  - Fair Share Policy compliance (M/WBE business hiring)
Background (continued)

Provisions of the proposed Maple/Mockingbird TIF District were negotiated to follow these guidelines:

- The district will receive a lower proportion of City property taxes over the early term of the TIF District to accelerate delivery of property tax revenue to the General Fund

- The district has a significant minimum project commitment (approximately $58 million in added value and $100 million in total cost) - West Love Market development

- The District proposal includes early termination if negotiated private investment requirements are not met in five years
Maple/Mockingbird TIF Proposal Overview

- The Maple/Mockingbird TIF District is located in an area southwest of Love Field Airport and northwest of the Southwestern Medical Center.
- The District contains approximately 368 acres (excluding public rights-of-way).
- The District is intended to create a funding source to encourage redevelopment of the area between Love Field Airport and the Southwestern Medical District (including UT Southwestern Medical, Parkland and Children’s Hospitals).
- The property within the proposed district is located west of Lemmon Avenue, an area that retailers traditionally bypassed for store sites located on or east of Lemmon Avenue.
The Maple/Mockingbird TIF District is generally bounded by Empire Central Drive to the north, Harry Hines Boulevard to the west, Amelia Street to the south, and Cedar Springs Road to the east.
Maple/Mockingbird TIF Proposal
Overview – Existing Conditions

Mobile home park and residential property on Empire Central Place

Functionally obsolete multi-family properties

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Maple/Mockingbird TIF Proposal
Overview – Existing Conditions (continued)

Abandoned and deteriorated commercial buildings

Retail center with an extremely low occupancy rate
Maple/Mockingbird TIF Proposal Overview – DART Station (continued)

Rendering of DART’s Green Line Inwood Station which is scheduled to open in December of 2010

DART’s Green Line extension under construction
Maple/Mockingbird TIF Proposal
Overview – Preliminary Plan Goals

- **Goal 1** – To create additional taxable value attributed to new private investment in projects in the Mockingbird/Maple TIF District totaling approximately $286 million over the initial ten years of the TIF District.

- **Goal 2** – To attract new private development adding approximately 1,923 new residential units to increase the area’s population density and approximately 1.2 million square feet of new retail and commercial space.

- **Goal 3** – To increase the District’s housing options while maintaining an affordable housing component of 20% of all new units built.

- **Goal 4** – To focus on encouraging the redevelopment of properties in the area west of Love Field for new commercial uses with enhanced urban design.

- **Goal 5** – To diversify retail and commercial uses in the District by identifying redevelopment options for obsolete and under-utilized commercial structures, thereby capturing demand from residents of Oak Lawn, the Park Cities, Bluffview and Northwest Dallas.
Maple/Mockingbird TIF Proposal
Overview – Preliminary Plan Goals (continued)

- **Goal 6** – To improve access and connections to the Inwood and Love Field stations on DART’s Green Line and to support higher levels of ridership at these stations

- **Goal 7** – To improve recreational opportunities for the community and connections to the City of Dallas’ trails and open space system in the District, enhance connections to other trail systems within Dallas County, and create additional recreational amenities in the area

- **Goal 8** – To sustain the stability of local schools as redevelopment occurs in the housing market by maintaining strong communications between the Dallas Independent School District and area developers

- **Goal 9** – To make a desirable neighborhood that incubates and supports growth of the Medical Center and medical businesses in Dallas, particularly taxable property and employment related to medical technology

- **Goal 10** – To generate approximately $24.4 million NPV or approximately $45 million in total dollars in TIF revenues over 21 years of collections
The estimated **2008 base value** for the District is $145,215,700 and anticipated to **grow to approximately $450 million** by 2033 – with **$286 million** forecasted from new private investment in the initial ten years of the TIF District.

To increase the immediate impact on the General Fund, TIF collection will be lower in the initial years of the TIF District. **City participation** for **25 years** is proposed to follow a modified bell curve:

- 70% in **2009 through 2011**
- 85% in **2012 through 2026**
- 70% in **2027 and thereafter**

**Dallas County** participation is anticipated at **55%** for the first 20 years of the TIF District, starting in 2009.

The proposal includes a catalyst project (West Love Market) with a total anticipated private investment of $100 million.
### Maple/Mockingbird TIF Proposal

#### Overview – TIF Increment Chart

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Property Value Estimate (1.5% Appreciation)</th>
<th>Property Value Estimate (New Development)</th>
<th>Cumulative Prop Val Growth</th>
<th>Anticipated Rate</th>
<th>Partn TIF Contribution Rate</th>
<th>City TIF Contribution Rate</th>
<th>County TIF Contribution Rate</th>
<th>Dallas County TIF Contribution Rate</th>
<th>Total TIF</th>
<th>2008 NPV @ 5.00%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base 2008</td>
<td>$145,215,700</td>
<td>$145,215,700</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$285,586,776</td>
</tr>
</tbody>
</table>

#### PROJECTED TIF INCREMENT SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>Property Value</th>
<th>Property Value</th>
<th>Cumulative Prop Val Growth</th>
<th>Anticipated Rate</th>
<th>Partn TIF Contribution Rate</th>
<th>City TIF Contribution Rate</th>
<th>County TIF Contribution Rate</th>
<th>Dallas County TIF Contribution Rate</th>
<th>Total TIF</th>
<th>2008 NPV @ 5.00%</th>
</tr>
</thead>
</table>

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# Maple/Mockingbird TIF Proposal Overview – TIF Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimated TIF Expenditure (NPV)*</th>
<th>Estimated TIF Expenditure (Actual)**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure/Utility Improvements</td>
<td>$14,050,000</td>
<td>$25,763,490</td>
</tr>
<tr>
<td>(paving, streetscape, water/wastewater, storm sewer, utility burial and relocation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Remediation and Demolition</td>
<td>$1,700,000</td>
<td>$3,117,291</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>$3,500,000</td>
<td>$6,417,951</td>
</tr>
<tr>
<td>Retail Grant Program</td>
<td>$3,750,000</td>
<td>$6,876,376</td>
</tr>
<tr>
<td>Administration &amp; Implementation</td>
<td>$1,422,146</td>
<td>$2,607,790</td>
</tr>
<tr>
<td><strong>Total Project Costs (excluding interest)</strong></td>
<td>$24,422,146</td>
<td>$44,782,898</td>
</tr>
</tbody>
</table>

* All values discounted to 2009 dollars at 5% annually. Actual expenditure value will depend on timing of project cost.

** All values are estimated expenditures based on Annual TIF Project Costs and Debt Service schedules. These values depend on timing of projects and will fluctuate. An interest rate of 5% is used throughout the TIF term.
### Maple/Mockingbird TIF Proposal
#### Overview – Projected Development Projects

<table>
<thead>
<tr>
<th>Project #</th>
<th>Project Name</th>
<th>Total Value</th>
<th>Complete by Jan 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Balcones West Love Field</td>
<td>$35,405,707</td>
<td>2011</td>
</tr>
<tr>
<td>2</td>
<td>David Weekly</td>
<td>$19,218,335</td>
<td>2011</td>
</tr>
<tr>
<td>3</td>
<td>Realty Capital</td>
<td>$28,959,359</td>
<td>2011</td>
</tr>
<tr>
<td>4</td>
<td>Balcones Apartments</td>
<td>$22,911,672</td>
<td>2012</td>
</tr>
<tr>
<td>5</td>
<td>Stream Realty</td>
<td>$93,716,720</td>
<td>2014</td>
</tr>
<tr>
<td>6</td>
<td>JLB</td>
<td>$27,512,896</td>
<td>2013</td>
</tr>
<tr>
<td>7</td>
<td>Hudnall at Denton Cutoff</td>
<td>$34,151,277</td>
<td>2012</td>
</tr>
<tr>
<td>8</td>
<td>2516 Orleans</td>
<td>$23,710,810</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Total Value</strong></td>
<td></td>
<td><strong>$285,586,776</strong></td>
<td></td>
</tr>
</tbody>
</table>
Maple/Mockingbird TIF Proposal
Catalyst Project – West Love Market

- Over 400,000 square feet of retail space
- 37 acres in size
- Anticipated additional taxable value is $35.4 million in retail space and $23 million in residential development (Phase II)
Maple/Mockingbird TIF Proposal Catalyst Project – West Love Market
Creation of the Maple/Mockingbird TIF District is recommended. The proposed TIF District:

- Promotes denser, pedestrian oriented residential, and support of medical related uses given its strategic location and proximity to the Love Field Airport and Southwesterner Medical District
- Promote rail station area redevelopment
- Expands retail activity in an underserved retail market

Public Hearing and Council Consideration on December 10, 2008
Appendix

- TIF Ranking Sheet for Maple/Mockingbird TIF District
- Financial and Policy Evaluation
- Maple/Mockingbird TIF Proposal Financial Summary
Maple/Mockingbird TIF District Financial and Policy Ranking

- The ranking of the proposed TIF on the City’s criteria is shown on the table.
- The TIF proposal scored 165 out of 200 possible points. This exceeds the 140 points needed for staff’s recommendation.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Points (Max)</th>
<th>Points Scored</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total new taxes generated by the District from all revenue sources exceed amount of taxes foregone</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Direct monetary benefits to all taxing jurisdictions exceeds public funds invested during term of TIF District</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Cash benefits to the City exceeds City expenditures - full points if within the term of the TIF; 10 fewer points for each 3 years without City payback</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Other taxing units participation</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<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>10</td>
</tr>
<tr>
<td>A minimum of $15 million in new private investment will occur within 3 years of adoption of TIF District</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>100</td>
<td>80</td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<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>Plan provides Urban Design Guidelines and/or historic preservation guidelines, if applicable</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Provides preferential hiring for neighborhood residents for new jobs created</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<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>
</tr>
<tr>
<td>Enhances core assets of City</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Provides direct benefits to distressed areas</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<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>0</td>
</tr>
<tr>
<td>Complies with Fair Share Guidelines for private investment</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>100</td>
<td>85</td>
</tr>
<tr>
<td><strong>Grant Total : Financial &amp; Policy</strong></td>
<td>200</td>
<td>165</td>
</tr>
</tbody>
</table>
Maple/Mockingbird TIF Proposal
Financial Evaluation

Total new taxes generated by the Proposed TIF exceeds the amount of taxes forgone.

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<table>
<thead>
<tr>
<th>Taxing Jurisdictions</th>
<th>Total 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>$26,940,075</td>
<td>$1,817,204</td>
<td>$28,040,180</td>
</tr>
<tr>
<td>Dallas County: 55%</td>
<td>$8,828,538</td>
<td>$554,243</td>
<td>-</td>
</tr>
<tr>
<td>Other Jurisdictions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DISD</td>
<td>$46,792,824</td>
<td>$554,243</td>
<td>-</td>
</tr>
<tr>
<td>DCCCD</td>
<td>$3,459,415</td>
<td>$554,243</td>
<td>-</td>
</tr>
<tr>
<td>DART</td>
<td>-</td>
<td>-</td>
<td>$28,040,180</td>
</tr>
<tr>
<td>Total</td>
<td>$96,848,215</td>
<td>$4,097,167</td>
<td>$56,080,361</td>
</tr>
<tr>
<td>% of Total Tax Revenue</td>
<td>61.68%</td>
<td>2.61%</td>
<td>35.71%</td>
</tr>
</tbody>
</table>

Notes:

(1) All values are projections and expressed in year 2009 dollars with the exception of windfall values which are expressed in nominal dollars.

(2) The legal TIF life will be set at 25 years. Based on projections, TIF collections will begin in 2009 and continue for 25 years, at which time the budget cap of $24.4 million is expected to be reached.

(3) Forecasts project City participation for 25 years at varied rates and County participation for 20 years at 55%.

* Windfall defined as total new tax revenue (RPT, BPP, and Sales) generated as a result of new development in TIF District as of the expiration of the TIF.
Maple/Mockingbird TIF Proposal
Financial Evaluation

- Revenues for this TIF District are estimated to be collected in 21 years.
- As a result of the City’s participation being phased between 70% and 85%, during the life of the TIF, there will be continuous revenue flow to the general fund.
- The City is expected to break even (direct monetary benefits exceeding public funds invested) within the life of the TIF.
- It is estimated the City’s general fund will have receive approximately $85.2 million (total dollars) in added revenue during the life of the TIF District.
- Financial benefits to all taxing jurisdictions from anticipated increased in real property, business personal property and sales taxes is an estimated net $336 million.
- A minimum of $15 million in new investment will occur within the first 3 years.
- The TIF proposal scored a total of 80 out of 100 possible criteria points.
Maple/Mockingbird TIF District Policy Evaluation

- TIF project will provide 20% affordable housing
- Urban design guidelines will be developed through the TIF Board of Directors
- Preferential hiring of neighborhood residents for new jobs created is incorporated in the TIF Plan
- The TIF will enhance the Love Field Airport, DART and medical district
- The TIF provides direct benefits to distressed areas
- Fair Share Guidelines for private investment is incorporated in the TIF plan
- The TIF proposal scored a total of 85 out of 100 possible criteria points